CAPRICORN INVESTMENT GROUP LIMITED

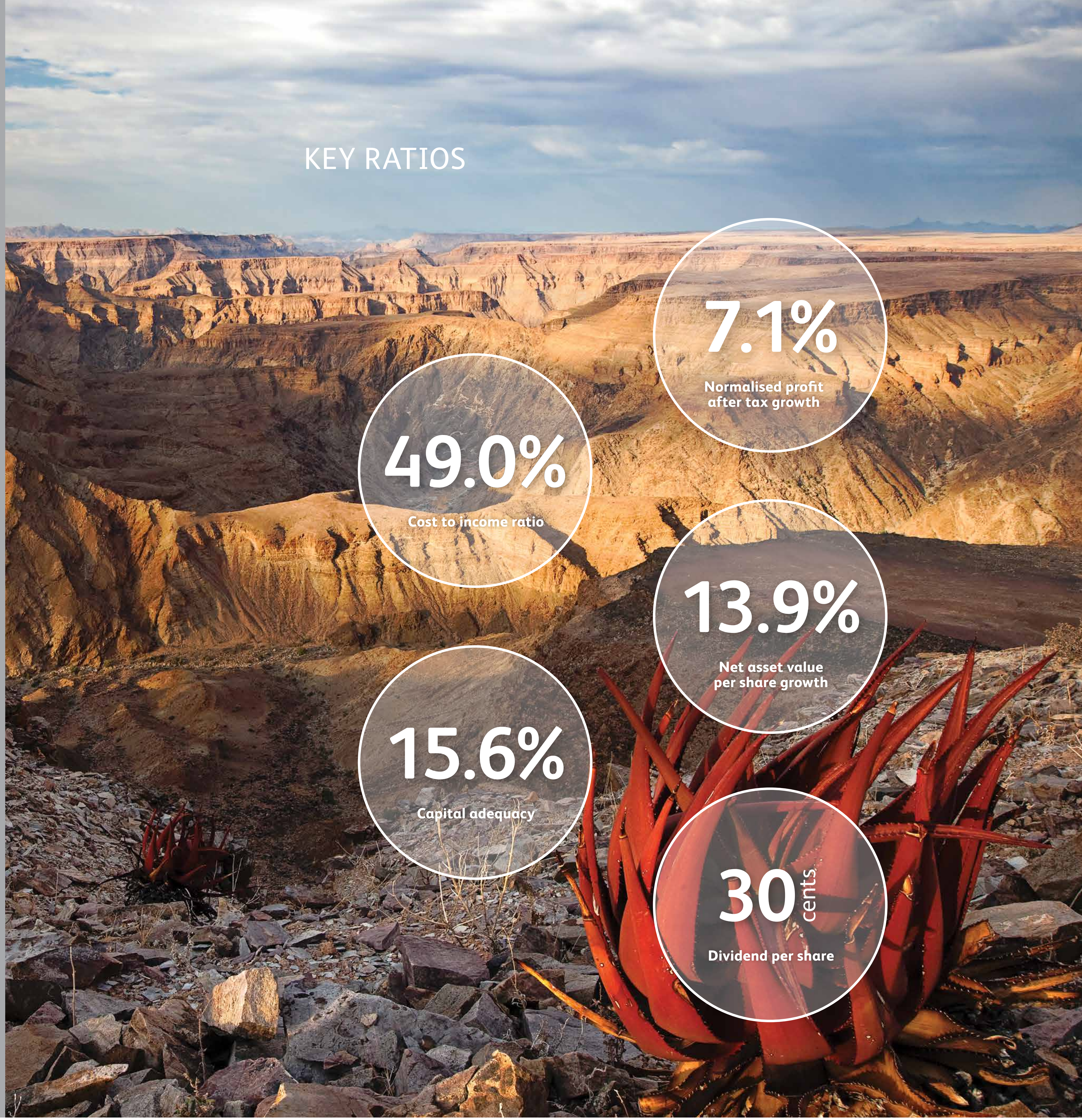
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (reviewed)

for the six months ended 31 December 2016

Capricorn Group

CONTENTS

KEY RATIOS



ECONOMIC OVERVIEW

The second half of 2016 looks set to be one of the most challenging economic periods experienced by Namibia since independence in 1990. By the end of the third quarter of the year, the economy was in recession, following two consecutive quarters of contraction. The slowdown, which started in mid 2015, has been driven by a number of factors, most notably: the sharp reduction in Angolan spending and investment in Namibia due to the low oil price; the slowdown in SACU revenue as a result of lower regional trade volumes; pressure on the agricultural and manufacturing sectors due to the drought; declining commodity prices as a consequence of weakening global demand; a highly constrained liquidity environment; and government expenditure cuts.

Government revenue did not meet the projections, resulting in the need for sizable budget cuts in the October 2016 midterm budget, notwithstanding spending cuts already implemented in the budget of February 2016. As a result, total government expenditure cuts totaled over N$5.5 billion for 2016/17 when compared to the budgeted expenditure for the preceding financial year. Government expenditure is therefore expected to have contracted by approximately 5% in nominal terms, and approximately 12% in real terms between the financial year of 2015/16 and 2016/17.

