



Capricorn Investment Group Limited
(Incorporated in the Republic of Namibia)
(Date of Registration: 5 September 1996)
(Registration Number: 96/300)
Share code: CGP ISIN: NA000A1T6SV9
("Capricorn Group")

REVIEWED CONSOLIDATED INTERIM GROUP RESULTS **for the six months ended 31 December 2018**

Capricorn Group delivered satisfactory results, notwithstanding the current economic conditions in which it operates. Group operating profit for the six months ended 31 December 2018 increased by 11.5% compared to the prior year and group profit before tax increased by 8.5% year-on-year. Following fairly flat earnings over the last two years, the group has delivered growth in headline earnings per share of 9.6% in the first half of FY 2019.

The good growth in operating profit is due to good performance by subsidiaries delivering on their strategies, despite difficult operating environments. Bank Windhoek delivered above expectations during this period, while Entrepo made a substantial contribution to the group profit during its first six months in the group. Bank Gaborone and Capricorn Asset Management performed in line with their targets for growth and profitability. The Zambian operation has improved during the six months ended 31 December 2018 compared to the previous six months ended 30 June 2018. Sharp declines in investment income and challenging market conditions for underwriters resulted in income from associates reducing by 26.3% compared to the previous year.

Net interest income

The group's net interest income increased by 21.5% to N\$1.1 billion (Dec 2017: N\$896.7 million). Entrepo contributed 6.9% of the growth in net interest income during the current financial period. Bank Windhoek contributed 10.8% of the growth experienced, mainly as a result of an increased net interest margin for the six months ended 31 December 2017 compared to the six months ended 31 December 2018 due to improved cost of funding and effective liquidity management. Bank Gaborone and Cavmont Bank, on the other hand, saw a reduction in their net interest margins as a result of increased cost of funding due to low market liquidity in Botswana and Zambia. Consolidated, the group experienced an improvement in the net interest margin to 4.7% for the six months ended 31 December 2018 (2017: 4.0%).

Impairment charges

Impairment charges have for the first time been calculated in terms of the new IFRS 9 standard that was adopted on the 1st of July 2018. Impairment charges decreased by 3.3% to N\$38.2 million for the six months ended 31 December 2018 (2017: N\$39.5 million). Impairment charges were calculated based on IFRS 9 for the six months ended 31 December 2018, while IAS 39 was used for the six months ended 31 December 2017.

Non-interest income

Non-interest income increased by 8.3% to N\$636.9 million for the period ended 31 December 2018. Excluding a capital profit of N\$42.6 million on a partial sale of shares in VISA Inc during the comparative period, non-interest income increased by 16.8%. The growth is mainly attributable to a sharp increase in forex trading income (contributing 2.3% to the growth), income from electronic channels increasing by 18.8% on the back of a sharp increase in transaction volumes (contributing 5.2% to the growth) and the income from underwriting activities contributed by Entrepo for the first time (9.2% of the growth).

Operating expenses

Operating expenses increased 20.6% year-on-year from N\$840.7 million to N\$1.0 billion as at 31 December 2018. The increase is a result of three main factors:

- the inclusion of Entrepo for the current financial year contributed 2.4% of the growth;
- 10.1% of the growth is due to staff cost which increased by 18.8% mainly as a result of annual salary increases, filling of vacancies and building capacity in Capricorn Private Wealth, various branches, strengthening of the IT function and an increase in provision for performance remuneration linked to the improved financial performance; and
- increased operational banking expenses, resulting from increased transaction volumes, account for 3.9% of the growth.

Loans and advances

Gross loans and advances increased by 12.6% (N\$4.3 billion) from 31 December 2017 to N\$38.4 billion as at 31 December 2018. The increase is mainly attributable to the inclusion of Entrepo and to commercial loans in Bank Windhoek increasing by 27.5% (N\$1.4 billion).

