2022

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (reviewed)

for the six months ended 31 December 2022

Capricorn Group

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# Highlights

**Return on equity (annualised)**
**16.6%**
(Dec 2021: 14.9%)

**Dividend per share**
**39 cents** +21.9%
(Dec 2021: 32 cents)

**Cost to income ratio**
**50.4%**
(Dec 2021: 49.7%)

**Profit after tax**
**N$698.2 million** +20.3%
(Dec 2021: N$580.5 million)

**Capital adequacy ratio**
**16.6%**
(Jun 2022: 15.8%)

**Earnings per share**
**127.6 cents** +24.0%
(Dec 2021: 102.9 cents)

**Net asset value per share**
**1,517 cents** +6.3%
(Jun 2022: 1,427 cents)

**Gross loans and advances**
**N$45.1 billion** +3.2%
(Dec 2021: N$43.7 billion)

# Financial performance overview

## Group Financial Performance

Capricorn Group Limited achieved solid results with profit after tax for the six months ended 31 December 2022 increasing by 20.3% compared to the comparative period. Annualised return on equity also increased to 16.6% (December 2021: 14.9%). The strong performance is due to a better operating environment, with both Bank Windhoek and Bank Gaborone reporting a marked improvement in their results compared to the prior COVID-19 affected period.

## Net interest income

Capricorn Group's net interest income increased by 14.9% year-on-year, aided by year-on-year increases in the repo rate in Namibia and Botswana of 300 basis points and 151 basis points respectively. Bank Windhoek managed its cost of funding effectively which resulted in a 54 basis point improvement in the net interest margin to 4.88%. However, Bank Gaborone's net interest margin declined from 3.5% to 3.1% due to a sharp increase in the cost of funding in a market with low levels of liquidity.

## Impairment charges

Despite the global economic difficulties attributable to the geopolitical instability in the wake of the war in Ukraine, the region saw an improved operating environment compared to the prior period impacted by COVID-19. This had a positive impact on the key credit risk indicators, including a 14.9% decrease in credit impairment charges. However, these impairment charges for the six months ended 31 December 2022 of N$154.9 million is still well above the pre-COVID charges of N$54.3 million for the same period in 2019, illustrating the ongoing pandemic impact. The group continues to hold prudent provisions for expected credit losses.

## Non-interest income

Non-interest income increased by N$103.1 million (12.3%) mainly attributable to a 23.3% increase in transaction-based fees, driven by increased transaction volumes specifically through the use of digital channels, particularly EasyWallet, digital fund transfers, ATM withdrawals and point-of-sale transactions. Asset management fees from Capricorn Asset Management increased by 11.3% year-on-year in line with expectations.

## Operating expenses

Operating expenses increased by 16.1% (N$165.3 million) year-on-year from a low base environment attributable to COVID-related economic restrictions in the comparative period. The year-on-year increase is mainly due to:

- Operational banking expenses increased by N$52.6 million (46.8%) attributable to increased transaction volumes in the current period and costs incurred related to properties-in-possession.
- Staff costs increased by N$67.9 million (11.9%) mainly driven by annual increases and filling of vacancies.
- The remainder of expenses increased by N$44.8 million, accounting for 4.4% of the year-on-year growth, less than Namibian CPI of 6.9% as at 31 December 2022.

## Value created by Capricorn Group and shared among stakeholders

The group created value of N$2.15 billion during the six months ended 31 December 2022, which was shared by its main stakeholders as follows:

Employees
**N$644.0 million**

Suppliers
**N$311.8 million**

GRN and Regulators
**N$411.1 million**

Capricorn Foundation
**N$8.6 million**

Ordinary Shareholders
**N$206 million**

Retained for future expansion
**N$564.8 million**

It is our intent to support local industry as far as possible 87.6% of our total operating expenses incurred was paid to suppliers and employees located within the regions in which we operate.

# Income from associates

Income from associates increased by 34.6% year-on-year, following a significant reduction in volume and value of life insurance claims from Sanlam Life when compared to the comparative period, which was impacted by the COVID-19 third wave in Namibia during the months of July and August 2021.

# Liquidity

Capricorn Group retained a healthy liquidity position as at 31 December 2022 as the Group's liquid assets increased by 8.7% (N$1.1 billion) year-on-year. Liquid assets exceeded minimum regulatory requirements in Namibia and Botswana by 139% and 119% respectively as at 31 December 2022.

# Loans and advances

Gross loans and advances increased by N$1.4 billion year-on-year, mainly driven by mortgage loan growth of N$460.8 million (2.4%), commercial loan growth of N$453.6 million (4.2%) and article finance growth of N$388.0 million (10.8%).

Asset quality remained a key focus area for the group. Despite the challenging economic environment, the Group's total non-performing loans (NPLs) decreased to N$2.38 billion (June 2022: 2.44 billion) as the group continues to manage credit risk on a pro-active basis. This resulted in the NPL ratio decreasing from 5.8% to 5.3% over the six months ended 31 December 2022. The NPL ratio remains below the industry average in Namibia.

# Capital adequacy

The Group enhanced its already robust capital position with a total risk-based capital adequacy ratio of 16.6% as at 31 December 2022 (June 2022: 15.8%).

# Outlook

We expect further economic recovery and improved economic conditions in the regions where we operate. COVID-19 has "edged" closer to reaching endemic status, while the severity of the initial economic fall-out from global geo-political tensions spawned by the war in Ukraine has reduced. The significant pressures from high inflation and high interest rates will continue to have a negative impact for the foreseeable future.

The Bank of Namibia's December 2022 Economic Outlook predicts that the country's real GDP growth will rise to 3.9% in 2022 and 2.7% in 2023, but this is dependent on successful government reforms and investments. Domestic economic growth, like the global economy, is faced with challenges such as increased energy and food costs. Maintaining stability and ensuring the success of the Capricorn Group for all stakeholders remains the Group's top priority.

# Interim dividend

The Group declared an interim dividend of 39 cents per ordinary share. The interim dividend per share for the period under review is 21.9% higher than the interim dividend per share of 32 cents declared in the comparative period. As always, the Group seeks to declare an interim dividend that balances prudency, in preserving the Group's capital and liquid asset position, with a fair dividend yield for investors.

> Last day to trade cum dividend: 10 March 2023
> First day to trade ex-dividend: 13 March 2023
> Record date: 17 March 2023
> Payment date: 30 March 2023

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# Statement of responsibility by the board of directors

The directors are responsible for the preparation, integrity and objectivity of the condensed consolidated interim financial statements that fairly present the state of affairs of the Group at the end of the period, the profit and cash flow for the period and other information contained in this report.

To enable the directors to meet these responsibilities:

- The board of directors ("board") and management set standards and management implements systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.
- The Group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the various group board audit, risk and compliance committees, appraises, evaluates and, when necessary, recommends improvements in the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.
- The board audit, risk and compliance committees of the Group subsidiaries, together with the external and internal auditors, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the period under review.

The Group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

The condensed consolidated interim financial statements presented on pages 6 to 11 have been prepared in accordance with the provisions of the Companies Act of Namibia, 28 of 2004 ("Companies Act of Namibia") and comply with the International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The directors have no reason to believe that the Group will not be a going concern in the year ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on a going concern basis.

The condensed consolidated interim financial statements have been reviewed by the independent auditing firm, PricewaterhouseCoopers, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board and committees of the board. The directors believe that all representations made to the independent auditor during the review were valid and appropriate. The independent auditor's review report is presented on page 5.

The condensed consolidated interim financial statements, set out on pages 6 to 11, were authorised and approved for issue by the board on 22 February 2023 and are signed on their behalf:

**D G Fourie**
Chairperson

**M J Prinsloo**
Group chief executive officer

# Independent Auditor's Review Report on Interim Financial Statements

to the Shareholders of Capricorn Group Limited

We have reviewed the condensed consolidated interim financial statements of Capricorn Group Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 31 December 2022 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-months then ended, and selected explanatory notes.