As a result, the liquidity position in Namibia deteriorated markedly in the second half of 2016, resulting in a sharp increase in the cost of funding. On the back of constrained liquidity Government issues of bonds and treasury bills have been consistently undersubscribed and the yields demanded on these instruments have increased upward of 10%.

The extensive and fast-paced adjustment that was experienced through the second half of 2016 is unlikely to become the norm for the country going forward. The first 6 months of 2017 are expected to remain challenging. There is broad-based recognition of the challenging environment and efforts are afoot to address these challenges as and where appropriate. Not only has the long-term prudential measure of deficit containment been implemented by the Ministry of Finance, but public-private sector engagement has intensified with the purpose of managing and alleviating the current challenging conditions as quickly and sustainably as possible.

At present, it appears that the upcoming 12 months will not see the same magnitude of economic adjustments as was seen over the past 12 months. Much depends, however, on the feedback cycle from the budget cuts implemented in the final quarter of 2016 and the resultant multiplier effects thereof. Currently many of the exogenous growth shocks, and their underlying causes, experienced through 2016 appear to be easing, including commodity price pressure, the hydrological and agricultural drought, unavailability of hard currency in Angola, reduced SACU revenue and certain regional infrastructure constraints.

The upcoming medium term remains uncertain, as the current adjustments work through the system. However, the long term future remains positive, and the more efficient deployment of the Namibian contractual savings pool, expected during 2017, is likely to provide some funding and liquidity relief to the commercial banks and central government.

FINANCIAL PERFORMANCE OVERVIEW

Group financial performance

The group's operating profit for the six months ending 31 December 2016 of N$607.2m only increased marginally compared to the same period in the prior year, due to the challenging market conditions combined with the inclusion of substantial once-off Kwanza trading income in the prior period. On a normalised[1] basis, which excludes this once-off revenue, growth in operating profit is 9.1% relative to 31 December 2015.

Net interest income

Net interest income increased by 3.0% to N$749.9m (December 2015: N$727.9m). The muted growth is mainly due to a significant increase in the cost of funding as a result of the current liquidity shortage experienced in the Namibian market, combined with a lower growth in interest bearing assets.

Impairment charges

Impairment charges decreased by 15.8% to N$26.5m (December 2015: N$31.5m). Non-performing loans as a percentage of gross loans and advances increased marginally from 1.24% to 1.36%. In the current economic environment the above ratios are testimony to the quality of the group's advances book and collateral obtained.

Non-interest income

Excluding once-off Kwanza trading income and the income of Welwitschia Insurance Brokers ("WIB") (sold on 1 July 2016) from the prior period results, non-interest income increased by 11.6% to N$466.5m. The normalised increase is mainly due to strong growth in transaction income of 29% and robust growth in revenue from cards and electronic channels. This was partially offset by a contraction in trading revenue during the period under review.

Operating expenses

Operating expenses increased by 0.7% to N$582.7m (December 2015: N$578.7m). After adjustment of the prior period results with the WIB expenses, operating expenses increased by 4.5%, evidencing management's focus to control costs during the period under review. The cost to income ratio remained stable at 49.0%.

Income from associates

Income from associates decreased by 22.7% to N$36.8m (December 2015: N$47.6m) and contributed 8.0% (December 2015: 10.4%) to profit after tax. The decrease is mainly due to exceptional performance by Santam Namibia in the prior year and an increase in life insurance claims experienced by Sanlam Namibia during the current period under review.

Other comprehensive income

Other comprehensive income is derived from the valuation of foreign currency denominated available-for-sale financial assets. The significant reduction in other comprehensive income is due to foreign currency exchange differences arising from the strengthening of the Namibian Dollar against the US Dollar during the period under review.

Loans and advances

Bank Windhoek grew loans and advances to N$27.1bn (December 2015: N$25.5bn). The fairly modest growth of 6.2% is mainly due to growth in overdrafts, term and mortgage loans. Mortgage loans increased by 10.1% to N$14.2bn on the back of strong growth in residential mortgage loans of 13.1%, with overdrafts and term loans increasing by 4.8% and 4.3% respectively.

[1] Adjusted for WIB sold on 1 July 2016 and once-off Kwanza trading income (unaudited)

FINANCIAL PERFORMANCE OVERVIEW (CONTINUED)

Compared to the prior period, the growth in loans and advances has slowed down, mirroring the decline in industry growth in credit to the private sector.

Funding increase

Total funding increased by only 2.9% to N$27.3bn (December 2015: N$26.6bn) in the wake of a decline in market liquidity. Although funding growth has been challenging in the current economic environment the group has managed to increase the maturity profile of funding and decrease dependency on short term funding.

Total risk-based capital adequacy ratio

The group remains well capitalised with the total risk-based capital adequacy ratio increasing to 15.6% (December 2015: 14.5%), well above the minimum regulatory capital requirement of 10%. Bank Windhoek's capital adequacy ratio is similarly well above the minimum requirements.

