

Company Update Report

Capitec Bank Holdings Limited

Financials

Analyst thesis

Ticker	CPI-ZA
Share price	R4 703
Intrinsic value	R4 160
Upside/(Downside)	-12%
Recommendation	Sell

As at: 21 August 2026

Our recommendation is based on:

- Capitec remains well positioned to benefit from improving conditions in the South African consumer market. Although short-term headwinds persist, the longer-term outlook includes lower interest rates, easing inflation, and an improving economic backdrop, which should support household affordability, credit demand, and transaction volumes.
- The group's large and growing customer base provides a significant scope to deepen customer relationships and cross-sell opportunity across Capitec's expanding product offering.
- Capitec's digital banking model and established customer franchise provide a strong platform for continued growth, supported by its simple, low-cost offering, increasing digital adoption and the ability to leverage its existing infrastructure across a broader range of financial products.
- Capitec's growth prospects and high-quality franchise have already been priced in, with the current share price leaving limited scope for further re-rating. We therefore believe the investment case is increasingly dependent on Capitec continuing to exceed already elevated market expectations rather than further expansion in the valuation multiple.

Latest company and market insights

Key highlights

In this report, we review Capitec's the FY26 results, released in April 2026:

Financial results at a glance:

- Net interest income (NII): NII increased by 19% from R20.2 billion in FY25 to R24.1 billion, supported by continued growth in the lending book and customer activity. After credit impairments, NII grew by 18% from R11.9 billion to R14.1 billion.
- Non-interest revenue (NIR): NIR rose by 19% from R23.9 billion to R28.3 billion, supported by strong growth across value-added services, which was up 34% from R4.3 billion to R5.7 billion; its insurance business expanding by 38% from R3.8 billion to R5.2 billion; and Capitec Connect surging by 129% from R193 million to R442 million.
- Client growth: The number of active clients increased by 7% from 24.1 million to 25.8 million, while banking app clients expanded by 18% from 12.8 million to 15.2 million. Transaction volumes rose by 11% from 11.1 billion to 12.3 billion, with digital transactions advancing by 26% from 2.5 billion to 3.2 billion.
- Credit performance: The annualised credit loss ratio moved 8.1% higher from 7.5%. CPI's Personal Banking segment's credit loss ratio edged to 8.2% from 8.1%, while its Business Banking's increased to 2.4% from 1.7%.
- Operating expenses: Operating expenses increased by 12% from R18.1 billion to R20.2 billion, driven by continued investment in technology, data, and strategic projects.
- Headline earnings: Headline earnings rose by 23% from R13.7 billion to R16.8 billion, while headline EPS grew by 23% from 11 912 cents to 14 606 cents.
- Group ROE improved from 29% to 31%, supported by strong earnings growth and continued operating leverage.
- Dividends: Full-year dividends increased by 23% from 6 510 cents per share to 7 980 cents per share.

Sector outlook

South Africa's banking sector is entering a more mixed environment. Lower interest rates have supported household affordability and credit demand, although the outlook has become less certain following renewed inflationary pressure from higher oil prices. Consumers remain constrained by high unemployment and weak underlying economic growth. The key structural opportunities for the sector remain financial inclusion, increasing product penetration, and the continued shift towards digital banking and payments. Banks are also broadening their product offerings and revenue streams into areas such as insurance, funeral cover, and wealth management, which could support more diversified income stream.