## Directors' responsibility for the interim financial statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting* and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Capricorn Group Limited for the six months ended 31 December 2022 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting and the requirements of the Companies Act of Namibia.

**PricewaterhouseCoopers**
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Louis van der Riet
Partner
Windhoek
Date: 22 February 2023

# Condensed consolidated interim statement of comprehensive income

for the six months ended 31 December 2022

| | Notes | Six months ended December 2022 N$'000 Reviewed | Six months ended December 2021 N$'000 Reviewed | Year ended June 2022 N$'000 Audited |
|---|---|---|---|---|
| Interest and similar income | | 2,612,260 | 2,009,225 | 4,187,290 |
| Interest and similar expenses | | (1,299,467) | (867,117) | (1,850,174) |
| **Net interest income** | | 1,312,793 | 1,142,108 | 2,337,116 |
| Impairment charges | 9 | (154,893) | (181,950) | (367,303) |
| **Net interest income after impairment charges** | | 1,157,900 | 960,158 | 1,969,813 |
| Non-interest income | | 939,622 | 836,496 | 1,668,966 |
| **Operating income** | | 2,097,522 | 1,796,654 | 3,638,779 |
| Operating expenses | | (1,192,139) | (1,026,815) | (2,131,123) |
| **Operating profit** | | 905,383 | 769,839 | 1,507,656 |
| Share of associates' results after tax | | 48,923 | 36,337 | 67,697 |
| **Profit before income tax** | | 954,306 | 806,176 | 1,575,353 |
| Income tax expense | 10 | (256,081) | (225,677) | (429,472) |
| **Profit for the period** | | 698,225 | 580,499 | 1,145,881 |
| **Other comprehensive income** | | | | |
| *Items that will not be reclassified to profit or loss* | | | | |
| Change in value of financial assets at fair value through other comprehensive income | | 10 | 142 | (79) |
| Income tax expense | | (3) | (45) | 25 |
| *Items that may subsequently be reclassified to profit or loss* | | | | |
| Change in value of debt instruments at fair value through other comprehensive income | | 3,219 | (14,377) | (43,407) |
| Income tax expense related to change in fair value of debt instruments at fair value through other comprehensive income | | (338) | 3,415 | 8,510 |
| Exchange differences on translation of foreign operations | | 2,625 | 31,702 | 18,515 |
| **Total comprehensive income for the period/year** | | 703,738 | 601,336 | 1,129,445 |
| **Profit attributable to:** | | | | |
| Equity holders of the parent entity | | 651,413 | 526,438 | 1,045,983 |
| Non-controlling interests | | 46,812 | 54,061 | 99,898 |
| | | 698,225 | 580,499 | 1,145,881 |

# Condensed consolidated interim statement of comprehensive income (continued)

for the six months ended 31 December 2022

| | Notes | Six months ended December 2022 N$'000 Reviewed | Six months ended December 2021 N$'000 Reviewed | Year ended June 2022 N$'000 Audited |
|---|---|---|---|---|
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the parent entity | | 656,527 | 542,874 | 1,027,140 |
| Non-controlling interests | | 47,211 | 58,462 | 102,305 |
| | | 703,738 | 601,336 | 1,129,445 |
| Earnings per ordinary share in respect of the profit attributable to the equity holders of the parent entity during the period: | | | | |
| Basic (cents) | 18 | 127.6 | 102.9 | 204.9 |
| Fully diluted (cents) | 18 | 127.1 | 102.6 | 204.1 |

# Condensed consolidated interim statement of financial position

as at 31 December 2022

| | Notes | December 2022 N$'000 Reviewed | December 2021 N$'000 Reviewed (Restated) | December 2020 N$'000 Reviewed (Restated) | June 2022 N$'000 Audited |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash and cash equivalents | | 5,372,448 | 5,082,538 | 4,298,052 | 6,480,396 |
| Financial assets at fair value through profit or loss | | 2,027,651 | 2,077,685 | 1,843,297 | 2,183,179 |
| Financial assets at amortised cost | 11 | 1,013,276 | 868,535 | 722,760 | 915,861 |
| Financial assets at fair value through other comprehensive income | | 5,875,830 | 5,118,403 | 5,072,761 | 5,397,626 |
| Loans and advances to customers | 12 | 43,509,861 | 42,196,992 | 40,725,412 | 43,226,296 |
| Other assets | | 405,432 | 390,988 | 525,455 | 470,091 |
| Current tax asset | | 96,713 | 147,723 | 106,686 | 85,867 |
| Investment in associates | | 597,668 | 447,985 | 639,907 | 554,895 |
| Intangible assets | 13 | 401,551 | 328,653 | 300,554 | 368,891 |
| Property and equipment | 14 | 651,335 | 615,352 | 584,370 | 639,913 |
| Deferred tax asset | | 110,760 | 98,367 | 80,609 | 116,617 |
| Assets held for sale | | – | – | 1,320,529 | – |
| **Total assets** | | 60,062,525 | 57,373,221 | 56,220,392 | 60,439,632 |
| LIABILITIES | | | | | |
| Due to other banks | | 388,811 | 1,041,275 | 18,496 | 708,212 |
| Other borrowings | 15 | 460,720 | 603,308 | 740,945 | 618,017 |
| Debt securities in issue | 16 | 5,602,877 | 5,954,117 | 5,454,403 | 6,244,612 |
| Deposits | 17 | 44,130,529 | 41,100,574 | 40,800,656 | 43,647,452 |
| Other liabilities | | 1,173,116 | 1,151,874 | 932,545 | 1,405,933 |
| Current tax liability | | 3,967 | 5,295 | 1,932 | 2,750 |
| Deferred tax liability | | 162 | – | 177 | 162 |
| Post-employment benefits | | 20,501 | 16,616 | 28,575 | 19,168 |
| Liabilities held for sale | | – | – | 1,264,838 | – |
| **Total liabilities** | | 51,780,683 | 49,873,059 | 49,242,567 | 52,646,306 |
| EQUITY | | | | | |
| Share capital and premium | | 726,928 | 718,263 | 723,183 | 719,096 |
| Non-distributable reserves | | 59,682 | 56,958 | 396,510 | 80,370 |
| Distributable reserves | | 6,959,480 | 6,199,655 | 5,405,801 | 6,487,421 |
| | | 7,746,090 | 6,974,876 | 6,525,494 | 7,286,887 |
| Non-controlling interests in equity | | 535,752 | 525,286 | 452,331 | 506,439 |
| **Total shareholders' equity** | | 8,281,842 | 7,500,162 | 6,977,825 | 7,793,326 |
| **Total equity and liabilities** | | 60,062,525 | 57,373,221 | 56,220,392 | 60,439,632 |

