Capricorn Group

Annual Results

for the year ended 30 June 2023

The group increased its value created by 19.7% to N$4.4 billion when compared to the previous financial year. Of the total value created, 26.4% is represented by staff remuneration and benefits, 18.3% was paid to suppliers and 22.6% was contributed to the government in the form of direct and indirect taxes.

Return on equity
17.6%
(2022: 15%)

38.9%
Dividend per share
100 cents
(2022: 72 cents)

31.8%
Earnings per share
270.1 cents
(2022: 204.9 cents)

28.7%
Profit after tax
N$1.47 billion
(2022: N$1.15 billion)

Cost to income ratio
50.8%
(2022: 51.1%)

Capital adequacy ratio
16.9%
(2022: 15.8%)

5.2%
Gross loans and advances
N$47.2 billion
(2022: N$44.8 billion)

14.4%
Net asset value per share
1,632 cents
(2022: 1,427 cents)

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 2023 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.

The increased injection into the economies of the countries where we operate can largely be attributed to:

- Satisfactory growth by the banking subsidiaries as the banking sector continued its recovery post COVID-19.
- An improvement in net-interest income largely due to the endowment effect of higher interest rates, a growing loan book and prudent cost of funding management.
- Lower credit impairment charges on the back of an improving operating environment and a prudent, pro-active approach to credit risk management.

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

Ensuring high quality earnings

The Group experienced positive momentum, with revenue growth now exceeding pre-pandemic levels, indicating that the Group has moved past the recovery phase into the growth phase. For the year under review the Group increased its profit after tax by 28.7% on the back of improved net interest margins, reduced credit impairment losses, strong growth in non-interest income and efficient operations, as set out below.

Improved net-interest margins

Net-interest income before impairments increased by 16.3% to N$2.72 billion (2022: N$2.38 billion), mainly attributable to net interest income of Bank Windhoek increasing by 17.8% following a series of interest rate increases totalling 300 basis points over the financial year. As a result of effective cost of funding management, Bank Windhoek's cost of funding only increased by 208 basis points over the financial year.

Bank Gaborone's net interest income increased by 12.0% off the back of loan book growth of 10.4%, while their net interest margin improved from 2.91% to 3.81% following an effective asset repricing strategy and effective cost of funding management in a volatile market.

Growing non-interest income

Non-interest income increased by 13.1% to N$1.89 billion (2022: N$1.67 billion), mainly driven by transaction-based fee income increasing by N$197.8 million (18.2%) as a result of higher transactional volumes, particularly through electronic channels.

Non-interest income was significantly bolstered by diversified income streams, including asset management fee income of N$187.3 million (2022: N$164.6 million) and net insurance premium income of N$179.1 million (2022: N$161.3 million).

	Year ended 30 June 2023 Audited N$'000	Year ended 30 June 2022 Audited N$'000	% change
Extract of consolidated statement of comprehensive income			
Net interest income	2,718,214	2,337,116	16.3%
Impairment charges	(235,610)	(367,303)	-35.9%
Net interest after loan impairments charges	2,482,604	1,969,813	26.0%
Non-interest income	1,887,384	1,668,966	13.1%
Operating expenses	(2,443,939)	(2,131,123)	14.7%
Operating profit	1,926,049	1,507,656	27.8%
Share of associates results after tax	64,864	67,697	-4.2%
Profit before tax	1,990,913	1,575,353	26.4%
Taxation	(516,472)	(429,472)	20.3%
Profit after tax	1,474,441	1,145,881	28.7%
Extract of consolidated statement of financial position			
Cash and cash equivalents	6,080,914	6,480,396	
Other financial assets	9,461,851	8,496,666	
Loans and advances to customers	45,396,558	43,226,296	
Other assets	2,490,989	2,236,274	
Total assets	63,430,312	60,439,632	
Capital and reserves attributable to ordinary shareholders	8,255,415	7,286,887	
Non-controlling interests	570,220	506,439	
Deposits	45,784,775	43,647,452	
Other funding	7,103,512	7,570,841	
Other liabilities	1,716,390	1,428,013	
Total equity and liabilities	63,430,312	60,439,632	
Net asset value per share (cents)	1,632	1,427	14.4%
Basic earnings per share (cents)	270.1	204.9	31.8%
Headline earnings per share (cents)	278.5	205.4	35.6%

Maintaining efficient operations

Our operating expenses increased by 14.7%, which is higher than inflation. These increases relate to a normalisation of operational activity post-COVID-19 including increased spending on marketing, travel and training. Employee cost is the largest component of our operating expenses, and this increased in 2023 due to new hires and annual salary increases. During the pandemic, the Group did not fill vacancies, barring critical appointments. This policy has since been lifted, while new skills were required to fulfil the Group's digitalisation drive. We nevertheless improved our cost to income ratio to 50.8% (2022: 51.1%).

Improved credit quality

The Group has well-developed capabilities in protecting asset quality. As the economy continued to recover in 2023, we experienced lower levels of non-performing loans (NPLs). NPLs (excluding interest in suspense) decreased to N$2.10 billion (2022: N$2.13 billion). This resulted in the NPL ratio, excluding interest in suspense, decreasing to 4.5% (2022: 4.8%) and the credit loss ratio reducing from 0.85% to 0.51% year-on-year. This improvement can to a large extent be attributed to early identification of and assistance to customers under financial stress. Our pre-legal and business rescue functions assisted customers to avoid legal collection processes and to return to regular debt servicing ability.

Gross loans and advances increased by 5.2% to N$47.2 billion this year. This growth can be attributed to growth in term loans, residential mortgages and article finance.