Acquisitions

The group agreed to acquire a controlling interest in Capricorn Investment Holdings (Botswana) Ltd and Cavmont Capital Holdings Zambia Plc during the period under review. The transactions have been approved by the board and are subject to the finalisation of the contractual requirements and regulatory approval. The effective date of the transaction will be 1 January 2017.

Outlook

The group is expecting the challenging operating environment with sluggish economic growth and liquidity constraints in Namibia to continue in the short to medium term. Despite this, we remain positive about the recent expansion of the group to Botswana and Zambia as well as the imminent enhancements to our service offering in the Namibian market to continue delivering stakeholder value.

Interim dividend

Notice is hereby given that an interim dividend of 30 cents per ordinary share was declared on 22 February 2017 for the period ended 31 December 2016.

- Last day to trade cum dividend: 3 March 2017
- First day to trade ex dividend: 6 March 2017
- Record date: 10 March 2017
- Payment date: 24 March 2017

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation, integrity and objectivity of the condensed consolidated interim financial statements that fairly present the state of affairs of the company and the group at the end of the period, the net income and cash flow for the period and other information contained in this report.

To enable the directors to meet these responsibilities:

- the board and management set standards and management implements systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- the group's internal audit function, operates unimpeded and independently from operational management, and has unrestricted access to the various group board audit, risk and compliance committees, appraises, evaluates and, when necessary, recommends improvements in the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- the board audit, risk and compliance committees of the group subsidiaries, together with the external and internal auditors, play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

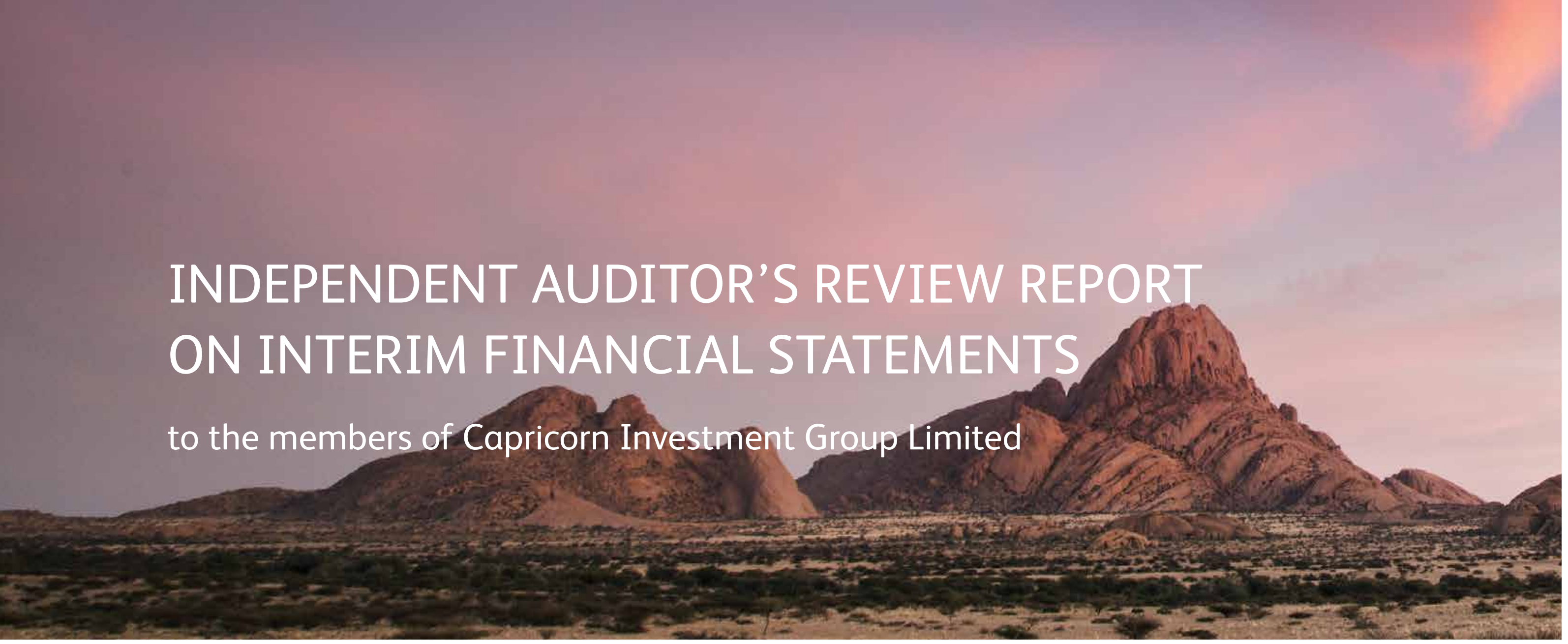
To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the period under review. The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The condensed consolidated interim financial statements presented on pages 7 to 23 have been prepared in accordance with the provisions of the Companies Act of Namibia and comply with the International Accounting Standard, (IAS) 34 Interim Financial Reporting.

The directors have no reason to believe that the company and the group as a whole will not be going concerns in the year ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on a going concern basis.

