Capitec says worst over in bad loans, shares up 9%

Capitec Bank said on Thursday, 28 September, the lender had seen the worst of the impacts of high inflation and elevated interest rates that gnawed at its earnings for the six months ended 31 August, sending its shares up over 9% in early trade.

Source: Reuters.

Capitec Bank is among the fastest-growing South African lenders as it targets low-income earners who were largely untapped by the well-established and conservative banking behemoths of the country.

But being exposed to the lower-income bracket, the bank also bore the brunt of higher impairments as its customers came under strain after 10 successive interest-rate hikes.

The lender, South Africa's biggest retail bank by customer numbers, has seen the chance of retail credit turning into a non-performing loan shrinking back to levels seen four years ago, chief executive officer Gerrie Fourie said on an investors' call.

"We believe we have turned a corner," he said, adding retail loans that could turn sour stood at 7.6%, last seen in August 2019, and would come down further in the next few months.

The lender, which serves 21 million customers or a third of the country's population, said its credit impairment charge rose almost by two-thirds to R4.76bn ($248.20m) for the interim period.

But there were signs the situation was improving, with the overall impairment charge of the second quarter lower by 8% from the first quarter, Fourie said.

Capitec Bank reported a 9% rise in its half-year profit with headline earnings per share - the country's standard profit measure - of R40.72 ($2.13), and distributed more than a third of this dividend.