

Interim Results

for the six months ended 31 December 2023



Capricorn Group



Dividend per share
48 cents
(Dec 2022: 39 cents)




Earnings per share
152.4 cents
(Dec 2022*: 142.1 cents)



Cost to income ratio
48.2%
(Dec 2022*: 50.5%)



Capital adequacy ratio
17.6%
(June 2023: 16.9%)



Return on equity
16.8%
(Dec 2022*: 18.2%)



Profit attributable to shareholders
N\$770.7 million
(Dec 2022*: N\$725.6 million)



Gross loans and advances
N\$48.9 billion
(June 2023: N\$47.2 billion)



Net asset value per share
1,786 cents
(June 2023*: 1,683 cents)

* Restated to account for the introduction of IFRS 17

Group financial performance

Capricorn Group Limited achieved solid results with profit after tax for the six months ended 31 December 2023 increasing by 18.5% to N\$827.6 million compared to a profit after tax of N\$698.2 million that was reported in the comparative period in the prior year. This represents an increase of 19.4% in earnings per share to 152.4 cents. Annualised return on equity increased from 16.6% to 16.8% year-on-year. The strong performance is attributable to loan book growth and increased transaction volumes, offset to some extent by escalated credit impairment charges. Furthermore, the Group’s profitability benefitted from implementing IFRS 17 – “Insurance Contracts”. This improvement primarily stems from reduced discretionary policyholder reserves following the application of IFRS 17. Excluding the positive impact of IFRS 17 on the Group’s capital reserves, return on equity would have been 17.3% for the 6 months ended 31 December 2023.

IFRS 17 requires full retrospective application for disclosure purposes. Consequently, the comparative figures for the six month period ended on 31 December 2022 were restated. Following this restatement of the comparative period figures, the Group’s profit after tax for the six months ended 31 December 2023 represents a year-on-year increase of 75%. Similarly, both headline earnings and earnings per share for the same period experienced year-on-year growth of 7.2%. All comparisons to figures from the prior period further in this announcement are based on the restated amounts, unless explicitly stated otherwise.

Net interest income

Capricorn Group experienced a noteworthy 12.0% year-on-year increase in net interest income, driven by higher interest rates, an 8.5% year-on-year growth in the loan book and prudent management of cost of funding. The lending businesses managed their cost of funding very effectively, leading to a 23 basis point enhancement of the net interest margin to 5.1% for Bank Windhoek, while the net interest margin at Bank Gaborone increased commendably from 3.1% to 4.1%.

Impairment charges

The ongoing economic impact on increased inflation rates combined with higher interest rates caused by geopolitical instability continued to put pressure on key credit risk indicators with non-performing loans increasing from N\$2.46 billion in June 2023 to N\$2.66 billion in December 2023. Consequently, impairment charges increased by N\$98.0 million to N\$252.9 million year-on-year. The Group continues to hold prudent provisions for expected credit losses.

Non-interest income

Non-interest income for the half year increased by N\$177.5 million (19.0%) mainly attributable to an increase of fee and commission income of N\$67.0 million (10.1%) and net trading income of N\$57.1 million (62.4%). Asset management fees from Capricorn Asset Management increased by 13.4% due to strong growth in unit trusts, exceptional growth and satisfactory growth in Capricorn Private Wealth (a joint venture between Capricorn Asset Management and Bank Windhoek) and satisfactory growth in pension fund assets.

Operating expenses

Operating expenses registered an 11.5% year-on-year increase, totalling N\$137.1 million. This rise can be attributed to an increase of N\$48.8 million (42.7%) in variable operational banking expenses, directly linked to increased transaction and trading volumes. Excluding these operational banking expenses, the growth in overall expenses was contained at 8.1% (N\$88.3 million). The majority of this growth is associated with an increase in staff costs amounting to N\$61.2 million (9.4% increase year-on-year), primarily driven by annual increases and the filling of key vacancies, particularly in respect of IT resources.

Income from associates

Before the IFRS 17 restatement of the preceding period, the Group recorded a substantial 95.3% year-on-year increase in income from associates, amounting to N\$46.7 million. This growth is attributed to both organic expansion and the impact of IFRS 17 in the current year. However, the recognition of substantial previously unrecognised IFRS 17 profits in the restated prior period, resulted in a 24.4% decline in income from associates of N\$30.9 million being reported.

Liquidity

Capricorn Group retained a healthy liquidity position as at 31 December 2023 as the Group’s liquid assets increased by 10.9% (N\$1.56 billion) year-on-year. Liquid assets exceeded minimum regulatory requirements in Namibia and Botswana by 135% and 114% respectively as at 31 December 2023.

Loans and advances

Gross loans and advances increased by N\$3.8 billion year-on-year, mainly driven by growth in term loans of N\$2.3 billion (15.5%), instalment finance of N\$750 million (18.9%) and overdrafts of N\$423 million (6.8%).