The condensed consolidated interim financial statements have been reviewed by the independent auditing firm, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the review were valid and appropriate. The independent auditor's review report is presented on page 6. The condensed consolidated interim financial statements, set out on pages 7 to 23, were authorised and approved for issue by the board of directors on 22 February 2017 and are signed on their behalf:

Koos Brandt
Chairman

Thinus Prinsloo
Managing director



INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

to the members of Capricorn Investment Group Limited

We have reviewed the condensed consolidated interim financial statements of Capricorn Investment Group Limited in the accompanying interim report, which comprise of the condensed consolidated statement of financial position as at 31 December 2016 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-months then ended, and selected explanatory notes.

Directors' responsibility for the interim financial statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Accounting Standard, (IAS) 34 Interim Financial Reporting and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine, is necessary to enable the preparation of interim financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Capricorn Investment Group Limited for the six months ended 31 December 2016 are not prepared, in all material respects, in accordance with the International Accounting Standard, (IAS) 34 Interim Financial Reporting and the requirements of the Companies Act of Namibia.

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Louis van der Riet
Partner
Windhoek
22 February 2017

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2016

	Notes	Six months ended December 2016 N$'000 Reviewed	Six months ended December 2015 N$'000 Reviewed	Year ended June 2016 N$'000 Audited
Interest and similar income		1,636,597	1,424,043	2,963,244
Interest and similar expenses		(886,718)	(696,100)	(1,505,102)
Net interest income		749,879	727,943	1,458,142
Impairment charges on loans and advances		(26,481)	(31,454)	(60,779)
Net interest income after loan impairment charges		723,398	696,489	1,397,363
Non-interest income		466,531	481,393	953,804
Operating income		1,189,929	1,177,882	2,351,167
Operating expenses		(582,732)	(578,696)	(1,180,153)
Operating profit		607,197	599,186	1,171,014
Share of joint arrangement's results after tax		303	976	1,405
Share of associates' results after tax		36,785	47,583	97,123
Profit before income tax		644,285	647,745	1,269,542
Income tax expense		(186,946)	(191,863)	(364,494)
Profit for the period / year		457,339	455,882	905,048
Other comprehensive income				
Items that may subsequently be reclassified to profit or loss				
Change in value of available-for-sale financial assets		(3,783)	45,623	33,465
Total comprehensive income for the period / year		453,556	501,505	938,513
Basic earnings per ordinary share (cents)	13	91.8	91.2	181.2
Fully diluted earnings per ordinary share (cents)	13	91.6	90.9	180.8

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	December 2016 N$'000 Reviewed	December 2015 N$'000 Reviewed	June 2016 N$'000 Audited
ASSETS				
Cash and balances with the central bank		1,369,359	996,000	1,169,170
Financial assets designated at fair value through profit or loss		2,605,012	2,330,930	2,408,196
Investment securities		130,215	146,156	133,998
Due from other banks		268,434	1,441,634	1,006,602
Loans and advances to customers		27,121,963	25,541,855	26,598,023
Other assets		103,383	250,472	340,530
Current tax asset		62,593	13,684	60,177
Investment in associates		268,309	271,514	248,297
Interest in joint arrangements		5,402	8,079	5,099
Intangible assets	10	228,483	169,397	199,045
Property, plant and equipment	11	157,555	160,441	158,253
Deferred tax asset		1,082	15,974	6,263
Total assets		32,321,790	31,346,136	32,333,653
LIABILITIES				
Due to other banks		213,161	411,022	447,129
Other borrowings	12	1,164,546	1,180,719	1,164,051
Debt securities in issue		2,601,406	2,305,159	2,215,345
Deposits		23,569,287	23,090,497	23,724,128
Other liabilities		216,982	357,420	497,700
Current tax liability		9,448	1,715	1,801
Deferred tax liability		6,711	-	-
Post-employment benefits		9,825	8,843	9,460
Total liabilities		27,791,366	27,355,375	28,059,614
EQUITY				
Share capital and premium		490,780	514,220	512,045
Non-distributable reserves		208,134	208,095	213,034
Distributable reserves		3,831,510	3,268,446	3,548,960
Total shareholders' equity		4,530,424	3,990,761	4,274,039
Total equity and liabilities		32,321,790	31,346,136	32,333,653

