

REVIEWED CONSOLIDATED GROUP FINANCIAL RESULTS

for the year ended 30 June 2017

Group financial performance

The Namibian economy experienced one of its biggest challenges since independence with GDP declining significantly from a 3.3% growth during the prior financial year of the group, to a contraction of 1.8% during the first three quarters of the group's current financial year, based on the quarterly figures published. The Namibian banking sector has been significantly impacted by this downturn, which resulted in a sharp reduction in private sector credit extension (PSCE) and severe market liquidity constraints. As a consequence, cost of funding increased substantially as the market competed for limited liquid funds and growth opportunities were stifled by the stagnant economy. Notwithstanding the challenging operating environment, the group delivered a solid performance with operating profit before tax for the year ended 30 June 2017 increasing by 2.0% compared to the prior year. On a normalised basis, growth in operating profit before tax is 4.0% compared to the year ended 30 June 2016.

Any reference to "normalised" in this announcement means that, for the sake of meaningful comparison, the effect of the following significant once-off transactions and acquisitions have been excluded from actual account balances to arrive at normalised balances:

- Once-off forex trading income on the trading of Angolan Kwana in the prior year;
- Prior year income, expenditure and profit of Welwitschia Insurance Brokers, which was sold on 1 July 2016;
- Income, expenditure and profit of the Botswana and Zambia subsidiaries since acquisition on 1 January 2017; and
- Assets and liabilities of the Botswana and Zambia subsidiaries as at 30 June 2017.

Significant transactions during the year

During the year the group acquired a 68.7% interest in Capricorn Investment Holdings (Botswana) Ltd ("CIHB"), which in turn holds 100% of the share capital in Bank Gaborone Ltd ("BG"). The group also bought 97.9% in Cavmont Capital Holdings Zambia Plc ("CCHZ"), the holding company of 100% of the share capital of Cavmont Bank Ltd ("CB"). The combined acquisition price was N\$443.3 million. The acquisition enables the group to deliver on the strategic objective to grow the group's business and to diversify into new markets beyond the borders of Namibia.

The Government Institutions Pension Fund of Namibia ("GIPF"), with a net asset position of approximately N\$100 billion, increased its shareholding in the group to 26%, becoming the second largest shareholder after Capricorn Investment Holdings Ltd ("CIH"). CIH and GIPF will both fulfil the role of shareholder of reference for the group. As part of the transaction Capricorn Investment Group Ltd ("Capricorn Group") received N\$1 billion from CIH and GIPF to fund committed contingency funding facilities for the three banking entities in the group. This significantly reduces the liquidity risk of the group's banking entities.

Net interest income

Net interest income increased by 13.1% to N\$1,649.5 million (June 2016: N\$1,458.1 million) largely as a result of the acquisition of CIHB and CCHZ which contributed 9.8% to the year on year growth. The subdued normalised growth in net interest of 3.3% is mainly due to a significant increase in the cost of funding as a result of the liquidity shortage experienced in the Namibian market during the year under review, combined with a slowdown in the growth of interest bearing assets.

Impairment charges

Impairment charges for bad and doubtful debts decreased by 4.6% to N\$58.0 million (June 2016: N\$60.8 million). Impairment charges as a percentage of advances for Bank Windhoek ("BW") was 0.17% (June 2016: 0.24%), which bears testimony to the quality of the bank's advances book. Both BG and CB's impairment charges are also within accepted norms.

Non-interest income

Non-interest income increased by 4.7% to N\$998.2 million (June 2016: N\$953.8 million). On a normalised basis, non-interest income increased by 7.4% compared to the prior year. The increase is mainly due to strong growth in transactional income and electronic channels, which was partially offset by a contraction in trading revenue.

Operating expenses

Normalised operating expenses increased by 7.1% to N\$1,214.9 million (June 2016: N\$1,134.1 million), evidencing management's focus to control costs during the

year under review. The cost to income ratio increased from 50.2% to 53.9%, as a result of the higher cost to income ratios of the subsidiaries in Botswana and Zambia.

