

Rating Action: Capitec Bank Limited

MOODY'S ASSIGNS Baa1.za/Prime-2.za NATIONAL SCALE ISSUER RATINGS TO CAPITEC BANK LIMITED OF SOUTH AFRICA

First-time Ratings

Limassol, January 10, 2006 -- Moody's Investors Service has assigned Baa1.za/Prime-2.za national scale issuer ratings to Capitec Bank Limited of South Africa. Moody's said that the ratings assigned to the bank reflect its good position in the South African microlending industry, as well as its currently strong financial fundamentals and moderate levels of possible support from the regulatory authorities in case of need. Although young and small, Capitec Bank has been growing fast and establishing itself as one of the leaders in the microlending industry. Its smart business model is based on state-of-the-art front-end technology, enabling it to provide low-cost and efficient banking services to the low-income-earning population. Lending has mainly been for short tenors of one and three months and the bank has only recently started attracting deposits from customers.

Moody's considers that Capitec Bank's full banking licence gives it an edge over its direct competitors, but also poses a key challenge in making the transition to a full service bank. The challenge will be to grow its stable customer base and business volumes in order to derive scale efficiencies and to better utilise its infrastructure. Moody's believes that Capitec Bank's ability to provide a suite of banking products and services should enable it to grow its stable customer base and to retain them, and also to lengthen its loan tenors. Nevertheless, Moody's sees risks in this transition, as well as challenges, including the implementation in 2006 of the National Credit Bill which, Moody's believes, will impact the operations and financial performance of the bank and all other microlenders.

Moody's has imputed some external support in the bank's ratings. In Moody's view, Capitec Bank's involvement in a market sector that is nurtured by the government in order to support the low-income-earning population of South Africa could qualify it to receive assistance from the regulatory authorities, should such support ever be required.

Capitec Bank Limited is headquartered in Stellenbosch, South Africa and had total assets of ZAR 804million (\$ 139million) as at financial year ended 28 February 2005.

London
Adel Satel
Managing Director
Financial Institutions Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Limassol
Mardig Haladjian
General Manager
Financial Institutions Group
Moody's Investors Service Cyprus Limited
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

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