



APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Capitec HY 2027 Results

Share Price
Date

R4295.37
01 October 2026

RESULTS SUMMARY

Capitec delivered a resilient set of interim FY27 results, with diluted headline earnings per share increasing 18%, slightly below the 19% analyst consensus. Growth was broad-based, driven by FinTech (VAS and Capitec Connect), Insurance and Business Banking. Return on equity remained strong at 31%, maintaining Capitec's position as a market-leading performer.

The main negative was a 21% increase in credit impairment charges. While higher provisioning partly reflected growth in the credit book, particularly in Business Banking, the larger driver was changes to economic assumptions. Management expects the local macroeconomic environment to weaken over the next 12–18 months, with higher inflation and interest rates likely to put further pressure on consumers.

Capitec remains focused on diversifying beyond traditional banking through value-added services and expanding Business Banking, where its market share is still only around 5%. Client growth remains encouraging, with fully banked clients up 10%, high-income earners up 22% and multiple-income earners up 138%. We expect continued client growth, deeper customer relationships and the expansion of value-added services to support earnings growth, while providing further opportunities to scale the business over the medium term.

OUR LONG-TERM INVESTMENT VIEW

- Still regarded as a young bank in the South African context, in over 25 years Capitec has amassed the largest retail client base in the country, growing to 25.7 million active 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 2027 RESULTS

High level numbers

- **Net interest income** (NII) and **non-interest revenue** (NIR) rose 7% and 21% respectively to R12.7bn and R16.1bn. NII was driven by a 21% increase in loans disbursed while NIR benefited from a 14% increase in transaction volumes.
- **Credit impairment charges** increased 21% to R5.7bn. This was driven by a combination of factors including assumption changes related to a deteriorating macro-economic outlook over the next 12 – 18 months and increased advances to a relatively new cohort of

- Net Life cover insurance income decreased 45% to R22m driven by changes in valuation assumptions and a higher claims experience. Active life cover policies nearly doubled (+95%) to 297 040. Combined, the insurance business headline earnings increased 22% to R2.5bn.

AvaFin's transition driving short term volatility

- AvaFin, Capitec's 98%-owned fintech loan provider, operates online consumer lending businesses in Poland, Latvia, Czechia, Spain and Mexico. Loans advanced were predominantly

customers across business and entrepreneurial banking. The **credit loss ratio** deteriorated from 7.9% to 8.4%.

- **Operating expense** growth was well contained at 5% as the group grows into the platform investments made over the past few years, particularly in the business banking and insurance divisions. The **cost to income ratio** improved from 40% to 36%.
- The group maintained a strong financial position, with a **capital adequacy ratio** of 34%.
- **Headline earnings** (R9.5bn) and the **interim dividend per share** (3 110 cents) increased 19% respectively. **Return on equity** was maintained at 31%.

Personal Banking growth momentum maintained

- Headline earnings rose 17% to R6.3bn driven by value added services (VAS) and Capitec Connect.
- Despite its significant retail banking market share, Capitec's active client base grew 5.3% to 25.7 million whilst the more profitable fully-banked client cohort increased 10% to R10.4 million.
- The gross loan book increased 9% and surpassed the R100bn threshold at R101.7bn. Loans advanced during the period increased 20% driven by a 35% increase in credit card disbursements. Average deposit balances rose 10% to R156.7bn.
- Net credit impairment charges increased 24% to R4.6bn predominantly driven by a worsening macro-economic outlook. The credit loss ratio deteriorated to 9.2% from 8.1%. Excluding the assumptions changes related to the deterioration in the macro-economic outlook, the credit loss ratio would have been 8.5%.
- Fintech, including value-added services (VAS) and Capitec Connect, net income increased 30% to R2.7bn. Growth was driven by an increase in clients (+14%) as well as transaction volumes (+26%).
- Active funeral policies increased to 3.8 million and net funeral cover insurance income increased 34% to R1.8bn. Funeral Cover remained the largest contributor to net insurance earnings growth.

short-term and unsecured.

- AvaFin's contribution to group headline earnings decreased 25% to R90m (EUR4.8m) and loans disbursed increased 4% to EUR314m.
- AvaFin's transformation from a shorter-term to a longer-term lender is in progress and volatile operating results can be expected during this period.

Business Banking scaling at pace

- Business Banking was the star performer in the group with headline earnings accelerating 52% to R609m.
- NII increased 41% to R1.4bn driven by growth in the loan book (+37%).
- Credit impairment charges more than doubled to R567m driven by increased "scored" lending.
- "Scored" lending involves the review of business transaction data (captured via a Capitec POS device) in order to determine credit appetite. Capitec views scored, unsecured business lending as essential to scaling small businesses in SA.

Looking ahead

Capitec is expected to navigate the weaker macroeconomic environment through conservative credit provisioning while maintaining lending momentum, particularly to entrepreneurs and small businesses. AvaFin is transitioning from short- to longer-term lending with larger loan sizes, which may weigh on near-term operational performance but should support a more sustainable and profitable business over time. Continued growth in Business and Personal Banking, combined with operating leverage, should support further improvements in profitability and ROE.

Bottom Line

We recognise the near-term risks from a weaker local economy but expect Capitec to manage the cycle prudently while continuing to strengthen its position across retail, insurance and business banking. Strong growth and returns continue to justify a premium valuation relative to peers.

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