# Condensed consolidated interim statement of changes in equity

for the six months ended 31 December 2022

| | | Non-distributable reserves | | | Distributable reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital and premium N$'000 | Insurance fund reserve N$'000 | Margin entitlement reserve | Credit risk reserve N$'000 | SBCR** N$'000 | Fair value reserve N$'000 | General banking reserve N$'000 | FCTR*** N$'000 | Retained earnings N$'000 | Non-controlling interests N$'000 | Total equity N$'000 |
| **For the six months ended 31 December 2021 (reviewed)** | | | | | | | | | | | |
| Balance at 1 July 2021 | 714,575 | 55,990 | – | 153,159 | 33,110 | 1,139 | 4,522,236 | (12,508) | 1,146,233 | 490,289 | 7,104,223 |
| Movement in treasury shares | 3,688 | – | – | – | – | – | – | – | – | – | 3,688 |
| Total comprehensive income for the period | – | – | – | – | – | (10,865) | – | 27,301 | 526,438 | 58,462 | 601,336 |
| Profit for the period | – | – | – | – | – | – | – | – | 526,438 | 54,061 | 580,499 |
| Other comprehensive income | – | – | – | – | – | (10,865) | – | 27,301 | – | 4,401 | 20,837 |
| Share-based payment charges | – | – | – | – | 1,329 | – | – | – | – | – | 1,329 |
| Profit on sale of treasury shares | – | – | – | – | – | – | – | – | 21 | – | 21 |
| Transfer between reserves | – | 966 | 2 | (153,159) | – | – | 89,997 | – | 62,194 | – | – |
| Dividends | – | – | – | – | – | – | – | – | (186,970) | (23,465) | (210,435) |
| **Balance at 31 December 2021** | 718,263 | 56,956 | 2 | – | 34,439 | (9,726) | 4,612,233 | 14,793 | 1,547,916 | 525,286 | 7,500,162 |
| **For the six months ended 31 December 2022 (reviewed)** | | | | | | | | | | | |
| Balance at 1 July 2022 | 719,096 | 57,991 | 57 | 22,322 | 27,920 | (33,812) | 5,232,914 | 3,600 | 1,256,799 | 506,439 | 7,793,326 |
| Movement in treasury shares | 7,832 | – | – | – | – | – | – | – | – | – | 7,832 |
| Total comprehensive income for the period | – | – | – | – | – | 2,888 | – | 2,226 | 651,413 | 47,211 | 703,738 |
| Profit for the period | – | – | – | – | – | – | – | – | 651,413 | 46,812 | 698,225 |
| Other comprehensive income | – | – | – | – | – | 2,888 | – | 2,226 | – | 399 | 5,513 |
| Share-based payment charges | – | – | – | – | 1,251 | – | – | – | – | – | 1,251 |
| Profit on sale of treasury shares | – | – | – | – | – | – | – | – | (193) | – | (193) |
| Transfer between reserves | – | 1,539 | 95 | (22,322) | – | – | (1,539) | – | 22,227 | – | – |
| Dividends | – | – | – | – | – | – | – | – | (206,214) | (17,898) | (224,112) |
| **Balance at 31 December 2022** | 726,928 | 59,530 | 152 | – | 29,171 | (30,924) | 5,231,375 | 5,826 | 1,724,032 | 535,752 | 8,281,842 |

* *Net Investments in foreign subsidiary reserve (NIFSR)*
** *Share-based compensation reserve (SBCR)*
*** *Foreign currency translation reserve (FCTR)*

# Condensed consolidated interim statement of changes in equity (continued)

for the six months ended 31 December 2022

| | | Non-distributable reserves | | | Distributable reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital and premium N$'000 | Insurance fund reserve N$'000 | Margin entitlement reserve | Credit risk reserve N$'000 | SBCR** N$'000 | Fair value reserve N$'000 | General banking reserve N$'000 | FCTR*** N$'000 | Retained earnings N$'000 | Non-controlling interests N$'000 | Total equity N$'000 |
| **For the year ended 30 June 2022 (audited)** | | | | | | | | | | | |
| Balance at 1 July 2021 | 714,575 | 55,990 | – | 153,159 | 33,110 | 1,139 | 4,522,236 | (12,508) | 1,146,233 | 490,289 | 7,104,223 |
| Movement in treasury shares | (17,585) | – | – | – | – | – | – | – | – | – | (17,585) |
| Total comprehensive income for the year | – | – | – | – | – | (34,951) | – | 16,108 | 1,045,983 | 102,305 | 1,129,445 |
| Profit for the year | – | – | – | – | – | – | – | – | 1,045,983 | 99,898 | 1,145,881 |
| Other comprehensive income | – | – | – | – | – | (34,951) | – | 16,108 | – | 2,407 | (16,436) |
| Share-based payment charges | – | – | – | – | 16,916 | – | – | – | – | – | 16,916 |
| Vesting of shares | 22,106 | – | – | – | (22,106) | – | – | – | – | – | – |
| Profit on sale of treasury shares | – | – | – | – | – | – | – | – | 21 | – | 21 |
| Transfer between reserves | – | 2,001 | 57 | (130,837) | – | – | 710,678 | – | (581,899) | – | – |
| Dividends | – | – | – | – | – | – | – | – | (353,539) | (86,155) | (439,694) |
| **Balance at 30 June 2022** | 719,096 | 57,991 | 57 | 22,322 | 27,920 | (33,812) | 5,232,914 | 3,600 | 1,256,799 | 506,439 | 7,793,326 |

* *Net Investments in foreign subsidiary reserve (NIFSR)*
** *Share-based compensation reserve (SBCR)*
*** *Foreign currency translation reserve (FCTR)*

# Condensed consolidated interim statement of cash flows

for the six months ended 31 December 2022

| | Six months ended | | Year ended |
|---|---|---|---|
| | **December 2022 N$'000 Reviewed** | **December 2021 N$'000 Reviewed (Restated)** | **June 2022 N$'000 Audited** |
| *Cash flows from operating activities* | | | |
| Cash generated from operations | 205,751 | 660,823 | 2,624,641 |
| Dividends received | 2,270 | 3,092 | 58,303 |
| Other interest received | 369 | 303 | 939 |
| Income taxes paid | (271,498) | (258,670) | (450,629) |
| Income taxes refunds | – | – | 53,972 |
| **Net cash (utilised in)/generated from operating activities** | (63,108) | 405,548 | 2,287,226 |
| *Cash flows from investing activities* | | | |
| Additions to property and equipment | (72,089) | (23,163) | (142,427) |
| Additions to intangible assets | (69,578) | (72,926) | (139,040) |
| Redemption of unit trust investments | 338,000 | 97,900 | 361,621 |
| Investments of unit trust investments | (155,106) | (38,049) | (494,071) |
| **Net cash generated from/(utilised) in investing activities** | 41,227 | (36,238) | (413,917) |
| *Cash flows from financing activities* | | | |
| Treasury shares acquired | (22,702) | (11,758) | (26,145) |
| Treasury shares sold | 35,510 | 25,687 | 25,687 |
| Proceeds from other borrowings | 332,400 | 35,512 | 331,177 |
| Other borrowings payments | (501,694) | (135,147) | (431,781) |
| Redemption of debt securities in issue | (847,500) | (253,339) | (311,002) |
| Proceeds from the issue of debt securities | 226,597 | 237,006 | 540,000 |
| Lease payments made | (25,248) | (29,278) | (83,142) |
| Dividends paid | (224,112) | (210,435) | (353,539) |
| **Net cash utilised in financing activities** | (1,026,749) | (341,752) | (308,745) |
| **Net (decrease)/increase in cash and cash equivalents** | (1,048,630) | 27,558 | 1,564,564 |
| Cash and cash equivalents at the beginning of the period/year | 6,480,396 | 5,087,452 | 5,087,452 |
| Effects of exchange rate changes on cash and cash equivalents | (59,318) | (32,472) | (171,620) |
| **Cash and cash equivalents at the end of the period/year** | 5,372,448 | 5,082,538 | 6,480,396 |

# Notes to the condensed consolidated interim financial statements

for the six months ended 31 December 2022

## 1. General information

Capricorn Group Ltd ("Capricorn Group" or "the Group") is a Namibian registered company that acts as an investment holding company and provides consulting and support services to the other group companies. Its main investments comprise 100% shareholdings in Bank Windhoek Ltd (BW), Namib Bou (Pty) Ltd, Capricorn Capital (Pty) Ltd, Capricorn Investment Group (Pty) Ltd and Capricorn Hofmeyer Property (Pty) Ltd. The company has a 84.8% shareholding in Capricorn Investment Holdings (Botswana) Ltd, which in turn holds 100% of the share capital in Bank Gaborone Ltd (BG) and Peo Finance (Pty) Ltd, 95.7% in Capricorn Asset Management (Pty) Ltd and Capricorn Unit Trust Management Company Ltd, a 55.5% shareholding in Entrepo Holdings (Pty) Ltd (Entrepo) which owns 100% of Entrepo Life Ltd and Entrepo Finance (Pty) Ltd, a 29.5% shareholding in Sanlam Namibia Holdings (Pty) Ltd, a 28% shareholding in Santam Namibia Ltd, and a 30.0% shareholding in Paratus Group Holdings Ltd.