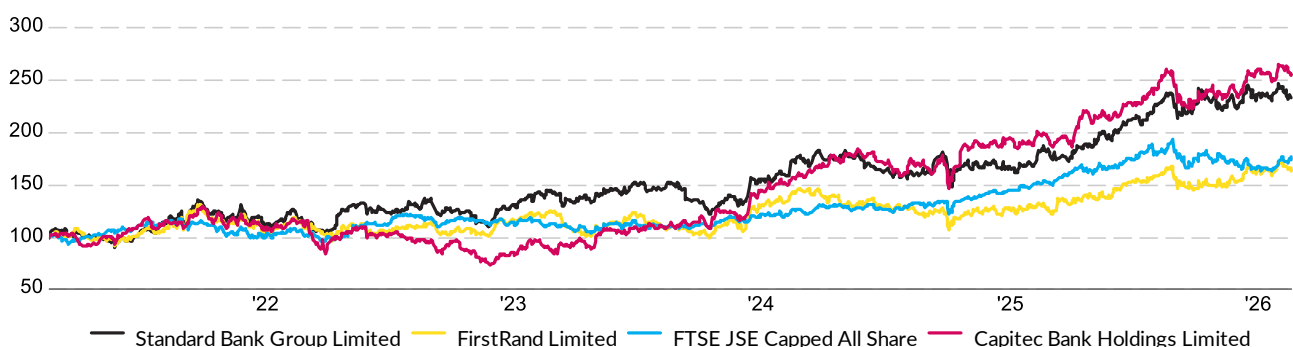


Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 6.0%, and expected three-year EPS CAGR is 18.5%. Revenue growth reflects balance-sheet expansion, supported by NII recovery as lending grows and continued NIR momentum from fees. Earnings growth is expected to remain supported by client growth and increased product penetration through the large client base.
Valuation	★★★★☆	The share price has a 12% downside to the intrinsic value. The current NTM P:E of 24.8x is trading at a 14% premium to the five-year average NTM P:E of 21.8x.
Dividend	★★★★☆	LTM dividend yield of 1.7%. NTM dividend yield of 2.3%.
Issuance	★★★★☆	Shares issued have remained stable over the past five years.
Catalyst		Stabilisation in oil prices and inflation would reduce pressure on household disposable income and allow the South African Reserve Bank to resume its easing cycle, supporting affordability, credit demand and transaction activity. Over the medium term, a more stable inflation and interest-rate environment should provide a supportive backdrop for consumer spending and credit growth. Continued growth in payments, insurance, Value-Added Services and connectivity should allow CPI to deepen relationships with its large customer base and drive further growth in revenue per customer. Continued scaling of Business Banking and the group's newer financial services should broaden the earnings base and reduce reliance on the traditional interest-rate-driven banking cycle.
Quality of earnings	★★★★☆	Five-year average ROE of 27.3%. Five-year average net profit margin of 21.6%. The group has recorded positive earnings growth in nine of the past 10 years. CPI's ROE remains above its historical average and higher than that of the more traditional South African banks.
Moat	★★★★☆	Cost advantage: CPI's standardised, digital-led model and large customer base allow it to spread technology and infrastructure costs across a broad customer base, supporting a structurally lower-cost model. Network effects: CPI's growing payments ecosystem benefits from increased customer adoption, supporting further usage of its payment platform. Switching costs and relationship depth: The increasing use of CPI across banking, payments, lending and insurance deepens customer relationships and raises switching costs. Intangible assets: CPI's trusted brand and established customer franchise support customer acquisition and retention, particularly in its mass-market target segment.
Management and governance	★★★★☆	Graham Lee succeeded Gerrie Fourie as CEO on 19 July 2025. Lee joined the company in 2003 and has held leadership roles across finance, technology, credit, digital and data sectors, providing significant institutional knowledge and continuity.
Balance sheet	★★★★☆	Loans-to-deposits ratio of 72.7%. CET1 of 34.9% for 1Q27, in line with the five-year average of 34.9%.
Risks		Credit and macro risks: Weak economic growth, high unemployment and elevated oil prices could keep inflation higher for longer, delaying rate cuts, pressuring household affordability and increasing credit losses. Competitive risk: Increasing competition from traditional banks, digital banks and fintechs could pressure customer growth, pricing and fee income. Execution risk: Expansion into insurance, payments, connectivity and Business Banking increases execution risk, with slower-than-expected adoption potentially limiting earnings diversification. Operational and cyber risk: Rising cyber threats, fraud and system outages could disrupt banking operations, affect customer trust and increase financial losses. Regulatory risk: Changes in banking, lending, payments and consumer-protection regulation could increase compliance costs and constrain product economics.

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



Source: FactSet

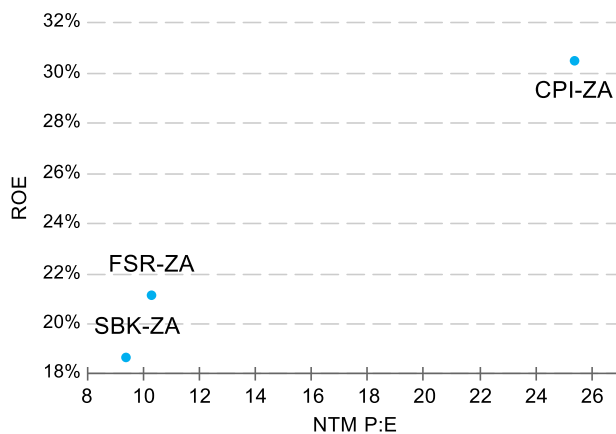


Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
CPI-ZA	13.2%	-0.2%	7.6%	-0.5%	29.6%	62.7%	178.3%	156.6%	674.1%
FSR-ZA	7.8%	-0.8%	9.0%	-0.2%	27.4%	15.9%	36.5%	65.9%	94.9%
SBK-ZA	9.3%	-3.6%	1.1%	-0.8%	27.4%	34.3%	65.0%	133.3%	111.6%
JSE All Share	1.8%	5.6%	3.2%	-5.9%	16.5%	40.2%	59.9%	75.1%	117.9%