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2016

		Non-distributable reserves			Distributable reserves			
	Share capital and premium N$'000	Insurance fund reserve N$'000	Credit risk reserve N$'000	SBCR* N$'000	Fair value reserve N$'000	General banking reserve N$'000	Retained earnings N$'000	Total equity N$'000
For the six months ended 31 December 2015 (reviewed)								
Balance at 1 July 2015	530,050	28,617	167,869	7,062	96,317	2,297,316	516,142	3,643,373
Movement in treasury shares	(15,830)	-	-	-	-	-	-	(15,830)
Total comprehensive income for the period	-	-	-	-	45,623	-	455,882	501,505
Profit for the period	-	-	-	-	-	-	455,882	455,882
Other comprehensive income	-	-	-	-	45,623	-	-	45,623
Share-based payment charges	-	-	-	4,450	-	-	-	4,450
Profit on sale of treasury shares	-	-	-	-	-	-	3,417	3,417
Utilisation of reserve	-	(844)	-	-	-	-	-	(844)
Transfer between reserves	-	-	12,453	-	-	-	(12,453)	-
Dividends	-	-	-	-	-	-	(145,310)	(145,310)
Balance at 31 December 2015	514,220	27,773	180,322	11,512	141,940	2,297,316	817,678	3,990,761
For the six months ended 31 December 2016 (reviewed)								
Balance at 1 July 2016	512,045	27,773	185,261	13,290	129,782	2,764,277	641,611	4,274,039
Movement in treasury shares	(21,265)	-	-	-	-	-	-	(21,265)
Total comprehensive income for the period	-	-	-	-	(3,783)	-	457,339	453,556
Profit for the period	-	-	-	-	-	-	457,339	457,339
Other comprehensive income	-	-	-	-	(3,783)	-	-	(3,783)
Share-based payment charges	-	-	-	3,750	-	-	-	3,750
Profit on sale of treasury shares	-	-	-	-	-	-	171	171
Transfer between reserves	-	-	(4,900)	-	-	-	4,900	-
Dividends	-	-	-	-	-	-	(179,827)	(179,827)
Balance at 31 December 2016	490,780	27,773	180,361	17,040	125,999	2,764,277	924,194	4,530,424

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

for the six months ended 31 December 2016

	Non-distributable reserves				Distributable reserves			
	Share capital and premium N$'000	Insurance fund reserve N$'000	Credit risk reserve N$'000	SBCR* N$'000	Fair value reserve N$'000	General banking reserve N$'000	Retained earnings N$'000	Total equity N$'000
For the year ended 30 June 2016 (audited)								
Balance at 1 July 2015	530,050	28,617	167,869	7,062	96,317	2,297,316	516,142	3,643,373
Movement in treasury shares	(18,005)	-	-	-	-	-	-	(18,005)
Total comprehensive income for the year	-	-	-	-	33,465	-	905,048	938,513
Profit for the year	-	-	-	-	-	-	905,048	905,048
Other comprehensive income	-	-	-	-	33,465	-	-	33,465
Share-based payment charges	-	-	-	6,228	-	-	-	6,228
Utilisation of reserve	-	(844)	-	-	-	-	-	(844)
Transfer between reserves	-	-	17,392	-	-	466,961	(484,353)	-
Dividends	-	-	-	-	-	-	(295,226)	(295,226)
Balance at 30 June 2016	512,045	27,773	185,261	13,290	129,782	2,764,277	641,611	4,274,039

***Share-based compensation reserve (SBCR)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

for the six months ended 31 December 2016

	Six months ended		Year ended
	December 2016 N$'000 Reviewed	December 2015 N$'000 Reviewed	June 2016 N$'000 Audited
Cash flows from operating activities			
Cash (utilised in) / generated from operations	(154,579)	248,664	675,551
Dividends received	32,370	16,012	92,586
Other interest received	167	115	1,160
Taxes paid	(172,372)	(205,851)	(414,947)
Net cash (utilised in) / generated from operating activities	(294,414)	58,940	354,350
Cash flows from investing activities			
Additions to property, plant and equipment	(20,744)	(25,823)	(43,328)
Additions to intangible assets	(43,506)	(14,535)	(49,652)
Proceeds on sale of subsidiary	9,887	-	-
Other	293	417	969
Net cash utilised in investing activities	(54,070)	(39,941)	(92,011)
Cash flows from financing activities			
Proceeds from other borrowings	-	1,170,000	1,170,000
Other borrowings coupon payments	(61,203)	-	(66,187)
Redemption of debt securities in issue	(71,264)	(200,000)	(436,516)
Debt securities coupon payments	(102,761)	(224,273)	(185,104)
Proceeds from the issue of debt securities	455,000	181,000	181,000
Dividends paid	(179,827)	(145,310)	(295,226)
Other	(21,094)	(12,417)	(18,005)
Net cash generated from financing activities	18,851	769,000	349,962
Net (decrease) / increase in cash and cash equivalents	(329,633)	787,999	612,301
Cash and cash equivalents at the beginning of the period / year	2,571,620	1,959,319	1,959,319
Cash and cash equivalents at the end of the period / year	2,241,987	2,747,318	2,571,620

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2016

1. General information

Capricorn Investment Group Limited ("Capricorn Group" or "the group") is a Namibian registered company that acts as an investment holding company and provides consulting and support services to the other group companies. Its main investments comprise of 100% shareholdings in Bank Windhoek Limited, Namib Bou (Pty) Limited, Capricorn Asset Management (Pty) Limited and Capricorn Unit Trust Management Company Limited. The company has a 29.5% shareholding in Sanlam Namibia Holdings (Pty) Limited and 28% in Santam Namibia Limited.

These condensed consolidated interim financial statements were approved for issue on 22 February 2017 and have been reviewed, not audited.

2. Basis of presentation

The reviewed condensed consolidated interim financial statements of Capricorn Investment Group Limited for the six months ended 31 December 2016, have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and presentation and disclosure requirements of the International Accounting Standard (IAS) 34: 'Interim financial reporting' as well as the Companies Act of Namibia. The condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements for the year ended 30 June 2016, which have been prepared in accordance with IFRSs.

3. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for amendments listed in note 5. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4. Critical accounting estimates and judgement

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 30 June 2016.