These condensed consolidated interim financial statements were approved for issue on 22 February 2023 and have been reviewed, not audited.

## 2. Basis of presentation

The reviewed condensed consolidated interim financial statements of Capricorn Group Ltd for the six months ended 31 December 2022, have been prepared in accordance with the recognition and measurement criteria of the International Financial Reporting Standards ("IFRS"), interpretations issued by International Financial Reporting Interpretations Committee ("IFRIC"), and presentation and disclosure requirements of the International Accounting Standard ("IAS") 34 Interim Financial Reporting as well as the Companies Act of Namibia. The condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements for the year ended 30 June 2022, which have also been prepared in accordance with IFRS.

## 3. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for amendments listed in note 5. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

## 4. Critical accounting estimates and judgement

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 30 June 2022, except for amendments listed in note 5.

# 5. Standards and interpretations issued

## 5.1. Standards and interpretations issued affecting amounts reported and disclosures in the current financial period

| Title of standard | Nature of change | Impact | Mandatory application date/ Date of adoption by Group |
|---|---|---|---|
| *Amendments to IAS 16 – Property, Plant and Equipment* | Proceeds before intended use on property, plant and equipment:<br>> The amendments prohibit an entity from deducting from the cost of an item any proceeds from selling such items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.<br>> Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. | The Group assessed this amendment to have no impact. | Mandatory for financial periods commencing on or after 1 January 2022.<br>Expected date of adoption: 1 July 2022. |
| *Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets* | Onerous contracts – cost of fulfilling a contract:<br>> The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. | The Group is not expecting a material impact. | Mandatory for financial periods commencing on or after 1 January 2022.<br>Expected date of adoption: 1 July 2022. |
| *Amendment to IFRS 3 – Business combinations* | Reference to the Conceptual Framework:<br>> The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination, without changing the accounting requirements for business combinations. | The Group is not expecting a material impact. | Mandatory for financial periods commencing on or after 1 January 2022.<br>Expected date of adoption: 1 July 2022. |
| *Annual improvements to IFRS Standards 2018 to 2020.* | These amendments include minor changes to:<br>> IFRS 1 – First-time adoption of International Financial Reporting Standards – Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture.<br>> IFRS 9 – Financial Instruments – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. Fees paid to third parties are excluded from this calculation.<br>> IFRS 16 – Leases – The amendment requires to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatments of lease incentives.<br>> IAS 41 – Agriculture – The amendment aligns the requirement for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value. | The Group assessed this amendment to have no impact. | Mandatory for financial periods commencing on or after 1 January 2022.<br>Expected date of adoption: 1 July 2022. |

# 5. Standards and interpretations issued (continued)

## 5.2. Standards and interpretations issued but not yet effective

| Title of standard | Nature of change | Impact | Mandatory application date/ Date of adoption by Group |
|---|---|---|---|
| *IFRS 17, 'Insurance Contracts'* | The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.<br>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.<br>Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.<br>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract. | The adoption of the IFRS 17 standard is expected to impact the results, and the presentation thereof, of the group and may result in more disclosure than is currently provided in the annual financial statements. Entrepo Life Limited has had numerous engagements with the statutory actuary as well as the external auditors in preparation for the implementation of IFRS 17 requirements for the financial year ending 30 June 2024. A preliminary impact analysis has been done by the actuaries, and all indications are that the impact will not be significant. | Mandatory for financial years commencing on or after 1 January 2023.<br>Expected date of adoption by the group: 1 July 2023. |

## 5.3. Prior period reclassification

The composition of cash and cash equivalents as reflected in the statement of financial position and in the statement of cash flows was re-evaluated during the prior financial year, which upon reassessment, resulted in certain balances having to be amended through reclassifying these balances into the correct financial statement line items for presentation purposes in the statement of financial position and cash flows, respectively. These reclassification adjustments had no impact on previously reported profits or on the earnings or diluted earnings per share of the company and the Group as previously stated. The reclassifications also had no impact on the liquidity of the Group as it merely relates to the IAS 7 definition of cash and cash equivalents and its relating impacts on the statement of financial position and the cash flows, respectively. Full details of the reclassifications have been listed below:

### Statement of Financial Position

| Group | Notes | 31 December 2021 N$'000 | Impact of changes N$'000 | Restated 31 December 2021 N$'000 |
|---|---|---|---|---|
| Consolidated statement of financial position (extract) | | | | |
| Assets | | | | |
| Cash and balances with central bank | (i) | 1,718,894 | (1,718,894) | – |
| Financial assets at fair value through profit or loss | (ii) | 2,377,055 | (299,370) | 2,077,685 |
| Due from other banks | (i) | 3,064,274 | (3,064,274) | – |
| Cash and cash equivalents | | – | 5,082,538 | 5,082,538 |
| | | 7,160,223 | – | 7,160,223 |

| Group | Notes | 31 December 2020 N$'000 | Impact of changes N$'000 | Restated 31 December 2021 N$'000 |
|---|---|---|---|---|
| Consolidated statement of financial position (extract) | | | | |
| Assets | | | | |
| Cash and balances with central bank | (i) | 1,762,050 | (1,762,050) | – |
| Due from other banks | (i) | 2,536,002 | (2,536,002) | – |
| Cash and cash equivalents | | – | 4,298,052 | 4,298,052 |
| | | 4,298,052 | – | 4,298,052 |

(i) Upon reassessment and taking into account the nature of cash and bank balances with the central bank and due from other banks, these line items were concluded to represent cash and cash equivalents and were amended accordingly.

(ii) Reverse repurchase agreements were previously classified as financial assets at fair value through profit or loss. Reverse repurchase agreements are mainly entered into for purposes of liquidity management and are considered part of the Group's cash management strategies in its daily business operations.

During 30 June 2022, the classification was amended, and the instruments were thus classified as cash and cash equivalents in accordance with the requirements of IAS 7.

All items of cash and cash equivalents were assessed in accordance with IAS 7, and the entire line item in the statement of financial position has consequently been updated.

# 5. Standards and interpretations issued (continued)

## 5.3. Prior period reclassification (continued)

### Statement of Cash Flows

| Group – Impact on cash and cash equivalents balance | Notes | 31 December 2021 N$'000 | Impact of changes N$'000 | Restated 31 December 2021 N$'000 |
|---|---|---|---|---|
| – Cash balances with the central banks | (iii) | 1,336,511 | 382,383 | 1,718,894 |
| – Treasury bills and government stock with a maturity of less than 90 days | (iv) | 1,333,593 | (1,333,593) | – |
| – Unit trust investments | (v) | 2,377,055 | (2,377,055) | – |
| – Reverse Repurchase agreements | (vi) | – | 299,370 | 299,370 |
| – Placement with other banks | | 3,064,274 | – | 3,064,274 |
| – Borrowings from other banks | (vii) | (1,041,275) | 1,041,275 | – |
| **Cash and cash equivalents** | | 7,070,158 | (1,987,620) | 5,082,538 |

This resulted in a decrease in the cash and cash equivalents line for the cash flow statements.

(iii) Mandatory reserve deposits with the respective central banks, which is subject to restrictions and limitations, is available for use by the Group and therefore forms part of cash and cash equivalents.

(iv) The treasury bills and government stock are classified as cash if the maturity date is 90 days or less after original investment date. All treasury bills and government stock at the respective reporting dates have a maturity date greater than 90 days from original investment date and therefore do not qualify as cash and cash equivalents.

(v) Unit trust investments are classified based on the weighted average maturity dates of the funds. After investigation, the unit trust investments all have a weighted averaged maturity date greater than 90 days on the fund fact sheets and should therefore not be classified as part of cash and cash equivalents.

