Capricorn Group

ANNUAL RESULTS

for the year ended 30 June 2022

Return on equity	Dividend per share	Earnings per share	Profit after tax
15.0%	**72 cents** (20.0%)	**204.9 cents** (20.0%)	**N$1.15 billion** (16.6%)
(2021: 13.5%)	(2021: 60 cents)	(2021: 170.7 cents)	(2021: N$983.0 million)

Cost to income ratio	Capital adequacy ratio	Gross loans and advances	Net asset value per share
51.1%	**15.8%**	**N$44.7 billion** (6.1%)	**1,427 cents** (10.3%)
(2021: 51.7%)	(2021: 15.0%)	(2021: N$42.1 billion)	(2021: 1,294 cents)

As we celebrate 40 years of banking excellence, we look back on Bank Windhoek's history and achievements and remain mindful of its humble beginnings and the foundation on which the bank was built. Our success was never guaranteed. Through the conviction of a small group of Namibians, with an ambition to make a difference and a value system of integrity, entrepreneurship, commitment, hard work, perseverance and dedication, we can reflect back today with pride.

The Group delivered strong results with profit after tax increasing by 16.6% to N$1.15 billion, despite the economic pressures exacerbated by rising inflation on the back of increased global oil and food prices. Our region fortunately witnessed increased economic activity as COVID-19-related restrictions were eased.

The Group delivered an ROE of 15.0% (2021: 13.5%). This improved ROE was mainly due to:

- An improvement in non-interest income due to an increase in transaction volumes at Bank Windhoek and Bank Gaborone.
- Lower impairment charges on the back of an improving operating environment.
- Strong all-round performances by our banking subsidiaries.
- No further losses incurred on discontinued operations in Zambia.

We review the Group's performance below in terms of earnings quality, credit quality, liquidity and capital depth, the four main pillars of the Group's business.

Improving Earnings Quality

The low interest rate environment persisted for most of 2022. We maintained our operational earnings quality through proactive credit management, growing our non-interest income and limiting operating expenses to essential and value-adding spend.

Net interest margins under pressure

Net interest income before impairments increased by 3.6% to N$2.34 billion (2021: N$2.26 billion).

Bank Windhoek's net interest income increased by 7.4% in 2022 thanks to a year-on-year growth of 7.6% in interest earning assets. Notwithstanding repo rate increases of 100 basis points between February and June 2022 by the Bank of Namibia, the bank's average net interest margin remained relatively flat at 4.37% (2021: 4.36%) as average cost of funding increased over the period.

The Bank of Botswana increased rates by 51 basis points in April 2022 and 50 basis points in June 2022. Despite these increases, Bank Gaborone experienced a 7.6% decline in net interest income. While interest income grew by 6.6% in 2022, interest expenses increased 23.2% as Bank Gaborone's interest margin deteriorated to 2.91% (2021: 3.79%), due to poor market liquidity driving higher cost of funding.

Growing non-interest income

Non-interest income increased by 13.1% to N$1.67 billion (2021: N$1.48 billion).

Bank Windhoek increased its non-interest income by 10.3%. The main contributors were an increase in transaction-based fee income due to improved transaction volumes and an increase in foreign exchange trading income on the back of higher transaction volumes, increased foreign exchange rate volatility and higher trading margins.

Bank Gaborone's non-interest income grew 33.3% to BWP106.2 million, largely due to a 34.7% increase in transaction-based fee income and an increase of 49.7% in foreign exchange trading income. The increases in both these revenue lines were a direct consequence of increased transaction volumes.

Non-interest income is supported by the Group's diversified income streams, including a contribution from CAM of asset management fee income of N$164.6 million (2021: N$158.7 million). Entrepo's net premium income decreased marginally from N$163.3 million in 2021 to N$161.3 million.

Managing our operating expenses

Increases in operating expense lines were mostly contained to below inflation rate. Notable exceptions were staff cost and operational banking expenses. Operating expenses increased by 6.7% compared to the prior year's 5.1% increase. The above-inflation increase in staff cost of 7.7% is largely due to increasing capacity in information technology and cyber security to deliver on our strategic objectives on data and digitisation and to manage our general IT and cyber security risk. Operational banking expenses increased by 23.4% as a result of increased transaction volumes. Containing cost to only essential and value-adding spend will remain a focus area for 2023. We were able to keep our cost-to-income ratio at 51.1% (2021: 51.7%), well below our target of 52%.

Improved Credit Quality

Asset quality remains a key focus for the Group. Despite the challenging economic conditions, the Group's non-performing loans decreased marginally to N$2.44 billion (2021: N$2.46 billion). This resulted in the non-performing loan ratio (excluding interest in suspense) decreasing to 4.8% (2021: 5.2%). Our loan loss rate decreased from 1.07% to 0.85% and remains low against current industry norms. Impairment charges decreased by 17.2% (N$76.4 million) to N$367.3 million, mainly as a result of our pro-active approach to credit risk management and an improved operating environment for our customers as COVID-19 restrictions were eased.

Gross loans and advances increased by 6.1% to N$44.7 billion this year. This is well above annualised Namibian private sector credit extension growth of 3.4% and confirms our ability and intention to continue extending financing to support clients during difficult times. This growth was mainly attributable to increases in commercial loans, mortgage loans and article finance.