5. Standards and interpretations issued

5.1. Standards and interpretations issued affecting amounts reported and disclosures in the current financial period

There were no standards and interpretations issued affecting amounts reported and disclosures in the current financial period.

5.2. Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective that could have a material impact on the group are IFRS 9 "Financial Instruments", IFRS 16 "Leases", IFRS 15 "Revenue from Contract Customers" and IAS 7 "Cash Flow Statements".

6. Seasonality of operations

Capricorn Group does not experience any significant seasonality of business operations.

7. Financial risk management and financial instruments

7.1. Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 30 June 2016. There have been no significant changes in the risk management department or risk management policies since the year end.

7.2. Liquidity risk

Senior debt to the value of N$455 million was issued during the period ended 31 December 2016.

7.3. Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Fair value hierarchy

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter derivative contracts, traded loans and issued structured debt. The sources of input parameters like JIBAR yield curve or counter-party credit risk are Bloomberg and Reuters.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible. No transfers of financial instruments have been made between fair value hierarchy levels during the six months ended 31 December 2016. There were no changes in valuation techniques during the period.

	Level 1 N$'000	Level 2 N$'000	Total N$'000
Assets and liabilities measured at fair value			
As at 31 December 2016 (reviewed)			
Financial assets designated at fair value through profit or loss			
Debt securities	285,929	2,319,083	2,605,012
Available-for-sale financial assets			
Investment securities – listed	130,215	-	130,215
	416,144	2,319,083	2,735,227
Financial liabilities at fair value through profit or loss			
Derivative financial instruments (included in other liabilities)	-	5,323	5,323

7. Financial risk management and financial instruments (continued)

	Level 1 N$'000	Level 2 N$'000	Total N$'000
Assets and liabilities measured at fair value			
As at 31 December 2015 (reviewed)			
Financial assets designated at fair value through profit or loss			
Debt securities	40,996	2,289,934	2,330,930
Financial assets at fair value through profit or loss			
Derivative financial instruments (included in other assets)	-	8,281	8,281
Available-for-sale financial assets			
Investment securities - listed	146,156	-	146,156
	187,152	2,298,215	2,485,367
Financial liabilities at fair value through profit or loss			
Derivative financial instruments (included in other liabilities)	-	7,519	7,519
As at 30 June 2016 (audited)			
Financial assets designated at fair value through profit or loss			
Debt securities	229,677	2,178,519	2,408,196
Financial assets at fair value through profit or loss			
Derivative financial instruments (included in other assets)	-	229	229
Available-for-sale financial assets			
Investment securities - listed	133,998	-	133,998
	363,675	2,178,748	2,542,423
Financial liabilities at fair value through profit or loss			
Derivative financial instruments (included in other liabilities)	-	6,069	6,069

Notes to the condensed consolidated interim financial statements
for the six months ended 31 December 2016 (continued)

7. Financial risk management and financial instruments (continued)

Details of level 2 fair value instruments:			Valuation inputs - ranges		
Financial assets designated at fair value through profit or loss	Valuation technique	Type of input	31 Dec 2016 Reviewed	31 Dec 2015 Reviewed	30 June 2016 Audited
Treasury bills	*	Note 1a	6.7% - 9.6%	5.5% - 8.4%	5.8% - 8.8%
Government stock	*	Note 1a	8.6% - 10.5%	9.1% - 11.5%	8.7% - 9.9%
Unit trust funds	**	Note 2	Note 2	Note 2	Note 2
Other debt securities					
– Repo investments	*	Note 1a	6.8% - 9.0%	7.9% - 8.5%	-
– Corporate bonds	*	Note 1a	10.3%	11.5%	10.3%
– OTC currency options	*	Note 1b	US$13.4 – 16.5	US$16.3 – 19.6	US$14.5 – 16.5
			€15.3 – 18.6	€16.9 – 20.9	€16.1 – 18.6
Financial assets at fair value through profit or loss					
Derivative financial instruments	*	Note 1a	7.2% - 7.8%	6.3% - 9.8%	6.0% - 7.8%
Financial liabilities at fair value through profit or loss					
Derivative financial instruments	*	Note 1a	7.2% - 7.8%	6.3% - 9.8%	6.0% - 7.8%

* Income approach: Present value of expected future cash flows.
** Market approach: The fair value is determined with reference to the daily published market prices.
Note 1: a) Yield curves and b) exchange rates observable at commonly quoted intervals.
Note 2: Valuations are performed per fund based on the net asset value of the underlying assets.

