Capricorn Group

INTERIM RESULTS

for the six months ended 31 December 2022

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

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

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

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

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

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

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

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

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.

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 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-19 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.

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 geopolitical tensions spawned by the war in the 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

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.

	Six months ended			
	31 December 2022 (reviewed) N$'000	31 December 2021 (reviewed) N$'000	% Change	Year ended 30 June 2022 (audited) N$'000
Extract of consolidated income statement				
Net interest income	1,312,793	1,142,108	14.9	2,337,116
Impairment charges	(154,893)	(181,950)	(14.9)	(367,303)
Net interest income after loan impairment charges	1,157,900	960,158	20.6	1,969,813
Non-interest income	939,622	836,496	12.3	1,668,966
Operating expenses	(1,192,139)	(1,026,815)	16.1	(2,131,123)
Operating profit	905,383	769,839	17.6	1,507,656
Share of associates results after tax	48,923	36,337	34.6	67,697
Profit before tax	954,306	806,176	18.4	1,575,353
Income tax expense	(256,081)	(225,677)	13.5	(429,472)
Profit for the period	698,225	580,499	20.3	1,145,881
Profit attributable to ordinary shareholders	651,413	526,438	23.7	1,045,983
Extract of consolidated statement of financial position				
Liquid assets	14,289,205	13,147,161	8.7	14,977,062
Loans and advances to customers	43,509,861	42,196,992	3.1	43,226,296
Other assets	2,263,459	2,029,068	11.6	2,236,274
Total assets	60,062,525	57,373,221	4.7	60,439,632
Capital and reserves attributable to ordinary shareholders	7,746,090	6,974,876	11.1	7,286,887
Non-controlling interest	535,752	525,286	2.0	506,439
Deposits	44,130,529	41,100,574	7.4	43,647,452
Other funding	6,452,408	7,598,700	(15.1)	7,570,841
Other liabilities	1,197,746	1,173,785	2.0	1,428,013
Total equity and liabilities	60,062,525	57,373,221	4.7	60,439,632
Net asset value per share (cents)	1,517	1,363	11.3	1,427
Basic earnings per share (cents)	127.6	102.9	24.0	204.9
Headline earnings per share (cents)	127.6	102.9	24.0	205.4

Other disclosable information

Address

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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: DG Fourie (chairperson), JC Brandt, E Fahl, HM Gaomab II, DT Kali, G Menetté, DJ Reyneke*, G Sekandi**, E Solomon*, JJ Swanepoel
Executive director: M J Prinsloo* (Group chief executive officer)

** South African ** Ugandan*

Basis of presentation

The reviewed condensed consolidated interim financial statements of Capricorn Group Limited for the six months ended 31 December 2022 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.

For the full results, please visit https://www.capricorn.com.na/Pages/News-Centre/Capricorn-Group-Interim-Results-as-at-31-December-2022.aspx

www.capricorn.com.na

Bank Windhoek · Capricorn Asset Management · Bank Gaborone · entrépo Holdings · santam · Sanlam · PARATUS · Namib Bou

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