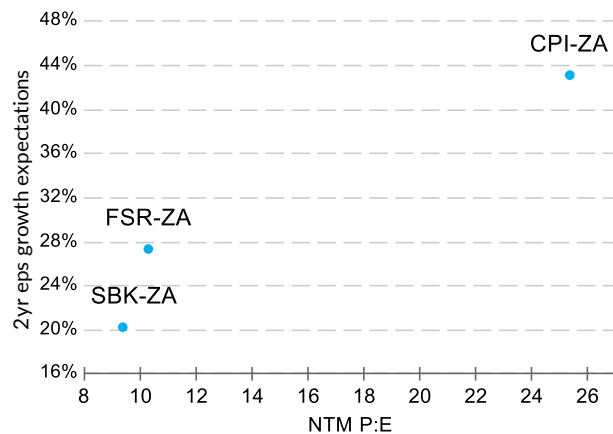
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y growth forecast



Source: FactSet

Valuation

The valuation of CPI is based on forecast earnings per share and a forward P:E multiple that reflects its diversified financial services offering and strong growth profile. Earnings forecasts incorporate loan growth, continued expansion of non-interest income and the scaling of its insurance, fintech and Business Banking operations, consistent with management's focus on deepening client relationships and expanding its payments ecosystem. The valuation multiple is anchored to CPI's historical trading range, with bear, base and bull scenarios reflecting different macroeconomic and earnings outcomes.

Table 3: Valuation summary

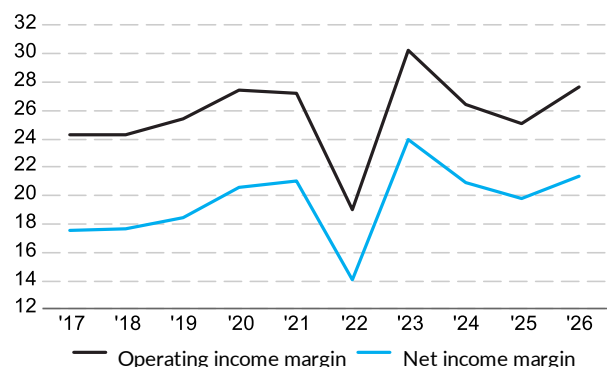
Valuation probabilities			
	Bear	Base	Bull
P:E multiple	17x	22x	28x
Probability	10%	65%	25%
Implied share price	R2 520	R3 641	R6 169
Weighted intrinsic value	R4 160		
Upside/(Downside)	-12%		

Graph 4: NTM P:E relative to benchmark



Source: FactSet

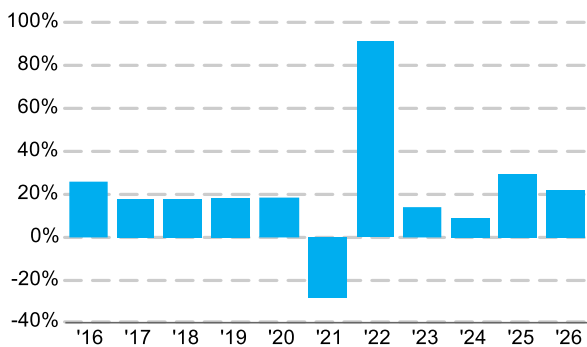
Graph 5: Profit margins (%)