(vi) Reverse repurchase agreements are classified as cash as the instrument matures within three months of investment.

(vii) Borrowings from other banks are not used in the management of the Group's cash flows and have been reclassified from cash and cash equivalents as a result.

Certain items were reclassified during the current year under review in accordance with the disclosure requirements of IAS 7, the impact on the statement of cash flow is summarised below:

| Group | Notes | 31 December 2021 N$'000 | Impact of changes N$'000 | Restated 31 December 2021 N$'000 |
|---|---|---|---|---|
| **Consolidated statement of cash flows (extract)** | | | | |
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | (vi) | 965,717 | (304,894) | 660,823 |
| Dividends received | | 3,092 | – | 3,092 |
| Other interest received | | 303 | – | 303 |
| Taxes paid | | (258,670) | – | (258,670) |
| **Net cash generated from operations** | | 710,442 | (304,894) | 405,548 |
| **Cash flows from investing activities** | | | | |
| Redemption of unit trust investments | (v) | – | 97,900 | 97,900 |
| Investments of unit trust investments | (v) | – | (38,049) | (38,049) |
| **Net cash utilised in investing activities** | | – | 59,851 | 59,851 |
| **Cash flows from financing activities** | | | | |
| Proceeds from other borrowings | | 35,506 | 6 | 35,512 |
| Principal elements of lease payments | (viii) | (34,796) | 5,518 | (29,278) |
| | | 710 | 5,524 | 6,234 |

(viii) The principal payments on lease liabilities were restated to exclude the cash outflows in relation to finance charges which were previously incorrectly included as part of the stated cash flows.

# 6. Seasonality of operations

Capricorn Group does not experience any significant seasonality of business operations.

# 7. Financial risk management and financial instruments

## 7.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 30 June 2022. There have been no significant changes in the risk management department or risk management policies since the year-end.

## 7.2. Credit risk

### (a) Collateral

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held to mitigate potential losses are shown below:

| | Gross exposure N$'000 | Impairment allowance N$'000 | Carrying amount N$'000 | Fair value of collateral held N$'000 |
|---|---|---|---|---|
| As at 31 December 2022 | | | | |
| Credit-impaired assets | | | | |
| – Overdrafts | 609,984 | (306,199) | 303,785 | 344,171 |
| – Term loans | 663,774 | (301,700) | 362,074 | 404,333 |
| – Mortgages | 1,023,897 | (395,396) | 628,501 | 708,652 |
| – Instalment finance | 83,982 | (37,677) | 46,305 | 52,681 |
| Total credit-impaired assets | 2,381,637 | (1,040,972) | 1,340,665 | 1,509,837 |
| As at 31 December 2021 | | | | |
| Credit-impaired assets | | | | |
| – Overdrafts | 693,738 | (296,554) | 397,184 | 404,731 |
| – Term loans | 610,847 | (308,653) | 302,194 | 504,436 |
| – Mortgages | 1,174,977 | (392,897) | 782,080 | 948,188 |
| – Instalment finance | 91,574 | (38,527) | 53,047 | 63,372 |
| Total credit-impaired assets | 2,571,136 | (1,036,631) | 1,534,505 | 1,920,727 |
| As at 30 June 2022 | | | | |
| Credit-impaired assets | | | | |
| – Overdrafts | 637,608 | (317,403) | 320,205 | 347,707 |
| – Term loans | 633,532 | (273,158) | 360,374 | 402,065 |
| – Mortgages | 1,087,017 | (344,367) | 742,650 | 750,321 |
| – Instalment finance | 79,881 | (37,078) | 42,803 | 46,257 |
| Total credit-impaired assets | 2,438,038 | (972,006) | 1,466,032 | 1,546,350 |

# 7. Financial risk management and financial instruments (continued)

## 7.2. Credit risk (continued)

### (b) Credit quality of loans and advances

The banks have a process to proactively manage potential problem accounts to prevent possible losses. These advances are identified with assistance of the branches and are part of monthly credit reporting processes. Impairments on these active accounts are raised in accordance with regulatory requirements under the special mention category. The table below shows the loans and advances age analysis as required by the Banking Institutions Act:

| N$'000 | | Special Mention | | Non-performing | | |
|---|---|---|---|---|---|---|
| **As at 31 December 2022** | **Neither past due nor impaired** | **0 - 30 days** | **31 - 60 days** | **61 - 90 days** | **More than 90 days** | **Total** |
| Overdrafts | 5,045,208 | 465,794 | 88,350 | 28,585 | 609,984 | 6,237,921 |
| Term loans | 12,139,463 | 1,515,868 | 370,665 | 174,000 | 663,774 | 14,863,770 |
| Mortgages | 16,099,809 | 2,032,795 | 436,318 | 180,991 | 1,023,897 | 19,773,810 |
| Instalment finance | 3,622,179 | 210,166 | 43,477 | 15,221 | 83,982 | 3,975,025 |
| Preference shares | 226,396 | – | – | – | – | 226,396 |
| **Total gross loans and advances** | 37,133,055 | 4,224,623* | 938,810 | 398,797 | 2,381,637 | 45,076,922 |
| Impairments raised | (447,662) | (51,052) | (19,439) | (7,936) | (1,040,972) | (1,567,061) |
| **Net loans and advances** | 36,685,393 | 4,173,571 | 919,371 | 390,861 | 1,340,665 | 43,509,861 |

* *On the back of the holiday season, there were numerous late payments that inflated the exposure in the "0-30 days" bracket with more than N$2 billion as at 31 December 2022, which have subsequently been paid and transferred back into the 'neither past due nor impaired' bracket.*

| N$'000 | | Special Mention | | Non-performing | | |
|---|---|---|---|---|---|---|
| **As at 31 December 2021** | **Neither past due nor impaired** | **0 - 30 days** | **31 - 60 days** | **61 - 90 days** | **More than 90 days** | **Total** |
| Overdrafts | 4,821,237 | 297,712 | 33,513 | 11,720 | 693,738 | 5,857,920 |
| Term loans | 13,122,912 | 226,018 | 208,562 | 124,926 | 610,847 | 14,293,265 |
| Mortgages | 17,435,423 | 513,384 | 325,528 | 144,028 | 1,174,977 | 19,593,340 |
| Instalment finance | 3,371,929 | 77,255 | 31,811 | 11,811 | 91,574 | 3,584,380 |
| Preference shares | 326,897 | – | – | – | – | 326,897 |
| **Total gross loans and advances** | 39,078,398 | 1,114,369 | 599,414 | 292,485 | 2,571,136 | 43,655,802 |
| Impairments raised | (222,296) | (138,025) | (37,836) | (24,022) | (1,036,631) | (1,458,810) |
| **Net loans and advances** | 38,856,102 | 976,344 | 561,578 | 268,463 | 1,534,505 | 42,196,992 |

| N$'000 | | Special Mention | | Non-performing | | |
|---|---|---|---|---|---|---|
| As at 30 June 2022 | **Neither past due nor impaired** | **0 - 30 days** | **31 - 60 days** | **61 - 90 days** | **More than 90 days** | **Total** |
| Overdrafts | 5,020,647 | 359,168 | 139,029 | 29,485 | 637,610 | 6,185,939 |
| Term loans | 13,308,602 | 274,562 | 124,361 | 143,186 | 633,532 | 14,484,243 |
| Mortgages | 17,537,349 | 938,984 | 321,921 | 133,221 | 1,087,017 | 20,018,492 |
| Instalment finance | 3,717,198 | 78,636 | 34,314 | 17,956 | 79,881 | 3,927,985 |
| Preference shares | 230,449 | – | – | – | – | 230,449 |
| **Total gross loans and advances** | 39,814,245 | 1,651,350 | 619,625 | 323,848 | 2,438,040 | 44,847,108 |
| Impairments raised | (170,092) | (190,960) | (71,653) | (37,449) | (972,006) | (1,442,160) |
| **Net loans and advances** | 39,644,153 | 1,460,390 | 547,972 | 286,399 | 1,466,034 | 43,404,948 |

