



APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Capitec HY 2026 Results

Share Price
Date

R3 456.64
02 October 2025

RESULTS SUMMARY

Capitec reported another impressive interim performance with growth in headline earnings of 26% and a 2% improvement in the group's return on equity to 31%, far exceeding peers' recent performance.

Growth was supported by innovations in personal banking including a new cross border money transfer collaboration with Mama Money, launch of mobile Capitec Connect devices and financing to further support growth of Capitec Connect and launch of an accessible credit card to assist clients entering the credit market. Furthermore, the recently launched Business Banking division continued to scale aggressively, as indicated in the growth of GlobalBiz Clients (+57%) and Trading Merchants (+165%). Funeral and Life cover growth momentum was maintained, supporting a 45% increase in the net insurance result. Geographic expansion gained pace with new product structures launched in Latvia and Mexico through AvaFin.

There is no shortage of growth levers to accelerate Capitec's growth over the medium term including the scale of Business Banking and Life cover in South Africa, as well as continued innovation and product expansion opportunities internationally through AvaFin. The interim dividend was increased in line with headline earnings, up 26% to 2620 cents per share.

OUR LONG-TERM INVESTMENT VIEW

- Still regarded as a young bank in the South African context, in over 20 years Capitec has amassed the largest retail client base in the country, growing to 24 million clients. Over the period the bank has built a reputation for affordability, transparency, and trust, which still resonates with its clients and remains relevant across the South African population today. A large part of the bank's growth can be attributed to its leading digital strategy, underpinned by its universal banking mobile application.
- Increased usage of the digital banking application has driven efficiencies in terms of both servicing and selling to clients. This has allowed the bank to report highly competitive cost-to-income ratios as well as successfully diversify and grow into new product categories such as life insurance and mobile network services. Growth into these product categories has allowed the bank to meaningfully grow non-interest revenue, which is now larger than the income derived from savings and lending, adding diversity and stability to the bank's earnings profile.
- Our long-term investment case is predicated on Capitec continuing to leverage their digital platform to drive penetration of existing and new products into their large client base as well as to new clients. We believe Capitec's digital-led offering has the potential to capture meaningful market share, both in South Africa and internationally, and drive earnings growth into the future.

UNPACKING THE HY 2026 RESULTS

High level numbers

- **Net interest income** (NII) and **non-interest revenue** (NIR) rose 23% and 19% to R11.9bn and R13.4bn respectively. NII was driven by double digit growth in loans and advances while interest expense decreased as a result of a reduction in the local repo rate. A 36% increase in value-added services (VAS), doubling in Capitec Connect income and 45% increase in insurance net income drove the growth in NIR.
- **Credit impairment** charges increased 17% to R4.7bn while the **credit loss ratio** deteriorated slightly from 7.6% to 7.9% driven by AvaFin.
- **AvaFin**, Capitec's 98%-owned fintech loan provider, operates online consumer lending businesses in Poland, Latvia, Czechia, Spain and Mexico. Loans advanced are predominantly short-term and unsecured.
- AvaFin's loans and advances increased 48% to R3.4bn while credit impairments more than doubled to R761 million. AvaFin contributed R124 million to the group's headline earnings.
- **Business Banking** continued to scale aggressively, indicative in the growth of trading merchants, from 31 133 in the comparable

- **Operating expenses** rose 16% to R9.9bn lagging the growth in revenue, as a result, the cost to income ratio improved from 41% to 40%.
- The bank maintained a strong financial position, with a **capital adequacy ratio** of 33%.
- **Headline earnings** (R8bn) and the **interim dividend per share** (2620 cents) increased 26% respectively. The bank's **return on equity** rose 2% to 31% and exceeded management's medium term target of 28%.

Personal Banking growth momentum maintained

- Headline earnings increased 10% to R3 billion driven by a 16% increase in NII (to R9.2bn).
- Loans and advances rose 9% to R92.9bn while expected credit losses rose by a lesser 3%. As a result net loans and advances grew strongly at 11%.
- Net credit impairment charges remained subdued with growth of 5% for the period and the credit loss ratio improved from 8.3% to 8.1%.
- Active clients rose 7% to 24.4 million supporting a 7% increase in transaction volumes.
- Value-added services (VAS) net income increased 36% to R2.7bn driven by a 20% increase in the volume of transactions which includes sending cash and vehicle license renewals amongst other convenience functions. Capitec Connect net income more than doubled to R165 million driven by an 83% increase in active clients.
- Active funeral policies rose 17% while the sum assured increased 19%, collectively driving a 82% increase in funeral policy net income. The bank continued to scale its recently launched Life cover solution and active policies tripled to 152 665 while net income increased to R40 million from R8 million in the comparable period.
- Combined, the insurance business headline earnings increased 38% to R2.1bn.

period to 85 281 at the end of August 2025.

- Business banking net loans increased 23% to R24.5bn which supported a 12% increase in NII to R882 million. Net credit impairment charges increased 35% to R255 million driven by a higher mix of unsecured lending (eg. overdrafts). The credit loss ratio remained manageable at 2.1%.
- As a result of developing an enterprise payment system to support card, online and bulk payments, Capitec Pay was integrated into the Business Banking division. Net transaction and commission income increased 71% to R702 million. Excluding Capitec Pay, net transaction and commission income increased 12% to R460 million, including the discounts provided on merchant commission rates and card machines.

Looking ahead

The group remains focused on leveraging its data and evolving AI capabilities to launch new innovative solutions while improving customer service. Management has many strategic actions to deliver on, including the scale and successful growth of business banking, life cover, sustaining growth in personal banking, while strategically guiding and funding AvaFin's geographic expansion.

The Bottom Line

With a proven leadership team, scalable operations and a strong digital foundation, Capitec is well positioned to continue delivering earnings growth ahead of peers. We therefore believe it remains deserving of a premium valuation relative to its local peer group.

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