Non-performing loans have increased from N\$1.0 billion as at 31 December 2017 to N\$1.6 billion at 31 December 2018. The increase is mainly as a result of five large, but well-secured loans within Bank Windhoek classified as non-performing loans. Impairment provisions increased by N\$482.2 million (156.3%) from 31 December 2017 to 31 December 2018. This increase is mainly as a result of N\$433.8 million recognised as the IFRS 9 first time adoption adjustment to opening reserves on 1 July 2018. The increase in impairment provisions as a result of the adoption of IFRS 9, resulted in the impairment coverage ratio increasing from 0.9% at 31 December 2017 to 2.1% at 31 December 2018.

Investments

On 13 July 2018, the group exercised all its rights in terms of the Nimbus Infrastructure Ltd rights issue at a cost of N\$54.3 million thereby increasing the group's shareholding in Nimbus Infrastructure Limited from 18.3% to 30.0%.

Funding

During the period under review, the group maintained adequate funding and liquidity levels. Total funding increased by N\$3.2 billion (8.5%) from 31 December 2017 to N\$41.7 billion as at 31 December 2018. This translates to a loan to funding ratio (LFR) of 90.1% (31 December 2017: 88.1%). Growth in funding is attributable mainly to growth in NCD's, demand deposits and senior debt in Bank Windhoek.

Total risk-based capital adequacy ratio

The group remains well capitalised with its total risk-based capital adequacy ratio of 14.5% (December 2017: 15.0%). This is well above the minimum regulatory capital requirement of 10.0%. Global Credit Ratings Company affirmed the group's and Bank Windhoek Limited's credit ratings of AA(NA) with a stable outlook during November 2018.

Outlook

Following fairly flat results during the past two financial years during which the Namibian economy was in recession, it is gratifying to report positive growth for the group during the period under review. The group is confident that this growth will be maintained for the remainder of the financial year as it delivers on its strategy.

Beyond this financial year, in an economy that is showing signs of slow improvement, the group believes that by delivering on its strategy, diversifying its investments, continuing its focus on operational excellence and customer services through the operating subsidiaries and effectively executing the turnaround plan for Zambia, it will be able to continue delivering satisfactory results and value to all stakeholders.

Reviewed results – auditor's review conclusion

The condensed consolidated interim financial statements for the six months ended 31 December 2018, from which this information is derived, have been reviewed by PricewaterhouseCoopers, who expressed an unmodified review conclusion thereon. The review was conducted in accordance with ISRE 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. A copy of the auditor's review report is available for inspection at the company's registered office together with the condensed consolidated interim financial statements referred to in the auditor's review report.

Basis of presentation

The reviewed condensed consolidated interim financial statements of Capricorn Investment Group Ltd for the six months ended 31 December 2018 from which this information is derived, have been prepared in accordance with International Accounting Standards (IAS) 34: 'Interim Financial Reporting' and the requirements of the Companies Act of Namibia.

This results announcement is the responsibility of the directors, and is extracted from the reviewed condensed consolidated interim financial statements, but is not itself reviewed or audited. The group's principal accounting policies comply with IFRS and have been applied consistently in all material aspects with the previous financial years.

INTERIM DIVIDEND

Notice is hereby given that an interim dividend of 30 cents per ordinary share was declared on 28 February 2019 for the period ended 31 December 2018.

- Last day to trade cum dividend: 8 March 2019
- First day to trade ex dividend: 11 March 2019
- Record date: 15 March 2019
- Payment date: 27 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 December 2018