# 7. Financial risk management and financial instruments (continued)

## 7.3. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

Liquidity risk is inherent in the Group's business endeavours and represents the ability of the Group to fund increases in assets and meet its financial obligations in a timely manner as they come due without incurring excessive costs, while complying with all statutory and regulatory requirements. The banks are the largest contributors to the Group's liquidity risk. The liquidity risk framework and Contingency Funding Plan (CFP) sets out the minimum liquidity risk management requirements for the banks, and explains the low-level internal control processes. Under the policy, the banks are required to manage current and future liquidity positions in a prudent manner. This framework formalises the liquidity risk management processes of the banks, the goal of which is to:

> Maintain liquidity risk at a manageable level through assessment and monitoring
> Assess and advise against any permanent or temporary adverse changes to the liquidity position of the banks
> Set and monitor limits for funding mix, investment products and client exposures
> Monitor all applicable financial and statutory ratios
> Identify those liquidity triggers that may entail the activation of the CFP

The framework sets out rules to effectively control liquidity risk within the risk-return parameters dictated by the board of directors' risk appetite. The banks also, from time to time, conduct external-assisted CFP testing to evaluate the effectiveness thereof, while also continuously enhancing the risk management processes.

The framework aims to protect depositors, creditors, shareholders and other stakeholders of the banks by establishing rules and directions for identifying and managing the resolution of possible serious liquidity problems.

Asset liquidity risk represents the availability of sufficient assets in liquid form to meet pressing obligations. In situations where liquid assets on hand could be utilised to earn a higher return instead of paying current obligations, the opportunity cost also plays a role (i.e. potential higher return less the cost of obtaining replacement liquidity). Liquidity management must attempt to match the most appropriate available liquidity to the most appropriate maturing liabilities.

Funding liquidity risk relates to an enterprise's capability to generate funding at short notice at reasonable expense to meet pressing liquidity requirements.

The Group's liquidity management process is outlined in the Group liquidity risk framework which includes, inter alia, the Group's funding strategy. Procedures, as set out in this policy, include the:

> Daily monitoring of liquid assets
> Proactive identification of liquidity requirements and maturing assets
> Liquid asset minimum limit
> Proactive identification of short, medium and long-term liquidity requirements
> Relationship management with other financial institutions

The banks must at all times hold an adequate liquid asset surplus which:

> Includes a buffer portion
> Is additional to credit lines
> Is adequate to cater for unexpected outflows
> Is simultaneously limiting the effect this surplus has on interest margins

## 7.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

### Fair value hierarchy

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the group's market assumptions. These two types of inputs have created the following fair value hierarchy:

> Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
> Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter derivative contracts, traded loans and issued structured debt. The sources of input parameters like JIBAR yield curve or counterparty credit risk are Bloomberg and Reuters.
> Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible. No transfers between level 1, level 2 or level 3 fair value measurements occurred during the six months ended 31 December 2022. There were no changes in valuation techniques during the period.

# 7. Financial risk management and financial instruments (continued)

## 7.4 Fair value estimation (continued)

Details of level 2 fair value instruments:

| | | | Valuation inputs - ranges | | |
|---|---|---|---|---|---|
| ***Financial assets measured at fair value*** | **Valuation technique** | **Type of input** | **31 Dec 2022 Reviewed** | **31 Dec 2021 Reviewed** | **30 June 2022 Audited** |
| Treasury bills | Income approach* | Note 1 | BW: 7.4% - 9.1% | BW: 3.9% - 5.6% | BW: 4.6% -7.5% |
| Government stock | Income approach* | Note 1 | BW & Entrepo: 9.0% - 11.5% | BW & Entrepo: 7.7% - 11.3% | BW & Entrepo: 0.2% - 11.9% |
| Unit trust investments | Market approach** | Note 2 | BW: 4.0% - 6.7% | BW: 4.1% - 4.8% | BW: 1.2% - 6.5% |
| Other debt securities | | | | | |
| - Corporate bonds | Income approach* | Note 1 | 10.3% | 6.9% | 7.8% |
| - OTC currency options | Income approach* | Note 1 | N/A | US$15.3 €17.26 | N/A |
| ***Financial liabilities measured at fair value*** | | | | | |
| Derivative financial instruments | Income approach* | Note 1 | BW: 3.9% - 12.8% | BW: 3.9% - 9.5% | 3.7% - 10.3% |
| ***Financial assets for which the fair value is disclosed*** | | | | | |
| Treasury bills | Income approach* | Note 1 | 7.9% - 8.6% | N/A | N/A |
| Government stock | Income approach* | Note 1 | BW: 3.4% - 11.5% | BW: 3.9% - 11.3% | BW: 3.9% - 11.9% |
| *Loans and advances to customers* | | | | | |
| - Discount rate | Income approach* | Note 1 | BW: 10.5% BG: 5.3% Entrepo: 18.3% | BW: 7.5% BG: 5.3% Entrepo: 15.3% | BW: 8.5% BG: 5.3% Entrepo: 15.3% |
| - Earnings rate | Income approach* | Note 2 | BW: 7.3% - 20.7% BG: 3.8% - 32.0% Entrepo: 15.3% - 21.0% | BW: 2.9% - 14.9% BG: 3.3% - 32.0% Entrepo: 15.3% - 21.0% | BW: 3.5% - 14.7% BG: 3.3% - 32.0% Entrepo: 15.3% - 21.0% |
| - Term to maturity | Income approach* | Note 3 | 3 - 360 mths | 3 - 360 mths | 3 - 360 mths |
| *Other borrowings* | | | | | |
| - Discount rate | Income approach* | Note 1 | BW: 8.1% - 9.8% CG: 7.0%*** | BW: 4.8% - 8.4% CG: 3.0%*** | BW: 5.8% - 10.2% CG:3.0%*** |
| - Earnings rate | Income approach* | Note 2 | BW: 7.7% - 8.4% CG: 7.0%*** | BW: 4.8% - 8.4% CG: 3.0%*** | BW: 5.8% - 10.2% CG: 3.0%*** |
| *Debt securities in issue* | | | | | |
| Senior debt - unsecured | Income approach* | Note 1 | BW: 3.9% - 6.6% BG: 7.0% | BW: 3.9% - 6.6% BG: 6.4% | BW: 3.7% - 8.1% BG: 7.0% |

** Income approach: Present value of expected future cash flows.*
*** Market approach: The fair value is determined with reference to the daily published market prices.*
****Loan denominated in US dollars*
*Note 1: Observable interest rates and yield curves observable at commonly quoted intervals.*
*Note 2: Contractual interest rates per transaction observable on the banking system.*
*Note 3: Contractual maturities per transaction observable on the banking system.*
*BW: Bank Windhoek Ltd*
*BG: Bank Gaborone*
*CG: Capricorn Group*

# 7. Financial risk management and financial instruments (continued)

## 7.4 Fair value estimation (continued)

The following table represents the fair value of financial instruments carried at amortised cost on the statement of financial position:

| | December 2022 | | December 2021 | | June 2022 | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| N$'000 | Reviewed | | Reviewed | | Audited | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 5,372,448 | 5,372,448 | 5,082,538 | 5,082,538 | 6,480,396 | 6,480,396 |
| Financial assets at amortised cost | 1,013,276 | 1,058,627 | 868,535 | 913,886 | 915,861 | 922,769 |
| Loans and advances to customers | 43,509,861 | 43,610,724 | 42,196,992 | 42,170,053 | 43,226,296 | 41,624,541 |
| Other assets | 230,895 | 230,895 | 216,451 | 216,451 | 470,091 | 470,091 |
| **Financial liabilities** | | | | | | |
| Due to other banks | 388,811 | 388,811 | 1,041,275 | 1,041,275 | 708,212 | 708,212 |
| Other borrowings | 460,720 | 468,114 | 603,308 | 610,702 | 618,017 | 688,076 |
| Debt securities in issue | 5,602,877 | 5,471,396 | 5,954,117 | 5,822,636 | 6,244,612 | 6,019,707 |
| Deposits | 44,130,529 | 44,130,529 | 41,100,574 | 41,100,574 | 43,647,452 | 43,647,683 |
| Other liabilities | 839,881 | 839,881 | 817,456 | 817,456 | 1,405,933 | 1,405,933 |

# 8. Capital management

During 2012, the Bank of Namibia introduced BID 24 – Consolidated supervision, which denotes consolidated rules only for the purposes of computing regulatory minimum capital requirements. These rules do not impact on accounting consolidation of banking Groups, which is done in accordance with IFRS. Although regulatory consolidation may track the accounting consolidation, it is not identical because of a different approach that is prescribed or required for treatment of certain types of transactions and/or subsidiaries.

