

**FINANCIAL VALUE CREATED SINCE LISTING**
**+96.9%**  
 growth in the share price

**N\$1.3 billion**  
 paid in dividends

**+13.6%**  
 compound annual growth rate  
 in profit after tax

**130%**  
 total return per share since listing

**REVIEWED CONSOLIDATED GROUP FINANCIAL RESULTS**  
 for the year ended 30 June 2018

**Group financial performance**

With the Namibian economy still in a technical recession, Capricorn Group (the group) delivered resilient results with total comprehensive income increasing by 5.9% year on year. Bank Windhoek Limited continued to be a solid performer for the group, while other operations in Namibia and Botswana delivered good growth. The results from the Zambian operations were, however, disappointing. The group has taken the necessary steps and implemented appropriate actions to enhance the performance of Cavmont Bank and improve the contribution by the Zambian operations to the group's results.

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 adjusted against actual account balances, to arrive at normalised balances:

- Prior year financial results have been adjusted to include the results, assets and liabilities of the Botswana and Zambia subsidiaries as if they were acquired at the beginning of the prior reporting period.
- Capital profit on the partial sale of the Visa Inc. shareholding, in line with the group strategy to realise non-core investments, has been excluded from the current financial year's results.
- Results have been adjusted to exclude any gain realised in the acquisition of a controlling interest in Entrepo Holdings (Pty) Ltd (Entrepo) in the current financial year, and to exclude the assets and liabilities of Entrepo at 30 June 2018.

After these adjustments, normalised total comprehensive income decreased by 5.5% when compared to the year ended 30 June 2017. The decrease is to some extent reflective of the challenging economic conditions but was largely caused by the disappointing result of the Zambian operations.

**Strategic transactions during the year**

The group believes that the convergence between telecommunications and financial services poses a real risk for the financial services sector. This, combined with strong growth in demand for data services, prompted the group to invest in Nimbus Infrastructure Limited (Nimbus), a telecommunication and technology investment company, at the time of its listing on the Namibian Stock Exchange (NSX). The group had a shareholding of 18.3% in Nimbus at 30 June 2018, which was increased to 30% shortly after the year end. Nimbus owns 51.4% of the issued shares of Paratus Telecommunications (Proprietary) Limited, a company that provides communication, connectivity, carrier, customer, cloud, and cluster services to the public, private and corporate sectors in Namibia.

The group has always been very dependent on Bank Windhoek, which, during the year under review, contributed 86% of group profit after tax (2017: 83%). In pursuit of its strategic intent to diversify its profit streams, the group increased its investment in Bank Gaborone from 68.7% to 84.3% with effect from 1 January 2018. The group expects strong growth over the next few years from Bank Gaborone, increasing its contribution to between 8% and 10% of the group profit after tax.

The group also acquired a controlling interest in Entrepo, which participates in micro-lending, life insurance and income protection business in Namibia. Entrepo has an attractive share of the government employee market and complements Bank Windhoek's own micro-lending activities through subsidiary BW Finance, which focuses mainly on union members. The group expects Entrepo to contribute around 15% of the group's profit after tax in future.

Capricorn Capital started to operate in the first quarter of 2018 and offers investment banking, advisory services and solutions in Southern Africa. This includes corporate finance advice, capital restructuring, mergers and acquisitions, as well as capital fundraising.

**Net interest income**

Net interest income increased by 10.3% to N\$1,818.9 million (June 2017: N\$1,649.5 million) largely due to the acquisition of CIHB and CCHZ that is included for a full year in the current year. On a normalised basis the subdued growth in net interest of 1.1% is mainly due to increased pressures on interest margins in all three territories. Namibia experienced a 0.25% interest rate cut in August 2017, while Botswana had a 0.5% reduction in the repo rate to 5.0% in October 2017. Zambia saw the repo rate reduced by an aggregate of 2.75% during the year to 9.75%. The margin squeeze was exacerbated in Botswana due to market liquidity challenges resulting in increased cost of funding.