Income from associates

Income from associates decreased by 19.6% to N\$78.1 million (June 2016: N\$97.1 million) and contributed 8.5% (June 2016: 10.7%) to profit after tax. The year on year decrease is mainly due to a decrease in profit reported by Sanlam Namibia following a number of large group life claims settled during the year under review.

Loans and advances

CIHB and CCHZ contributed N\$4.1 billion (12.2%) and N\$833.5 million (2.5%) respectively to N\$33.4 billion total advances. With CIHB contributing mainly mortgage and term loans and CCHZ term loans. In Namibia, compared to the prior year, the growth in loans and advances has slowed down to 7.2%, mirroring the decline in industry growth in credit to the private sector. This fairly modest growth is mainly due to growth in overdrafts and mortgage loans of BW. Non-performing loans as a percentage of gross advances of BW remained stable with a slight increase from 1.32% to 1.44%.

Funding

Total funding increased by 34.9% to N\$37.2 billion (June 2016: N\$27.6 billion) mainly due to the acquisition of BG and CB. On a normalised basis, BW's funding increased by 7.6% largely due to good growth in term and notice deposits as well as senior debt. Although funding growth has been challenging in the current economic environment, the group has managed to lengthen its funding maturity profile and decrease its dependency on short term funding.

Total risk-based capital adequacy ratio

The group remains well capitalised with the total risk-based capital adequacy ratio of 16.6% (June 2016: 15.8%) remaining well above the minimum regulatory capital requirement of 10%.

Outlook

The group is expecting the challenging operating environment with sluggish economic growth in Namibia to continue in the short to medium term. Despite this, our outlook remains positive with an expectation that the expansion of the group to Botswana and Zambia will contribute to growth of both our balance sheet as well as profit, that our strong drive towards operational excellence will realise cost savings and improve revenue streams and that the recent enhancements to our service offering will improve our delivery of stakeholder value.

Reviewed results – auditor's review conclusion

The condensed consolidated financial statements for the year ended 30 June 2017, from which this information is derived, have been reviewed by PricewaterhouseCoopers, who expressed an unmodified review conclusion thereon. The review was conducted in accordance with ISRE 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. A copy of the auditor's review report is available for inspection at the company's registered office together with the condensed consolidated financial statements referred to in the auditor's review report.

Basis of presentation

The reviewed condensed consolidated financial statements of Capricorn Investment Group Ltd for the year ended 30 June 2017, 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 financial statements, but is not itself reviewed or audited. The group's principal accounting policies comply with IFRS and have been applied consistently in all material aspects with the previous financial years.

Final dividend

Notice is hereby given that a final dividend of 38 cents per ordinary share was declared on 15 August 2017 for the year ended 30 June 2017. Taking into account the interim dividend of 30 cents per share, this represents a total dividend of 68 cents per ordinary share for the year ended 30 June 2017 (June 2016: 66 cents per share).

- Last day to trade cum dividend: 25 August 2017
- First day to trade ex dividend: 28 August 2017
- Record date: 1 September 2017
- Payment date: 13 September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	2017 (reviewed) N\$ '000	2016 (audited) N\$ '000
Interest and similar income	3,626,477	2,963,244
Interest and similar expenses	(1,976,980)	(1,505,102)
Net interest income	1,649,497	1,458,142
Impairment charges on loans and advances	(57,998)	(60,779)
Net interest income after loan impairment charges	1,591,499	1,397,363
Non-interest income	998,185	953,804
Operating income	2,589,684	2,351,167
Operating expenses	(1,395,005)	(1,180,153)
Operating profit	1,194,679	1,171,014
Share of joint arrangement's results after tax	1,094	1,405
Share of associates' results after tax	78,100	97,123
Profit before income tax	1,273,873	1,269,542
Income tax expense	(356,252)	(364,494)
Profit for the year	917,621	905,048
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss:		
Change in value of available-for-sale financial assets	15,383	33,465
Exchange differences on translation of foreign operations	(1,949)	-
Total comprehensive income for the year	931,055	938,513