Source: FactSet

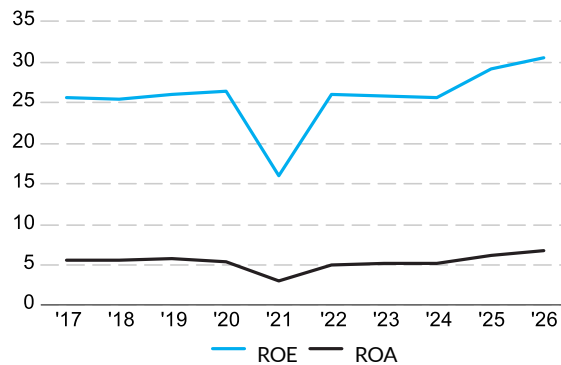


Graph 6: 10Y EPS year-on-year change



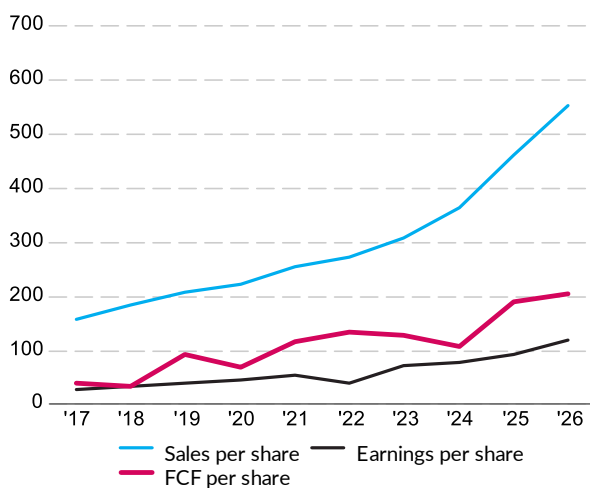
Source: FactSet

Graph 7: ROE and ROA (%)



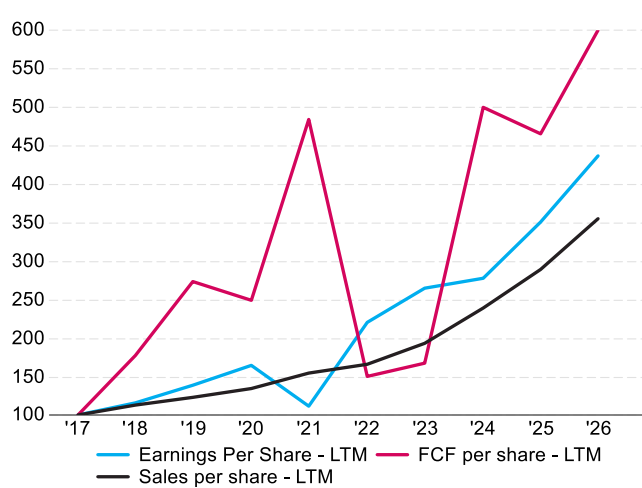
Source: FactSet

Graph 8: Sales, earnings, and FCF per share (ZAR)



Source: FactSet

Graph 9: Sales, earnings, and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet



Table 4: Financials and ratios

Income statement (RMn)	Feb 22	Feb 23	Feb 24	Feb 25	Feb 26	1Y Growth	3Y CAGR	5Y CAGR
Net interest income	13 585	14 207	16 464	20 186	24 080	19%	19%	14%
Provision for credit losses	-3 508	-6 329	-8 725	-8 258	-9 976	21%	16%	5%
Non-interest income	13 376	15 545	19 579	23 882	28 341	19%	22%	22%
Operating and other expenses	-12 519	-11 779	-13 870	-18 069	-20 265	12%	20%	16%
Net operating income	10 935	11 643	13 448	17 740	22 179	25%	24%	32%
Net income	8 527	9 151	10 567	13 749	16 837	22%	23%	30%
EPS (ZAR)	73.7	79.3	91.6	119.1	145.9	22%	23%	31%
Balance sheet (RMn)	Feb 22	Feb 23	Feb 24	Feb 25	Feb 26	1Y Growth	3Y CAGR	5Y CAGR
Total assets	177 943	190 636	207 579	238 464	263 284	10%	11%	11%
Total shareholders' equity	35 157	37 920	43 531	50 913	59 513	17%	16%	15%
Total liabilities	142 786	152 716	164 048	187 550	203 771	9%	10%	10%
Ratios	Feb 22	Feb 23	Feb 24	Feb 25	Feb 26	5Y Avg		
Cost-to-income ratio	47.0%	40.0%	39.0%	41.0%	39.0%	41.2%		
CET1	35.4%	33.6%	35.5%	36.0%	33.9%	34.9%		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
CAGR	Compounded annual growth rate
CAR	Capital adequacy ratio
CET1	Common Equity Tier 1
CPI-ZA	Capitec Bank Holdings Limited
DCF	Discounted cash flow
EPS	Earnings per share
FCF	Free cash flow
FSR-ZA	FirstRand Limited
FY	Financial year
LCR	Liquidity coverage ratio
LTM	Last 12 months (also known as trailing)
M	Month
MTD	Month-to-date
NTM	Next 12 months (also known as forward)
P:E	Price to earnings
ROA	Return on assets
ROE	Return on equity
SARB	South African Reserve Bank
SBK-ZA	Standard Bank Group Limited
VAS	Value-Added Services
Y/y	Year(s)
YoY	Year-on-year
YTD	Year-to-date



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