The table below summarises the composition of regulatory capital and the ratios of the Group for the year ended 30 June 2022 and the six-month periods ended 31 December 2022 and 31 December 2021. During these three periods, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subjected.

| | December 2022 N$'000 Reviewed | December 2021 N$'000 Reviewed | June 2022 N$'000 Audited |
|---|---|---|---|
| **Tier 1 capital** | | | |
| Share capital and premium | 764,071 | 753,483 | 764,071 |
| General banking reserves | 5,251,073 | 4,638,320 | 5,251,257 |
| Retained earnings | 1,879,128 | 1,731,270 | 1,701,271 |
| Minority interests | 263,469 | 234,533 | 263,469 |
| **Subtotal** | 8,157,741 | 7,357,606 | 7,980,068 |
| Deduct: 50% investments in Group entities | | | |
| Goodwill | (343,358) | (282,662) | (311,483) |
| 50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities | (354,453) | (370,457) | (380,266) |
| **Net total Tier 1 capital** | 7,459,930 | 6,704,487 | 7,288,319 |
| **Tier 2 capital** | | | |
| Subordinated debt | 393,626 | 360,476 | 351,626 |
| Five-year callable bonds | 393,626 | 360,476 | 351,626 |
| Current unaudited profits (including dividends paid and transfers to general banking reserves) | 319,674 | 140,789 | – |
| Portfolio impairment | 536,916 | 489,232 | 469,788 |
| Minority interests and foreign currency translation adjustments | (174,174) | (212,835) | – |
| **Subtotal** | 1,076,042 | 777,662 | 821,414 |
| Deduct: 50% investments in Group entities | | | |
| 50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities | (338,504) | (338,504) | (338,504) |
| **Net total Tier 2 capital** | 737,538 | 439,158 | 482,910 |
| **Net total Tier 3 capital** | – | 136,963 | – |
| **Total regulatory capital** | 8,197,468 | 7,280,608 | 7,771,229 |
| **Risk-weighted assets:** | | | |
| Operational risk | 5,037,759 | 4,846,990 | 4,831,626 |
| Credit risk | 43,624,914 | 42,676,513 | 43,763,327 |
| Market risk | 814,437 | 795,880 | 687,068 |
| **Total risk-weighted assets** | 49,477,110 | 48,319,383 | 49,282,021 |
| **Capital adequacy ratios:** | | | |
| Leverage capital ratio | 12.9% | 12.4% | 12.7% |
| Tier 1 risk-based capital ratio | 15.1% | 13.9% | 14.8% |
| Total risk-based capital ratio | 16.6% | 15.1% | 15.8% |

## 9. Credit impairment losses

| | December 2022 N$'000 Reviewed | December 2021 N$'000 Reviewed | June 2022 N$'000 Audited |
|---|---|---|---|
| Increase in specific impairment | 48,767 | 148,739 | 188,430 |
| Increase in specific impairment | 21,153 | 113,380 | 94,907 |
| Increase in interest in suspense impairment | 27,614 | 35,359 | 93,523 |
| Amounts written off as uncollectable | 45,756 | – | 110,470 |
| Initial specific impairment | 42,132 | – | 104,285 |
| Written off as uncollectable | 3,624 | – | 6,185 |
| Increase in portfolio impairment | 64,005 | 40,038 | 80,012 |
| Amounts recovered during the period/year | (3,635) | (6,827) | (11,609) |
| | 154,893 | 181,950 | 367,303 |

Impairment charges reflect the movement in provisions as per the IFRS 9 models.

## 10. Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2022 is 28.2% (30 June 2022: 28.4% and 31 December 2021: 29.3%).

## 11. Financial assets at amortised cost

The increase in financial assets at amortised cost is due to new treasury bills recognised at amortised cost obtained during the period under review.

## 12. Loans and advances to customers

| | December 2022 N$'000 Reviewed | December 2021 N$'000 Reviewed | June 2022 N$'000 Audited |
|---|---|---|---|
| Overdrafts | 6,237,921 | 5,857,920 | 6,185,939 |
| Term loans | 14,863,770 | 14,293,265 | 14,484,243 |
| Mortgages | 19,773,810 | 19,593,340 | 20,018,492 |
| – Residential mortgages | 12,453,935 | 11,710,799 | 12,549,226 |
| – Commercial mortgages | 7,319,875 | 7,882,541 | 7,469,266 |
| Instalment finance | 3,975,025 | 3,584,380 | 3,927,985 |
| Preference shares | 226,396 | 326,897 | 230,449 |
| *Gross loans and advances* | 45,076,922 | 43,655,802 | 44,847,108 |
| Effective interest rate impact per IFRS 9 | – | – | (178,652) |
| *Gross loans and advances after effective interest impact* | 45,076,922, | 43,655,802 | 44,668,456 |
| *Less impairment* | | | |
| Stage 1 impairment | (498,714) | (360,321) | (170,092) |
| Stage 2 impairment | (27,375) | (61,858) | (300,062) |
| Stage 3 impairment | (1,040,972) | (1,036,631) | (972,006) |
| | 43,509,861 | 42,196,992 | 43,226,296 |

## 13. Intangible assets

The increase in the net book value of intangible assets from 30 June 2022 is mainly due to the capitalisation of project costs of N$69.6 million, which also represents the total additions and transfers for the period.

## 14. Property and equipment

Total additions to property and equipment during the period ended 31 December 2022 amounted to N$72.1 million.

## 15. Other borrowings

| | December 2022 N$'000 Reviewed | December 2021 N$'000 Reviewed | June 2022 N$'000 Audited |
|---|---|---|---|
| Opening Balance | 618,017 | 692,719 | 692,719 |
| Additions | 332,400 | 35,506 | 331,177 |
| Repayments | (501,694) | (135,147) | (431,781) |
| Accrued interest | 10,837 | 31,389 | 51,099 |
| Coupon payments | (10,700) | (30,791) | (47,230) |
| Foreign exchange loss | 11,860 | 9,632 | 22,033 |
| Closing Balance | 460,720 | 603,308 | 618,017 |

Other borrowings consist of a long-term loan from Agence Française de Développement ("AFD") of N$219 million, of which N$73 million has been repaid to date. The balance is further made up of two separate Bank One loans of N$169 million and N$85 million, and a loan from the Caliber Capital Trust of N$60 million.

The AFD loan is repayable semi-annually over a seven-year term with quarterly interest repayments. Interest on the AFD loan is charged at three-month JIBAR plus a spread of 1.131%.

There are two separate loans from Bank One.

Loan 1: The interest is payable quarterly over the one-year term of the loan with the capital amount being repayable at the end of the loan. Interest on the Bank One loan is charged at three-month SOFR plus a spread of 3.0%.

Loan 2: The interest is payable quarterly over the term of the loan. The capital amount is repayable over two years. Interest is charged at three-month LIBOR plus a spread of 3.1%.

