Capricorn Group

INTERIM RESULTS

for the six months ended 31 December 2021

Benefitting from an improved operating environment

- During the six months ended 31 December 2021, the Namibian and Botswana economies benefitted from an improved operating environment and less severe COVID-19 restrictions, when compared to the six months ended 31 December 2020. The increased economic activity, albeit from a low base, had a positive impact on the performance of Capricorn Group ("the Group") with profit from continuing operations increasing by N$111.4 million (23.8%) year-on-year. Profit from continuing operations of N$580.5 million, however, remains slightly below the pre-COVID profit reported for the six months ended 31 December 2019 (N$587.8 million).
- As previously reported, the sale of Cavmont Bank Limited was concluded on 4 January 2021. Consequently, the N$40.9 million losses relating to our Zambian operations in the comparative period were not repeated in the current period.

Group financial performance

- **Net interest income** increased by 4.9% year-on-year mainly attributable to an improvement of 50 basis points ("bps") in the net interest margins of Bank Windhoek as a result of an effective funding repricing.
- **Impairment charges** decreased by 21.6% year-on-year to N$182.0 million, mainly attributable to the improved operating environment positively impacting the key credit risk indicators of the banks. However, the severe impact of the COVID-19 pandemic is still very prevalent, as illustrated by impairment charges for the six months still significantly exceeding pre-COVID charges of N$54.3 million reported for the six months ended 31 December 2019.
- **Non-interest income** increased by N$130.1 million (18.4%) thanks largely to a significant increase in net trading income of N$69.7 million (180.2%), mainly from foreign exchange trades and derivatives. Transaction-based fee income increased by N$42.9 million (8.6%), driven mainly by increased transaction volumes on the back of improved economic activity. Furthermore, the Group's non-interest income was well supported by its diversified revenue streams with net insurance income and asset management fee income increasing by N$11.0 million (20.9%) and N$3.9 million (5.1%) respectively.
- Despite Namibian inflation increasing to 4.5% as at 31 December 2021, **operating expenses** growth was well contained at 4.1% year-on-year. This bears testimony to the Group's focus and ability to contain costs.
- **Income from associates** decreased by 33.9% year-on-year, following a significant volume of life insurance claims resulting from the COVID-19 third wave in Namibia during the months of July and August 2021.

Statement of Financial Position

- Capricorn Group reflected a healthy **liquidity** position as at 31 December 2021 as the Group's liquid assets increased by 10.1% year-on-year. Liquid assets exceeded regulatory requirements in Namibia and Botswana by 109% and 55% respectively.
- **Gross loans and advances** increased by 3.6% to N$43.7 billion during the six months ended 31 December 2021. Bank Windhoek's growth of 2.6% is well above annualised Namibian private sector credit extension growth of 1.2%, indicating the ability and intention of the Group to extend financing to continue to support clients during the pandemic. Bank Gaborone increased its loan book by 2.8% to P5.1 million during the six-month period.
- Asset quality remained a key focus area for the Group. Despite the challenging economic environment, the Group's total **non-performing loans ("NPLs")**, increased by 4.5% since June 2021 to N$2.57 billion. This resulted in the NPL ratio increasing marginally from 5.8% to 5.9%. This is well below the industry average NPL's in Namibia, reflecting the effectiveness of the Group's proactive approach with regards to credit risk management.
- The Group maintained its strong capital position and remains well capitalised with a total risk-based capital adequacy ratio of 15.1% (June 2021: 15.0%), well above the minimum regulatory capital requirement of 10.0%.