7. Financial risk management and financial instruments (continued)

The following table represents the fair value of financial instruments carried at amortised cost on the statement of financial position:

	December 2016		December 2015		June 2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
N$'000	Reviewed		Reviewed		Audited	
Financial assets						
Cash and balances with the central bank	1,369,359	1,369,359	996,000	996,000	1,169,170	1,169,170
Due from other banks	268,434	268,434	1,441,634	1,441,634	1,006,602	1,006,602
Loans and advances to customers	27,121,963	27,601,967	25,541,855	26,280,070	26,598,023	26,996,930
Other assets	103,383	103,383	250,472	250,472	340,530	340,530
Financial liabilities						
Due to other banks	213,161	213,161	411,022	411,022	447,129	447,129
Other borrowings	1,164,546	1,227,529	1,180,719	1,277,341	1,164,051	1,207,090
Debt securities in issue	2,601,406	2,572,972	2,305,159	2,260,200	2,215,345	2,193,067
Deposits	23,569,287	23,567,765	23,090,497	23,086,397	23,724,128	23,724,568
Other liabilities	216,982	216,982	357,420	357,420	497,700	497,700

8. Capital management

The table on the next page summarises the composition of regulatory capital and the ratios of the group for the year-ended 30 June 2016 and the six months ended 31 December 2016 and 31 December 2015. During these three periods, the individual entities within the group complied with all of the externally imposed capital requirements to which they are subjected.

8. Capital management (continued)

	December 2016 N$'000	December 2015 N$'000	June 2016 N$'000
	Reviewed		Audited
Tier 1 capital			
Share capital and premium	532,206	532,206	532,206
General banking reserves	2,764,277	2,297,316	2,764,277
Retained earnings	771,552	638,889	771,552
Subtotal	4,068,035	3,468,411	4,068,035
Deduct: 50% investments in group entities			
Goodwill	(85,599)	(91,763)	(91,763)
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	(140,310)	(139,476)	(141,651)
Net total Tier 1 capital	3,842,126	3,237,172	3,834,621
Tier 2 capital			
Subordinated debt	212,717	212,710	212,687
Five-year callable bonds	187,570	187,570	187,545
Preference shares	25,147	25,140	25,142
Current unaudited profits (including dividends paid)	55,226	90,261	-
Portfolio impairment	303,385	283,664	294,082
Subtotal	571,328	586,635	506,769
Deduct: 50% investments in group entities			
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	(120,150)	(121,491)	(121,491)
Net total Tier 2 capital	451,178	465,144	385,278
Total regulatory capital	4,293,304	3,702,316	4,219,899
Risk-weighted assets:			
Operational risk	2,795,826	2,341,441	2,590,443
Credit risk	24,440,844	22,898,392	23,691,985
Market risk	255,057	246,650	481,527
Total risk-weighted assets	27,491,727	25,486,483	26,763,955
Capital adequacy ratios:			
Leverage capital ratio	12.3%	11.2%	12.6%
Tier 1 risk-based capital ratio	14.0%	12.7%	14.3%
Total risk-based capital ratio	15.6%	14.5%	15.8%

9. Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period ending 31 December 2016 is 30.8% (30 June 2016: 31.1% and 31 December 2015: 32%).

10. Intangible assets

The increase in net book value from 30 June 2016 to 31 December 2016 in intangible assets is mainly due to the capitalisation of IT costs of N$43.5 million, which also represents the total additions for the period.

11. Property, plant and equipment

Total additions to property, plant and equipment during the period ended 31 December 2016 amounted to N$20.7 million.

12. Other borrowings

	December 2016 N$'000	December 2015 N$'000	June 2016 N$'000
	Reviewed		Audited
Balance as at 1 July	1,164,051	-	-
Additions	-	1,170,000	1,170,000
Accrued interest	61,698	10,719	60,238
Coupon payments	(61,203)	-	(66,187)
Balance as at 30 June	1,164,546	1,180,719	1,164,051

Other borrowings consist of N$920 million and N$250 million long-term funding raised from IFC (International Finance Corporation) and DEG (Deutsche Investitions- und Entwicklungsgesellschaft) respectively. The IFC loan is repayable semi-annually over a 7-year term with quarterly interest repayments. The first capital repayment is due December 2017. Interest on the IFC loan is charged at 3 month Jibar plus an average spread of 2.95%. The DEG loan is repayable semi-annually over an 8-year term with quarterly interest repayments. The first capital repayment is due March 2020. Interest on the DEG loan is charged at 3 month Jibar plus a spread of 3.65%.

13. Earnings and headline earnings per ordinary share

	December 2016 Reviewed Gross N$'000	Taxation N$'000	Net N$'000
Earnings			
Profit for the period			457,339
Headline adjustments	3,309	88	3,397
Re-measurement included in equity-accounted earnings	275	-	275
Loss on sale of subsidiary	3,309	-	3,309
Profit on sale of property, plant and equipment	(275)	88	(187)
Headline earnings			460,736

	December 2015 Reviewed Gross N$'000	Taxation N$'000	Net N$'000
Earnings			
Profit for the period			455,882
Headline adjustments	61	66	127
Re-measurement included in equity-accounted earnings	267	-	267
Profit on sale of property, plant and equipment	(206)	66	(140)
Headline earnings			456,009

13. Earnings and headline earnings per ordinary share (continued)

	Gross N$'000	June 2016 Audited Taxation N$'000	Net N$'000
Earnings			
Profit for the period			905,048
Headline adjustments	230	100	330
Re-measurement included in equity-accounted earnings	542	-	542
Profit on sale of property, plant and equipment	(312)	100	(212)
Headline earnings			905,378