**Impairment charges**

Impairment charges for bad and doubtful debt increased by 39.4% to N\$80.8 million (June 2017: N\$58.0 million) mainly as a result of including the Botswana and Zambian subsidiaries for a full year. On a normalised basis, impairment charges increased by only 2.7%. The impairment charges of Bank Windhoek and Cavmont Bank increased by N\$11.5 million (24.7%) and N\$14.3 million (>100%) respectively, which is largely offset by a decrease in Bank Gaborone of N\$21.4 million (46.1%) as a result of large specific impairments in the prior year relating to failures within the Botswana mining sector.

**Non-interest income**

Non-interest income increased by 22.7% to N\$1,225.2 million (June 2017: N\$998.2 million). Included in the increase is the capital profit of N\$77.3 million on the sale of a portion

of the shareholding in Visa Inc. On a normalised basis, non-interest income increased by 4.0% compared to the prior year. The normalised increase is mainly due to strong growth in transactional income and electronic channels within Bank Windhoek as well as Capricorn Asset Management fees increasing by 15.1% (2017: 2.5%) largely as a result of an increase in assets under management of 18.2%. This is partially offset by a contraction in trading revenue in both Bank Windhoek and Cavmont Bank.

**Operating expenses**

Normalised operating expenses increased by 14.7% to N\$1,795.1 million (June 2017: N\$1,565.2 million). The above-inflation increase is mainly due to:

- three new branches opening in Namibia, including the private wealth suite, which resulted in an increase in headcount;
- capacity building within our digital channels, marketing and strategic customer capabilities; and
- the group's technology costs increasing by 28.6% as a result of the continued investment in IT infrastructure.

The cost to income ratio for the period under review is 60.6% compared to 53.9% for the comparative period.

**Income from associates**

Income from associates increased by 6.6% to N\$83.2 million (June 2017: N\$78.1 million) and contributed 8.9% (June 2017: 8.5%) to profit after tax. The year on year increase is mainly due to good performance by Santam Namibia in the current year, offset by a decrease in profit reported by Sanlam Namibia, following a number of large life insurance claims settled during the year under review.

**Loans and Advances**

Loans and advances increased by 8.4% to N\$36.2 billion (June 2017: N\$33.4 billion), of which 2.6% relates to the acquisition of Entrepo. The modest normalised growth of 5.8% is due to subdued demand in both Namibia and Botswana, as well as the focused restructuring of Bank Windhoek's balance sheet to improve the group's loans to funding ratio. Bank Windhoek's grew interest earning assets by 9.5% with liquid assets increasing by 55.3% to N\$4.8 billion.

Non-performing loans as a percentage of gross advances weakened from 2.2% to 3.3%, mainly as a result of a substantial increase in the value of non-performing loans at Bank Windhoek. This increase was mainly due to four large, but well secured, loans classified as non-performing during the year under review. Due to the substantial value and quality of the collateral held as security against these large exposures, potential losses are limited. For this reason, the bad and doubtful debt provisions did not increase in line with the increase in non-performing loans.

**Funding**

There was a deliberate strategic focus on improving the funding ratios of the group at all levels during the year under review. Growth in Bank Windhoek's funding well exceeded growth in loans and advances, thereby improving the group's loans to funding ratio to 95.2% (2017: 96.7%). Total funding increased by 8.4% to N\$40.3 billion (June 2017: N\$37.2 billion). Bank Windhoek's funding increased by 8.5%, largely due to good growth in term and cheque deposits and senior debt.

**Total risk-based capital adequacy ratio**

The group remains well capitalised with the total risk-based capital adequacy ratio of 15.3% (June 2017: 16.6%) remaining well above the minimum regulatory capital requirement of 10%.

**Outlook**

The group remains positive that, notwithstanding the subdued economic and business outlook in the region, it will continue to deliver solid results and value to all stakeholders. This requires us to be innovative and to continuously explore new investments, technologies and product and service offerings.

We will continue to invest in opportunities that will enable us to achieve operational excellence and maintain a high-performance culture. Through our strategic choices, the group expects to improve efficiencies, realise cost savings, expand and diversify revenue streams, and manage risks responsively.

**Basis of presentation**

The reviewed condensed consolidated financial statements of Capricorn Investment Group Ltd for the year ended 30 June 2018, 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 30 cents per ordinary share was declared on 21 August 2018 for the year ended 30 June 2018. Taking into account the interim dividend of 30 cents per share, this represents a total dividend of 60 cents per ordinary share for the year ended 30 June 2018 (June 2017: 68 cents per share).