	Six months ended	
	31 Dec 2018 (reviewed) N\$'000	31 Dec 2017 (reviewed) N\$'000
Interest and similar income	2,373,125	2,108,766
Interest and similar expenses	<u>(1,283,919)</u>	<u>(1,212,034)</u>
Net interest income	1,089,206	896,732
Impairment charges on loans and advances	<u>(38,150)</u>	<u>(39,462)</u>
Net interest income after loan impairment charges	1,051,056	857,270
Non-interest income	<u>636,885</u>	<u>588,078</u>
Operating income	1,687,941	1,445,348
Operating expenses	<u>(1,013,655)</u>	<u>(840,712)</u>
Operating profit	674,286	604,636
Share of joint arrangement's results after tax	2,063	2,016
Share of associates' results after tax	<u>37,848</u>	<u>51,385</u>
Profit before income tax	714,197	658,037
Income tax expense	<u>(197,750)</u>	<u>(171,265)</u>
Profit for the period	516,447	486,772
Other comprehensive income		
<i>Items that may subsequently be reclassified to profit or loss</i>		
Change in value of available-for-sale financial assets	8,596	23,416
Exchange differences on translation of foreign operations	<u>9,201</u>	<u>(27,288)</u>
Total comprehensive income for the period	<u>534,244</u>	<u>482,900</u>
Profit is attributable to:		
Equity holders of the group and company	476,410	477,390
Non-controlling interests	<u>40,037</u>	<u>9,382</u>
	<u>516,447</u>	<u>486,772</u>
Total comprehensive income is attributable to:		
Equity holders of the group and company	492,269	477,129
Non-controlling interests	<u>41,975</u>	<u>5,771</u>
	<u>534,244</u>	<u>482,900</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 December 2018 (continued)

Ordinary shares in issue ('000) ²	509,356	509,953
Weighted average no. of ordinary shares in issue ('000) ²	509,356	509,953
Diluted weighted average no. of ordinary shares in issue ('000) ²	510,236	511,151
Basic earnings per share (cents)	93.5	93.6
Diluted earnings per share (cents)	93.4	93.4
Basic headline earnings per share (cents)	93.5	85.3
Diluted headline earnings per share (cents)	93.4	85.1
Dividend per ordinary share (cents)	30.0	30.0

² Adjusted for treasury shares.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	31 Dec 2018 (reviewed) N\$'000	31 Dec 2017 (reviewed) N\$'000
ASSETS		
Cash and balances with the central bank	1,578,017	1,783,114
Financial assets designated at fair value through profit or loss	5,768,181	4,299,419
Financial assets measured at amortised cost	908,721	853,651
Investment securities	138,407	129,385
Due from other banks	1,332,686	1,979,921
Loans and advances to customers	37,580,673	34,094,895
Other assets	431,453	482,761
Current tax asset	93,636	69,419
Investment in associates	365,955	312,060
Interest in joint arrangements	9,402	8,208
Intangible assets	282,924	296,989
Property, plant and equipment	245,009	207,690
Deferred tax asset	186,840	20,048
Total assets	<u>48,921,904</u>	<u>44,537,560</u>
LIABILITIES		
Due to other banks	459,820	261,281
Other borrowings	1,677,307	1,388,386
Debt securities in issue	4,750,214	4,270,910
Deposits	34,776,118	32,750,037
Other liabilities	1,338,683	390,616
Current tax liability	1,796	1,973
Deferred tax liability	-	3,881
Post-employment benefits	11,836	10,556
Total liabilities	<u>43,015,774</u>	<u>39,077,640</u>
EQUITY		
Share capital and premium	738,663	683,508
Non-distributable reserves	74,548	249,556
Distributable reserves	4,774,445	4,368,800
	<u>5,587,656</u>	<u>5,301,864</u>
Non-controlling interests	318,474	158,056
Total shareholders' equity	<u>5,906,130</u>	<u>5,459,920</u>
Total equity and liabilities	<u>48,921,904</u>	<u>44,537,560</u>
Net asset value per share (cents)	1,097	1,040