Sound Liquidity Position

COVID-19 underlined the importance of having sufficient liquidity to withstand a crisis. The Group maintained a sound liquidity position with liquid assets increasing by 14.3% year-on-year. Liquid assets exceeded regulatory requirements in Namibia and Botswana by 107.5% and 121.1%, respectively. Additionally, the Group's loan to funding ratio improved to 87.2% (2021: 88.6%). Notwithstanding these surpluses, the Group maintains N$1.0 billion contingency funding, which is available to the two banking subsidiaries within three to seven days.

Strong Capital Depth

The Group remains well capitalised, with a total risk-based capital adequacy ratio of 15.8% (2021: 15.0%). This is well above the minimum regulatory capital requirement of 10%. This strong capital position has supported the Group through the difficulties brought about by the pandemic.

Assisting our customers

Bank Windhoek and Bank Gaborone continue to work with customers in industries affected by COVID-19, such as tourism, to support them in sustaining their operations. Both banks assisted with arrangement of deferments of debt repayments, refinancing and extensions. At year-end, the active deferred loan book stood at N$50.2 million (2021: N$158.8 million) for Bank Windhoek and BWP61.7 million (2021: BWP272.1 million) for Bank Gaborone. Entrepo has kept interest rates unchanged during the financial year, despite a rise of 100 basis points in the repo rates, to assist its clients with affordability.

Outlook and expectations

We expect a further economic recovery as COVID-19 restrictions fall away and the global pandemic inches closer to endemic status. The outlook is for improved economic conditions in Namibia and Botswana, albeit from a lower base. The current geopolitical uncertainty, including the economic fall-out from the Russia-Ukraine war, is lowering global economic growth prospects and increasing inflationary pressures. According to the latest Bank of Namibia Economic Outlook, growth is expected to accelerate to 3.2% in 2022 and 2.9% in 2023. These projected improvements are expected to be broad-based, with robust growth rates across all industries, particularly in the diamond mining and manufacturing sectors. This economic growth depends on successful country policy reforms and initiatives encouraging investment. As with the global economy, risks to domestic growth are dominated by health outcomes related to COVID-19 and rising energy and food prices. The stability and sustainability of the Group for the benefit of all stakeholders remain our key priority.

Final dividend

The Group declared a final dividend of 40 cents per ordinary share. Taking into account the interim dividend of 32 cents per ordinary share, this represents a total dividend of 72 cents per ordinary share, 20.0% higher than the total dividend for 2021 of 60 cents per ordinary share. We believe that the dividend offers our investors solid cash returns in difficult economic conditions where earnings and income are under pressure, while also preserving the capital and liquid asset position of the Group during these uncertain economic times.

Dividend payment details

- Last day to trade cum dividend: 7 October 2022
- First day to trade ex-dividend: 10 October 2022
- Record date: 14 October 2022
- Payment date: 26 October 2022

Value created by Capricorn Group and shared among stakeholders

The Group's stakeholders shared in the value created by the Group as follows:

Employees	Suppliers	GRN and Regulators
N$1.2 billion	**N$530 million**	**N$678 million**
7.4% increase	3.3% increase	8.6% increase

Communities	Shareholders	Retained for future expansion
N$15.4 million	**N$354 million**	**N$928 million**
26.9% increase	72.5% increase	1.1% increase

It is our intent to support local industry as far as possible. 87.8% of our total operating expenses incurred was paid to suppliers and employees located within the regions in which we operate.

	Year ended 30 June 2022 Audited N$'000	Year ended 30 June 2021 Audited N$'000	% Change
Extract of consolidated statement of comprehensive income			
Net interest income	2,337,116	2,255,303	3.6
Impairment charges	(367,303)	(443,748)	(17.2)
Net interest after loan impairments charges	1,969,813	1,811,555	8.7
Non-interest income	1,668,966	1,475,911	13.1
Operating expenses	(2,131,123)	(1,996,935)	6.7
Operating profit	1,507,656	1,290,531	16.8
Share of associates results after tax	67,697	103,613	(34.7)
Profit before tax from continuing operations	1,575,353	1,394,144	13.0
Taxation	(429,472)	(369,843)	16.1
Profit from continuing operations	1,145,881	1,024,301	11.9
Discontinued operations	–	(41,274)	(100.0)
Profit after tax	1,145,881	983,027	16.6
Extract of consolidated statement of financial position			
Cash and cash equivalents	6,480,396	5,087,452	
Other financial assets	8,496,666	8,021,022	
Loans and advances to customers	43,226,296	40,829,687	
Other assets	2,236,274	2,074,830	
Total assets	60,439,632	56,012,991	
Capital and reserves attributable to ordinary shareholders	7,286,887	6,613,934	
Non-controlling interests	506,439	490,289	
Deposits	43,647,452	40,179,699	
Other funding	7,570,841	7,505,541	
Other liabilities	1,428,013	1,223,528	
Total equity and liabilities	60,439,632	56,012,991	
Net asset value per share (cents)	1,427	1,294	10.3
Basic earnings per share (cents)	204.9	170.7	20.0
Headline earnings per share (cents)	205.4	173.4	18.5

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

Address

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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

Basis of presentation

The audited annual financial statements of Capricorn Group Limited for the year ended 30 June 2022 from which this information is derived, have been prepared in accordance with International Accounting Standards and the requirements of the Companies Act of Namibia. This results announcement is the responsibility of the directors, and is extracted from the audited annual 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-Annual-Results-2022.aspx

www.capricorn.com.na

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