Managing our balance sheet for sufficient liquidity

The Group will always prioritise adequate liquidity over profit maximisation. Overall, the Group maintained a strong liquidity position, with liquid assets increasing by 3.8% to N$15.6 billion (2022: N$15.0 billion). Liquid assets exceeded the minimum regulatory requirements in Namibia and Botswana by 116% and 147% respectively, while the Group's loan-to-funding ratio of 89.2% remains below its internal threshold of 90.0%. Notwithstanding these surpluses, the Group maintains N$1.0 billion contingency funding, which is available to the two banking subsidiaries.

Strong capital position

The Group improved on its strong capital position, with a total risk-based capital adequacy ratio of 16.9% (2022: 15.8%) well above the minimum regulatory requirement of 10%.

Outlook and expectations

We expect further economic recovery and improved operating conditions in our region in the medium to long term. Namibia and Botswana have exciting prospects, some linked to natural resources and others to developing industries, including agriculture, logistics, manufacturing and tourism.

Final dividend

The Group declared a final dividend of 61 cents per ordinary share. Including the interim dividend of 39 cents per ordinary share, this represents a total dividend of 100 cents per ordinary share (2022: 72 cents). This is a 38.9% increase on the total dividend per share for 2022. The Group continues to balance offering attractive returns for shareholders with retaining capital to drive growth and diversification.

The dividend payment details are as follows:

- Last day to trade cum dividend: 29 September 2023
- First day to trade ex-dividend: 2 October 2023
- Record date: 6 October 2023
- Payment date: 20 October 2023

Value created by Capricorn Group and shared among stakeholders

The positive financial performance of the Group for the period ending 30 June 2023 enabled the Group to create value for all our stakeholders, contributing to the socio-economic development of Namibia and Botswana.

The Group's stakeholders shared in the total value created by the Group of N$4.4 billion as follows:

14%	Employees	**N$1.2 billion**
9.2%	Suppliers	**N$812 million**
17.7%	Direct and indirect taxes	**N$1.0 billion**
33.1%	Communities	**N$21.7 million**
15.6%	Shareholders	**N$408 million** Excluding final dividend payment
42.7%	Retained for future growth	**N$1.0 billion**

We are committed 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.

Employees
N$1.2 billion

Our success is attributed to good leadership, the right culture, skills, support and the handshake between our organisation and employees in achieving superior performance. We created an environment where our employees feel valued, respected, and empowered. In addition to remuneration, our employees receive rewards and recognition and have opportunities for career and personal development.

Communities
N$21.7 million

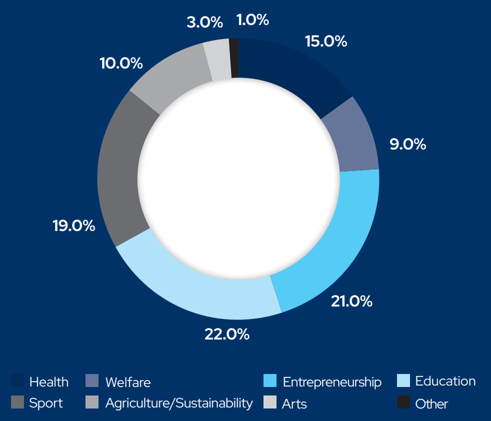
We are a socially responsible Group that is strongly obliged to its stakeholders. In keeping with our brand promise of being Connectors of Positive Change, we take pride in the value we create through our CSR initiatives, by positively impacting lives.

Through the Group's CSR initiatives, including the Capricorn Foundation and subsidiaries, we have invested N$21.7 million (2022: N$16.3 million) in social responsibility efforts in Namibia and Botswana. Our investments span across various social and economic areas. For more information on the Group's CSR activities, including the Capricorn Foundation, refer to our 2023 Social Value Report that is available online.

Bank Windhoek Cancer Apple Project

To date, the Bank Windhoek Cancer Apple Project has raised **N$33.9 million** since its inception in 2000.

CSR investment by Capricorn Group and subsidiaries



Direct and indirect taxes
N$1.0 billion

The Group pays direct and indirect taxes in the territories where we operate to governments. Through our tax contribution, governments are enabled to deliver on their national development plans, improve and maintain public infrastructure and fund public services such as health, education and welfare programmes.

Shareholders
N$408 million

N$408 million was paid to shareholders in dividends during the financial year. A further N$316 million dividend payment will be made to shareholders on 20 October 2023.

In addition to the capital growth experienced on the share price, a shareholder who purchased shares at listing achieved an effective annual return on investment of 9.51% over the 10 years listed for a cumulative return on investment of 148.1% over the period.

Suppliers
N$812 million

The Group is committed to procuring from local suppliers as far as possible and to supporting BEE and SME start-ups, enabling them to enter the market. For the period under review, N$560 million was spent on local suppliers. Foreign expenditure is largely related to IT software costs.

Customers

As part of our customer-centric culture, our Group continues to create value for customers through a combination of financial products, services, and enhanced customer experiences. During the past financial year, our banking subsidiaries enabled our customers to improve their lives through a range of long and short-term financial solutions and loans:

- **New home loans**
  N$1.58 billion
- **New vehicle and asset finance**
  N$2.20 billion
- **New SME loans**
  N$1.80 billion
- **New business loans**
  N$1.22 billion
- **Sustainability bond loans**
  N$182 million
- **Digital transformation**
  N$341 million

The Group invested N$341 million in the digital transformation of its retail banks over the past 3 years to improve operational efficiencies and the overall customer experience.

Through our vast network of branches and ATMs in Namibia and Botswana, our customers have easy access to their money.

- **Total retail banking branches**
  67
- **Total ATMs**
  183

For the full results, please visit
https://www.capricorn.com.na/Pages/News-Centre/Capricorn-Group-Annual-Results-2023.aspx

www.capricorn.com.na