Outlook

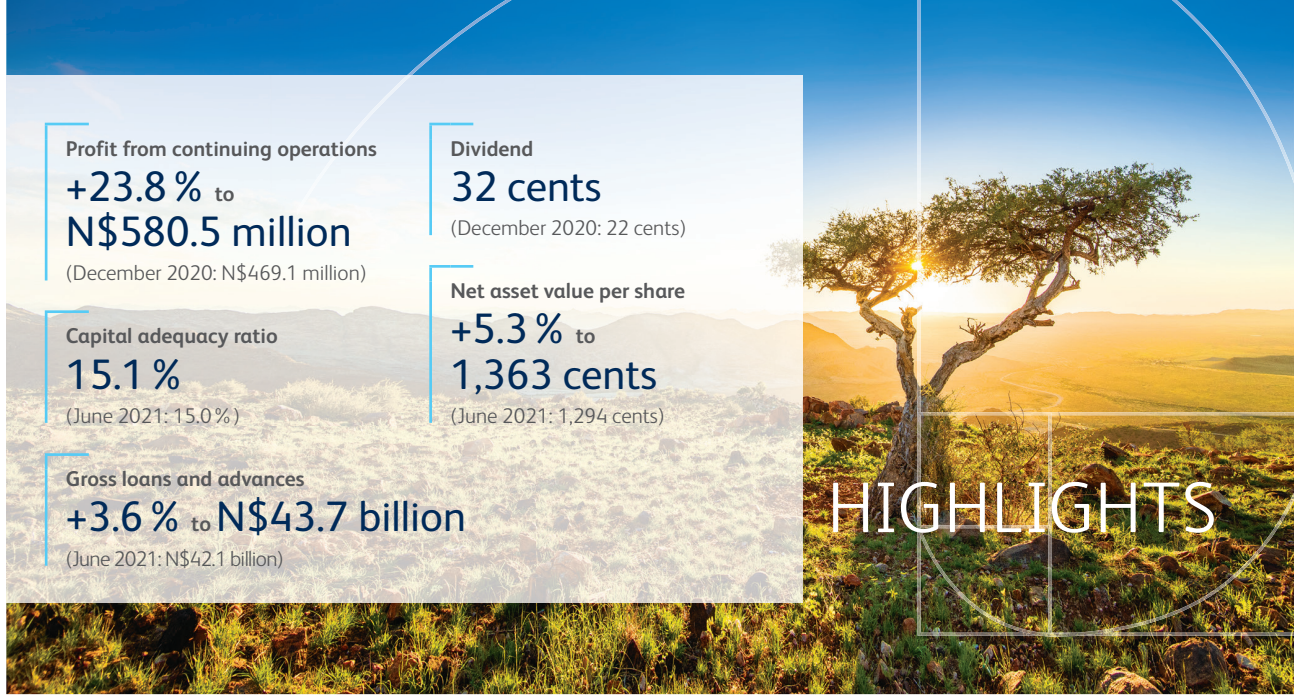
Following modest economic growth in Namibia and Botswana in 2021, the Group expects further economic recovery as COVID-19 restrictions are relaxed and the global pandemic inches closer to endemic status. Thus, the outlook is for improved economic conditions both in Namibia and Botswana, albeit from a lower base.

As we embark on the future, the stability and sustainability of the Group for the benefit of all stakeholders remain our key priority.

Interim dividend

The Group declared an interim dividend of 32 cents per ordinary share. The interim dividend per share for the period under review is 45.5% higher than the interim dividend per share of 22 cents declared during February 2021. 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 in the current low interest rate environment.

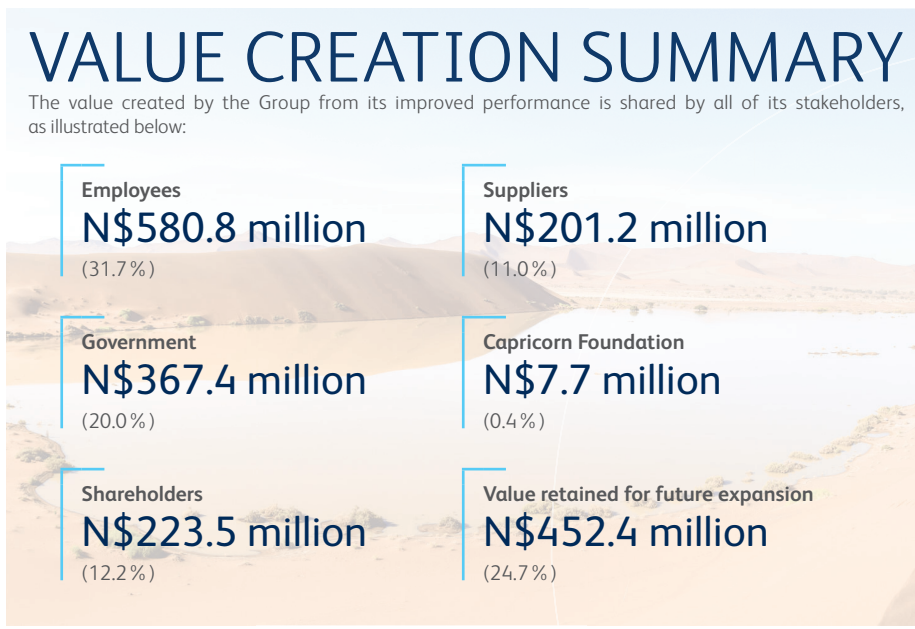
- Last day to trade cum dividend: 11 March 2022
- First day to trade ex-dividend: 14 March 2022
- Record date: 18 March 2022
- Payment date: 30 March 2022