The Caliber Capital Trust loan bears interest at Bank Windhoek prime plus 3.0% and is repayable at the end of the loan term.

The group complied with all debt covenant requirements relating to these loans in the current financial year.

## 16. Debt securities in issue

Senior debt to the value of N$226.6 million was issued during the six months ended 31 December 2022. Total interest during the period amounted N$212.9 million with repayments of N$847.5 million.

## 17. Deposits

| | December 2022 N$'000 Reviewed | December 2021 N$'000 Reviewed | June 2022 N$'000 Audited |
|---|---|---|---|
| Current accounts | 10,893,265 | 9,285,222 | 10,190,758 |
| Savings accounts | 1,821,776 | 1,679,176 | 1,734,552 |
| Demand deposits | 6,222,002 | 6,498,623 | 6,685,435 |
| Term and notice deposits | 13,273,695 | 13,735,142 | 14,690,610 |
| Negotiable certificates of deposits (NCDs) | 10,135,873 | 8,313,020 | 9,264,734 |
| Other deposits | 1,783,918 | 1,589,391 | 1,081,363 |
| | 44,130,529 | 41,100,574 | 43,647,452 |

## 18. Earnings and headline earnings per ordinary share

| | December 2022 Reviewed | | |
|---|---|---|---|
| | Gross N$'000 | Taxation N$'000 | Net N$'000 |
| *Earnings* | | | |
| Profit from continuing operations attributable to the equity holders of the parent entity | | | 651,413 |
| *Headline adjustments* | – | – | – |
| Headline earnings | | | 651,413 |

| | December 2021 Reviewed | | |
|---|---|---|---|
| | Gross N$'000 | Taxation N$'000 | Net N$'000 |
| *Earnings* | | | |
| Profit from continuing operations attributable to the equity holders of the parent entity | | | 526,438 |
| *Headline adjustments* | – | – | – |
| Profit on sale of property and equipment | – | – | – |
| Headline earnings | | | 526,438 |

| | June 2022 Audited | | |
|---|---|---|---|
| | Gross N$'000 | Taxation N$'000 | Net N$'000 |
| *Earnings* | | | |
| Profit from continuing operations attributable to the equity holders of the parent entity | | | 1,045,983 |
| *Headline adjustments* | 2,440 | – | 2,440 |
| Loss on disposal of assets | 2,440 | – | 2,440 |
| Headline earnings | | | 1,048,423 |

| | December 2022 Reviewed | December 2021 Reviewed | June 2022 Audited |
|---|---|---|---|
| Number of ordinary shares in issue at period/year-end ('000) | 519,184 | 519,184 | 519,184 |
| *Less:* Treasury shares | (8,679) | (7,582) | (8,679) |
| Weighted average number of ordinary shares in issue during the period/year ('000) | 510,505 | 511,602 | 510,505 |
| Adjusted for effect of future share-based payment transactions | 1,864 | 1,594 | 1,864 |
| Diluted weighted average number of ordinary shares in issue during the period/year ('000) | 512,369 | 513,196 | 512,369 |
| *Earnings per ordinary share (cents)* | | | |
| Basic | 127.6 | 102.9 | 204.9 |
| Fully diluted | 127.1 | 102.6 | 204.1 |
| *Headline earnings per ordinary share (cents)* | | | |
| Basic | 127.6 | 102.9 | 205.4 |
| Fully diluted | 127.1 | 102.6 | 204.6 |

## 19. Net asset value per ordinary share

| | December 2022 N$'000 Reviewed | December 2021 N$'000 Reviewed | June 2022 N$'000 Audited |
|---|---|---|---|
| Net assets (excluding non-controlling interest) (N$'000) | 7,746,090 | 6,974,876 | 7,286,887 |
| Number of ordinary shares in issue at period / year-end ('000) | 510,505 | 511,602 | 510,505 |
| Net asset value per ordinary share (cents) | 1,517 | 1,363 | 1,427 |

## 20. Dividends per share

Capricorn Group declared and paid dividends amounting to N$207.7 million during the six month period ended 31 December 2022 (30 June 2022: N$363.4 million and 31 December 2021: N$196.5 million).

Refer to note 24 for dividends declared after the reporting period.

## 21. Contingent assets, liabilities and commitments

| | December 2022 N$'000 Reviewed | December 2021 N$'000 Reviewed | June 2022 N$'000 Audited |
|---|---|---|---|
| **21.1. Capital commitments** | | | |
| Contracted for but not yet incurred | – | – | 28,000 |
| Authorised but not contracted for | 359,884 | 289,630 | 293,151 |
| **21.2. Letters of credit** | 486,625 | 333,048 | 196,643 |
| **21.3. Liabilities under guarantees** | 1,897,307 | 2,287,134 | 2,538,568 |
| **21.4. Loan commitments** | 2,665,458 | 2,919,558 | 2,808,400 |

### 21.5. Pending litigation

There are a few pending legal or potential claims against the Group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or Group basis. Provisions have been raised for these to the extent that the outcome is known.

## 22. Related parties

The Group did not enter into material new related party transactions and balances for the six months ended 31 December 2022.

## 23. Segment information

The Group considers its banking operations in Namibia and Botswana and microlending activities in Namibia as three operating segments. Other components include property development, unit trust management and asset management. However, these components each contribute less than 10% to the Group revenue, assets and net profit after tax, therefore the Group has no significant components other than banking and microlending activities. This is consistent with the internal reporting provided to the chief operating decision-maker, identified as the Group chief executive officer. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

# 23. Segment information (continued)

| | December 2022 N$'000 Reviewed | December 2021 N$'000 Reviewed | June 2022 N$'000 Audited |
|---|---|---|---|
| *Operating income* | | | |
| Banking – Namibia | 1,625,240 | 1,364,912 | 2,753,847 |
| Term lending and related activities – Namibia | 122,995 | 152,848 | 282,855 |
| Banking – Botswana | 268,744 | 201,260 | 431,185 |
| Other | 80,543 | 77,634 | 170,892 |
| Total | 2,097,522 | 1,796,654 | 3,638,779 |
| *Profit after tax for the period/year* | | | |
| Banking – Namibia | 512,067 | 407,701 | 813,198 |
| Term lending and related activities – Namibia | 84,707 | 109,025 | 199,196 |
| Banking – Botswana | 59,978 | 36,476 | 74,046 |
| Other | 41,473 | 27,297 | 59,441 |
| Total | 698,225 | 580,499 | 1,145,881 |
| *Total assets* | | | |
| Banking – Namibia | 46,864,252 | 45,252,165 | 47,002,781 |
| Term lending and related activities – Namibia | 1,527,424 | 1,532,163 | 1,467,142 |
| Banking – Botswana | 9,764,619 | 9,289,661 | 10,186,565 |
| Other | 1,906,230 | 1,299,232 | 1,783,144 |
| Total | 60,062,525 | 57,373,221 | 60,439,632 |

# 24. Events subsequent to period-end

## Dividends declared

On 22 February 2023 an interim dividend of 39 cents per ordinary share was declared for the period ended 31 December 2022, payable on 30 March 2023. The last day to trade shares on a cum dividend basis is on 10 March 2023, the first day to trade ex dividend is 13 March 2023 and the record date is 17 March 2023. The interim dividend has not been recognised as a liability in the condensed consolidated interim financial statements. It will be recognised in the statement of changes in equity for the year ended 30 June 2023.

# 25. Director appointment/resignation

There have been no changes to the board of Capricorn Group.

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**Details for QR code**

Download any QR reader app on the Google Play Store or Apple App Store. Use the app to scan this code to be linked directly to the Capricorn Group Ltd condensed consolidated financial statements on our website. Alternatively, visit https://www.capricorn.com.na/Pages/News-Centre/Capricorn-Group-Interim-Results-as-at-31-December-2022.aspx