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 31 December 2018

	Share capital and premium N\$'000	Non-distributable reserves N\$'000	Distributable reserves N\$'000	Non- controlling interests	Total equity N\$'000
For the six months ended 31 December 2017 (reviewed)					
Balance at 1 July 2017	684,665	248,186	4,123,531	154,533	5,210,915
Movement in treasury shares	(1,157)	-	-	-	(1,157)
Total comprehensive income	-	-	477,129	5,771	482,900
Profit for the period	-	-	477,390	9,382	486,772
Other comprehensive income	-	-	(261)	(3,611)	(3,872)
Share-based payment charges	-	-	4,500	-	4,500
Reclassification to profit or loss	-	-	(42,647)	-	(42,647)
Profit on sale of treasury shares	-	-	1,289	-	1,289
Transfer between reserves	-	1,370	(1,370)	-	-
Dividends	-	-	(193,632)	(2,248)	(195,880)
Balance at 31 December 2017	683,508	249,556	4,368,800	158,056	5,459,920
For the six months ended 31 December 2018 (reviewed)					
Balance at 1 July 2018	724,507	269,653	4,620,531	276,499	5,891,190
IFRS 9 initial adoption	-	-	(298,513)	-	(298,513)
Credit risk transfer to retained earnings	-	(163,422)	163,422	-	-
IFRS 15 initial adoption	-	-	(86,558)	-	(86,558)
Adjusted balance at the beginning of the reporting period	724,507	106,231	4,398,882	276,499	5,506,119
Movement in treasury shares	14,156	-	-	-	14,156
Total comprehensive income	-	-	492,269	41,975	534,244
Profit for the period	-	-	476,410	40,037	516,447
Other comprehensive income	-	-	15,859	1,938	17,797
Share-based payment charges	-	-	5,000	-	5,000
Profit on sale of treasury shares	-	-	(1,042)	-	(1,042)
Transfer between reserves	-	(31,683)	31,683	-	-
Dividends	-	-	(152,347)	-	(152,347)
Balance at 31 December 2018	738,663	74,548	4,774,445	318,474	5,906,130
For the year ended 30 June 2018 (audited)					
Balance at 1 July 2017	684,665	248,186	4,123,531	154,533	5,210,915
Issue of shares	41,508	-	-	-	41,508
Movement in treasury shares	(10,034)	-	-	-	(10,034)
Total comprehensive income for the year	-	-	974,259	11,981	986,240
Profit for the year	-	-	922,556	11,879	934,435
Other comprehensive income	-	-	51,703	102	51,805
Share-based payment charges	-	-	8,921	-	8,921
Vesting of shares	8,368	-	(8,368)	-	-
Profit on sale of treasury shares	-	-	2,690	-	2,690
Transfer between reserves	-	21,467	(21,467)	-	-
Reclassification to profit and loss	-	-	(59,380)	-	(59,380)
Acquisition of subsidiaries	-	-	-	142,338	142,338

Change in ownership interest in subsidiary	-	-	(50,643)	(32,373)	(83,016)
Transfer of FCTR	-	-	(2,268)	2,268	-
Dividends	-	-	(346,744)	(2,248)	(348,992)
Balance at 30 June 2018	724,507	269,653	4,620,531	276,499	5,891,190

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 31 December 2018

	Six months ended	
	December 2018 N\$'000 Reviewed	December 2017 N\$'000 Reviewed
Net cash utilised in operating activities	(414,067)	(179,940)
Net cash utilised in investing activities	(109,155)	(59,288)
Net cash (utilised in) / generated from financing activities	(88,915)	(51,957)
Net decrease in cash and cash equivalents	(612,137)	(291,185)
Effects of exchange rate on cash and cash equivalents	34,375	(28,880)
Cash and cash equivalents at the beginning of the period	5,210,402	5,291,456
Cash and cash equivalents at the end of the period	4,632,640	4,971,391

HEADLINE EARNINGS RECONCILIATION
for the period ended 31 December 2018

	Six months ended	
	31 Dec 2018 (reviewed) N\$'000	31 Dec 2017 (reviewed) N\$'000
Profit for the period / year	476,410	477,390
Reclassification gain on disposal of available-for-sale financial asset	-	(42,647)
Other	10	245
Headline earnings	476,420	434,988
Basic headline earnings per share (cents)	93.5	85.3
Diluted headline earnings per share (cents)	93.4	85.1

By order of the Board

Windhoek

01 March 2019

Sponsor



PSG Wealth Management (Namibia) (Pty) Ltd
Member of the Namibian Stock Exchange