	Six months ended 31 December 2021 (reviewed) N$'000	Six months ended 31 December 2020 (reviewed) N$'000	% change	Year-ended 30 June 2021 (audited) N$'000
Extract of consolidated income statement				
Net interest income	1,142,108	1,088,688	4.9	2,255,303
Impairment charges	(181,950)	(232,095)	(21.6)	(443,748)
Net interest income after loan impairment charges	960,158	856,593	12.1	1,811,555
Non-interest income	836,496	706,382	18.4	1,475,911
Operating expenses	(1,026,815)	(986,029)	4.1	(1,996,935)
Operating profit	769,839	576,946	33.4	1,290,531
Share of joint arrangements and associates results after tax	36,337	55,013	(33.9)	103,613
Profit before tax	806,176	631,959	27.6	1,394,144
Income tax expense	(225,677)	(162,901)	38.5	(369,843)
Profit from continuing operations	580,499	469,058	23.8	1,024,301
Loss from discontinued operations	–	(40,916)	(100.0)	(41,274)
Profit for the period	580,499	428,142	35.6	983,027
Profit attributable to ordinary shareholders	526,438	379,385	38.8	872,326
Extract of consolidated statement of financial position				
Cash and balances with central bank	1,718,894	1,762,050	(2.4)	1,319,389
Other financial assets	11,428,267	10,174,820	12.3	11,789,085
Loans and advances to customers	42,196,992	40,725,412	3.6	40,829,687
Other assets	2,029,068	3,558,110	(43.0)	2,074,830
Total assets	57,373,221	56,220,392	2.1	56,012,991
Capital and reserves attributable to ordinary shareholders	6,974,876	6,525,494	6.9	6,613,934
Non-controlling interest	525,286	452,331	16.1	490,289
Deposits	41,100,574	40,800,656	0.7	40,179,699
Other funding	7,598,700	6,213,844	22.3	7,505,541
Other liabilities	1,173,785	2,228,067	(47.3)	1,223,528
Total equity and liabilities	57,373,221	56,220,392	2.1	56,012,991
Net asset value per share (cents)	1,363	1,266	7.6	1,294
Basic earnings per share (cents)	102.9	73.6	39.8	170.7
Headline earnings per share (cents)	102.9	76.5	34.5	173.4

VALUE CREATION SUMMARY

The value created by the Group from its improved performance is shared by all of its stakeholders, as illustrated below:



Other disclosable information

Address

Postal address: P.O. Box 15, Windhoek, Namibia; Registered address: Capricorn Group Building, Kasino Street, Windhoek, Namibia;
Tel: 264 (61) 299 1301; Fax: 264 (61) 299 1309;
Email: investors@capricorn.com.na; Sponsor: PSG Wealth Management (Namibia) (Pty) Limited Member of the Namibian Stock Exchange
(Incorporated in the Republic of Namibia)
(Date of Registration: 5 September 1996)
(Registration Number: 96/300)
Share code: CGP ISIN: NA000A1T6SV9

Board of directors

Non-executive directors: D G Fourie (chairman), J C Brandt, E Fahl, H M Gaomab II, DT Kali, G Menetté, D J Reyneke*, G N Sekandi**, E Solomon*, J J Swanepoel

Executive directors: M J Prinsloo* (Group chief executive officer), J J Esterhuyse* (financial director)

* *South African*

** *Ugandan*

Basis of presentation

The reviewed condensed consolidated interim financial statements of Capricorn Group Limited for the six months ended 31 December 2021 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.

www.capricorn.com.na

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