Last day to trade cum dividend: 31 August 2018  
 First day to trade ex dividend: 3 September 2018  
 Record date: 7 September 2018  
 Payment date: 19 September 2018

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 for the year ended 30 June 2018

	2018 (reviewed) N\$ '000	2017 (audited) N\$ '000
Interest and similar income	4,244,215	3,626,477
Interest and similar expenses	(2,425,318)	(1,976,980)
Net interest income	1,818,897	1,649,497
Impairment charges on loans and advances	(80,840)	(57,998)
Net interest income after loan impairment charges	1,738,057	1,591,499
Non-interest income	1,225,168	998,185
Operating income	2,963,225	2,589,684
Operating expenses	(1,795,108)	(1,395,005)
Operating profit	1,168,117	1,194,679
Share of joint arrangement's results after tax	1,148	1,094
Share of associates' results after tax	83,236	78,100
Profit before income tax	1,252,501	1,273,873
Income tax expense	(318,066)	(356,252)
Profit for the year	934,435	917,621
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss:		
Change in value of available-for-sale financial assets	44,026	15,383
Exchange differences on translation of foreign operations	7,779	(1,949)
<b>Total comprehensive income for the year</b>	<b>986,240</b>	<b>931,055</b>

Ordinary shares in issue ('000) <sup>1</sup>	512,497	509,939
Weighted average no. of ordinary shares in issue ('000) <sup>1</sup>	510,767	504,140
Diluted weighted average no. of ordinary shares in issue ('000) <sup>1</sup>	511,647	505,338
Basic earnings per share (cents)	180.6	180.4
Diluted earnings per share (cents)	180.3	180.0
Basic headline earnings per share (cents)	157.9	181.6
Diluted headline earnings per share (cents)	157.6	181.2
Dividend per ordinary share (cents)	60	68

<sup>1</sup> Adjusted for treasury shares.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
 as at 30 June 2018

	2018 (reviewed) N\$ '000	2017 (audited) N\$ '000
<b>ASSETS</b>		
Cash and balances with the central bank	1,642,557	1,543,070
Financial assets designated at fair value through profit or loss	5,245,981	3,968,635
Financial assets at amortised cost	874,252	299,687
Investment securities	134,028	149,381
Due from other banks	1,773,529	2,198,596
Loans and advances to customers	36,234,418	33,433,922
Other assets	612,470	450,265
Current tax asset	62,723	72,420
Investment in associates	282,511	245,782
Interest in joint arrangements	7,340	6,193
Intangible assets	283,933	291,680
Property, plant and equipment	238,446	232,808
Deferred tax asset	41,498	28,475
<b>Total assets</b>	<b>47,433,686</b>	<b>42,920,914</b>
<b>LIABILITIES</b>		
Due to other banks	252,683	317,914
Other borrowings	1,313,433	1,165,064
Debt securities in issue	4,777,074	4,105,577
Deposits	33,948,091	31,571,561
Other liabilities	1,232,189	535,044
Current tax liability	381	640
Deferred tax liability	7,205	4,008
Post-employment benefits	11,440	10,191
<b>Total liabilities</b>	<b>41,542,496</b>	<b>37,709,999</b>
<b>EQUITY</b>		
Share capital and premium	724,507	684,665
Non-distributable reserves	269,653	248,186
Distributable reserves	4,620,531	4,123,531
	5,614,691	5,056,382
Non-controlling interests	276,499	154,533
<b>Total shareholders' equity</b>	<b>5,891,190</b>	<b>5,210,915</b>
<b>Total equity and liabilities</b>	<b>47,433,686</b>	<b>42,920,914</b>
Net asset value per share (cents)	1,099	1,003

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

By order of the Board



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

H von Ludwiger  
 Company Secretary  
 Windhoek, 21 August 2018

Postal address: P.O. Box 15, Windhoek, Namibia  
 Registered address: Capricorn Group Building, Kasino Street, Windhoek, Namibia  
 Tel: (+264 61) 299 1301; Fax: (+264 61) 299 1309; E-mail: investors@capricorn.com.na  
 Website: www.capricorn.com.na

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