	December 2016 Reviewed	December 2015 Reviewed	June 2016 Audited
Number of ordinary shares in issue at period / year-end ('000)	505,280	505,280	505,280
Less: Treasury shares	(6,934)	(5,336)	(5,746)
	498,346	499,944	499,534
Weighted average number of ordinary shares in issue during the period / year ('000)	498,346	499,944	499,534
Diluted weighted average number of ordinary shares in issue during the period / year ('000)	499,504	501,488	500,692
Earnings per ordinary share (cents)			
Basic	91.8	91.2	181.2
Fully diluted	91.6	90.9	180.8
Headline earnings per ordinary share (cents)			
Basic	92.5	91.2	181.2
Fully diluted	92.2	90.9	180.8

Notes to the condensed consolidated interim financial statements
for the six months ended 31 December 2016 (continued)

14. Net asset value per ordinary share

	December 2016 Reviewed	December 2015 Reviewed	June 2016 Audited
Net assets (N$'000)	4,530,424	3,990,761	4,274,039
Number of ordinary shares in issue at period / year-end ('000)	498,346	499,944	499,534
Net asset value per ordinary share (cents)	909	798	856

15. Dividends per share

Capricorn Investment Group Limited did not declare or propose interim dividends during the six month period ended 31 December 2016 (30 June 2016: N$298.1 million and 31 December 2015: NIL).

Refer to note 20 for dividends declared after the reporting period.

16. Contingent assets, liabilities and commitments

	December 2016 N$'000 Reviewed	December 2015 N$'000 Reviewed	June 2016 N$'000 Audited
16.1 Capital commitments			
Contracted for but not yet incurred	5,700	58,811	17,250
Authorised but not contracted for	175,596	190,923	239,796
16.2 Letters of credit	265,511	355,748	634,568
16.3 Liabilities under guarantees	1,585,177	1,586,813	1,450,178
16.4 Loan commitments	2,089,502	2,059,425	2,094,090

16.5 Pending litigations

There are a few pending legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis. Provisions have been raised for these to the extent that the outcome is known.

17. Related parties

The group did not enter into material new related party transactions and balances for the six months ended 31 December 2016.

18. Segment information

The group considers its banking operations as one operating segment. Other components include property development, unit trust management and asset management. However these components each contribute less than 5% to the group revenue, assets and net profit after tax, and the group, therefore, has no significant components other than banking. This is in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the managing director of the group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

	December 2016 N$'000	December 2015 N$'000	June 2016 N$'000
	Reviewed		Audited
Operating income			
Banking	1,121,878	1,093,017	2,159,764
Other	68,051	84,865	191,403
Total	1,189,929	1,177,882	2,351,167
Profit after tax for the period / year			
Banking	398,632	391,404	762,904
Other	58,707	64,478	142,144
Total	457,339	455,882	905,048
Total assets			
Banking	31,908,950	30,914,585	31,768,140
Other	412,840	431,551	565,513
Total	32,321,790	31,346,136	32,333,653

Notes to the condensed consolidated interim financial statements
for the six months ended 31 December 2016 (continued)

19. Disposal of investment in subsidiary

On 1 July 2016 Capricorn Investment Group Ltd disposed of its 100% shareholding in Welwitschia Insurance Brokers (Pty) Ltd.

20. Events subsequent to period-end

Dividends declared

On 22 February 2017 an interim dividend of 30 cents per ordinary share was declared for the period ended 31 December 2016, payable on 24 March 2017. The last day to trade shares on a cum dividend basis is on 3 March 2017, the first day to trade ex-dividend is 6 March 2017 and the record date is 10 March 2017. The interim dividend amounting to N$151.6 million has not been recognised as a liability in the condensed consolidated interim financial statements. It will be recognised in the statement of changes in equity for the year ended 30 June 2017.

Acquisitions

Capricorn Investment Holdings (Botswana) Ltd (CIHB)

Subsequent to the reporting date, the group agreed to acquire a controlling interest in Capricorn Investment Holdings (Botswana) Ltd (CIHB), an investment holding company, which owns 100% of the share capital of Bank Gaborone Ltd. The shares will be acquired from Capricorn Investment Holdings Ltd (CIH) (65%). The transaction has been approved by the board and is subject to the finalisation of the contractual requirements and regulatory approval. The effective date of the transaction will be 1 January 2017.

Cavmont Capital Holdings Zambia Plc (CCHZ)

Subsequent to the reporting date, the group agreed to acquire 97.9% of the share capital of Cavmont Capital Holdings Zambia Plc (CCHZ), an investment holding company which owns 100% of the share capital of Cavmont Bank Ltd. The shares will be acquired from Capricorn Investment Holdings Ltd (CIH) (73%) and minority shareholders (24.9%). The transaction has been approved by the board and is subject to the finalisation of the contractual requirements. The effective date of the transaction will be 1 January 2017.

The acquisitions will be classified as common control transactions, as the combining entities are ultimately controlled by the same party (CIH), both before and after the business combination. This control is not transitory. Predecessor accounting will be applied, where the acquirees' net assets are recognised at carrying value in the acquiring company, Capricorn Investment Group Ltd. Profits from CIHB and CCHZ will be included in the group from the date of acquisition of control.