Ordinary shares in issue ('000) ¹	509,939	499,534
Weighted average no. of ordinary shares in issue ('000) ¹	504,140	499,534
Diluted weighted average no. of ordinary shares in issue ('000) ¹	505,338	500,692
Basic earnings per share (cents)	180.4	181.2
Diluted earnings per share (cents)	180.0	180.8
Basic headline earnings per share (cents)	181.6	181.2
Diluted headline earnings per share (cents)	181.2	180.8
Dividend per ordinary share (cents)	68.0	66.0

¹ Adjusted for treasury shares.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	2017 (reviewed) N\$ '000	2016 (audited) N\$ '000
ASSETS		
Cash and balances with the central bank	1,543,070	1,169,170
Financial assets designated at fair value through profit or loss	3,968,635	2,408,196
Financial assets at amortised cost	299,687	-
Investment securities	149,381	133,998
Due from other banks	2,198,596	1,006,602
Loans and advances to customers	33,433,922	26,598,023
Other assets	450,265	340,530
Current tax asset	72,420	60,177
Investment in associates	245,782	248,297
Interest in joint arrangements	6,193	5,099
Intangible assets	291,680	199,045
Property, plant and equipment	232,808	158,253
Deferred tax asset	28,475	6,263
Total assets	42,920,914	32,333,653
LIABILITIES		
Due to other banks	317,914	447,129
Other borrowings	1,165,064	1,164,051
Debt securities in issue	4,105,577	2,215,345
Deposits	31,571,561	23,724,128
Other liabilities	535,044	497,700
Current tax liability	640	1,801
Deferred tax liability	4,008	-
Post-employment benefits	10,191	9,460
Total liabilities	37,709,999	28,059,614
EQUITY		
Share capital and premium	684,665	512,045
Non-distributable reserves	248,186	213,034
Distributable reserves	4,123,531	3,548,960
	5,056,382	4,274,039
Non-controlling interests	154,533	-
Total shareholders' equity	5,210,915	4,274,039
Total equity and liabilities	42,920,914	32,333,653
Net asset value per share (cents)	1,003	856

Capricorn Investment Group Limited
 (previously known as Bank Windhoek Holdings Limited)
 (Incorporated in the Republic of Namibia)
 (Registration Number: 96/300)
 Share code: CGP ISIN: NA000A1T6SV9
 ("Capricorn Group" or "the group")

Directors: J J Swanepoel (Chairman), M J Prinsloo (Managing Director), K B Black, J C Brandt, F J du Toit, D G Fourie, D J Reyneke, E M Schimming-Chase, G N Sekandi, J M Shaetonhodi, M K Shikongo.

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Sponsor:
 PSG Wealth Management (Namibia) (Pty) Limited, Member of the Namibian Stock Exchange

By order of the Board



H von Ludwiger
 Company Secretary
 Windhoek, 17 August 2017

NORMALISED YEAR-ON-YEAR MOVEMENT

for the year ended 30 June 2017

	2017 (normalised) N\$ '000	2016 (normalised) N\$ '000	Variance	
			N\$ '000	%
Net interest income	1,505,922	1,458,142	47,780	3.3
Impairment charges	(46,572)	(60,779)	14,207	(23.4)
Net interest income after loan impairment charges	1,459,350	1,397,363	61,987	4.4
Non-interest income	916,248	852,881	63,367	7.4
Operating expenses	(1,214,875)	(1,134,131)	(80,744)	7.1
Operating profit	1,160,723	1,116,113	44,610	4.0
Profit before income tax	1,239,917	1,214,641	25,276	2.1
Profit for the year	891,088	867,694	23,394	2.7