Asset quality remained a key focus area for the group. Despite the challenging economic environment, the Group’s total non-performing loans (NPLs) was contained to N\$2.66 billion (June 2023: N\$2.46 billion) as the group continues to manage credit risk on a pro-active basis. This resulted in the NPL ratio increasing slightly from 5.2% to 5.4% over the six months ended 31 December 2023. The NPL ratio remains below the industry average.

Capital adequacy

The Group enhanced its already robust capital position with a total risk-based capital adequacy ratio of 17.6% as at 31 December 2023 (June 2023: 16.9%).

Outlook

The central banks of both Namibia and Botswana have adopted prudent monetary policy measures to counteract inflationary pressures and to protect local currencies in volatile global market conditions brought about by spreading geopolitical tensions. The current outlook is that inflation will stay within the target range of both central banks in the short to medium term, with the possibility of interest rates decreasing in the coming 12 months.

The Bank of Namibia’s Economic Outlook for December 2023 predicts a deceleration in economic growth, primarily attributed to weakened global demand and an expected contraction in the agriculture sector. The projections indicate real GDP growth rates of 3.9%, 3.4%, and 3.1% for the years 2023,

2024, and 2025, respectively. Despite these challenges, the overarching commitment of Capricorn Group remains focused on sustained growth for the benefit of all stakeholders.

Interim dividend

The Group declared an interim dividend of 48 cents per ordinary share. The interim dividend per share for the period under review is 23.1% higher than the interim dividend per share of 39 cents declared in the comparative period. The Group considered its capital and liquidity position when declaring an interim dividend that balances prudence and future growth capacity with a fair dividend yield for investors.


- > Last day to trade cum dividend: 14 March 2024
- > First day to trade ex-dividend: 15 March 2024
- > Record date: 22 March 2024
- > Payment date: 5 April 2024

Value created by Capricorn Group and shared among stakeholders

The Group created value of N\$2.42 billion during the six months ended 31 December 2023, which was shared by its main stakeholders as follows:



Employees
N\$563 million
(6.2%)



Suppliers
N\$515 million
(9.4%)




Government
N\$574 million
(9.4%)



Communities
N\$19.8 million
(130.6%)



Shareholders
N\$314 million
(52.3%)



Retained for future growth
N\$438 million
(31.2%)

	Six months ended			Year ended 30 June 2023 (restated) (reviewed) N\$'000
	31 December 2023 (reviewed) N\$'000	31 December 2022 (restated) (reviewed) N\$'000	% Change	
Extract of consolidated income statement				
Net interest income	1,470,748	1,312,793	12.0	2,718,214
Impairment charges	(252,886)	(154,893)	63.3	(235,610)
Net interest income after loan impairment charges	1,217,862	1,157,900	5.2	2,482,604
Non-interest income	1,111,131	933,636	19.0	1,875,412
Operating expenses	(1,329,250)	(1,192,139)	11.5	(2,443,939)
Operating profit	999,743	899,397	11.2	1,914,077
Share of joint arrangements and associates results after tax	95,570	126,465	(24.4)	182,336
Profit before tax	1,095,313	1,025,862	6.8	2,096,413
Income tax expense	(267,669)	(256,081)	4.5	(516,472)
Profit for the period	827,644	769,781	7.5	1,579,941
Profit attributable to ordinary shareholders	770,699	725,633	6.2	1,477,277
Extract of consolidated statement of financial position				
Liquid assets	15,846,667	14,289,205	10.9	15,542,765
Loans and advances to customers	47,119,591	43,509,861	8.3	45,396,558
Other assets	2,861,866	2,602,139	10.0	2,869,600
Total assets	65,828,124	60,401,205	9.0	63,808,923
Capital and reserves attributable to ordinary shareholders	9,031,550	7,970,751	13.3	8,516,683
Non-controlling interest	489,502	444,331	10.2	476,136
Deposits	48,259,948	44,130,529	9.4	45,784,775
Other funding	6,496,210	6,452,408	0.7	7,103,512
Other liabilities	1,550,914	1,403,186	10.5	1,927,817
Total equity and liabilities	65,828,124	60,401,205	9.0	63,808,923
Net asset value per share (cents)	1,786	1,561	14.4	1,683
Basic earnings per share (cents)	152.4	142.1	7.2	292.0
Headline earnings per share (cents)	152.4	142.1	7.2	300.4

Other disclosable information

Address

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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: NA000AIT6SV9

Board of directors

Non-Executive Directors: DG Fourie (Chairperson), JW 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), D Nuyoma (Group CEO Designate)

* South African

** Ugandan

Basis of presentation

The reviewed condensed consolidated interim financial statements of Capricorn Group Limited for the six months ended 31 December 2023 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-2023.aspx>
www.capricorn.com.na