Capricorn Group Ltd
FY26 Initial Impression

September 2026

Key Focus Points

- **Profit after tax fell 6.4% YoY to N$1.87bn, CGP's first earnings decline since FY20, with the Botswana segment's N$280m swing from profit to loss more than accounting for the N$128m group decline**
- Credit impairment charges rose 45.1% YoY to N$457.0m, of which the Botswana segment contributed N$116m of the N$142m increase
- Net interest income contracted 1.9% YoY to N$3.33bn, the first decline in five years, as Bank Gaborone's net interest margin narrowed to 2.8% from 4.3%; Bank Windhoek expanded its margin to 5.3% and grew net interest income 5.2% YoY
- Non-interest revenue rose 8.3% YoY to N$2.62bn, lifting it to 47.7% of operating income against the Group's 45% target
- The cost-to-income ratio deteriorated to 52.0% (FY25: 49.5%) and return on equity fell to 15.6% (FY25: 18.2%), below our 16.7% cost of equity estimate
- The total ordinary dividend of 135cps was unchanged YoY, but with no special dividend declared (FY25: 36cps) the total distribution fell 21.1% YoY
- We set a 12-month target price of 2,643cps.

FY26 Initial Impression

Capricorn Group Ltd (CGP) released its annual results for the year ended 30 June 2026, reporting a profit after tax of N$1.87bn, a decline of 6.4% YoY or N$128.0m. This marks the Group's first earnings contraction since the post-COVID recovery. The decline was driven by a 45.1% YoY jump in credit impairments and net interest margin compression, both concentrated in the Botswana operations. Bank Gaborone's net interest income fell 40.2% YoY as its net interest margin contracted to 2.8% (FY25: 4.3%), while Bank Windhoek grew net interest income 5.2% YoY and expanded its margin to 5.3%. At a segment level, Botswana accounted for N$116m of the N$142m increase in group impairment charges. The segment also moved from a N$167m profit in FY25 to a N$113m loss, representing a N$280m negative swing and accounting for the bulk of the N$128m decline in group earnings. Headline earnings per share fell 7.0% YoY to 343.7 cents per share (cps) (FY25: 369.7cps), while return on equity moderated to 15.6% from 18.2%. The Group declared a final ordinary dividend of 77cps, bringing the total ordinary dividend for FY26 to 135cps, unchanged YoY. No special dividend was declared (FY25: 36cps), taking the total distribution down 21.1% YoY from 171cps.

Financial summary

Year End 30 June	FY24A	1H25A	FY25	1H26A	FY26
Net Interest Income (N$ m)	3,088	1,657	3,399	1,691	3,334
Non-Interest Income (N$ m)	2,141	1,290	2,422	1,337	2,623
Profit after Tax (N$ m)	1,736	1,063	1,993	920	1,865
HEPS (c)	321	394*	370	336*	344
DPS (c)	112	61	171**	58	135
DY (%)	5.7	5.9*	7.7	4.5*	4.8
P/E (x)	6.1	5.2*	6.0	7.8*	8.2
P/B (x)	1.0	1.2	1.0	1.2	1.2

Source: Capricorn Group Limited; IJG Securities

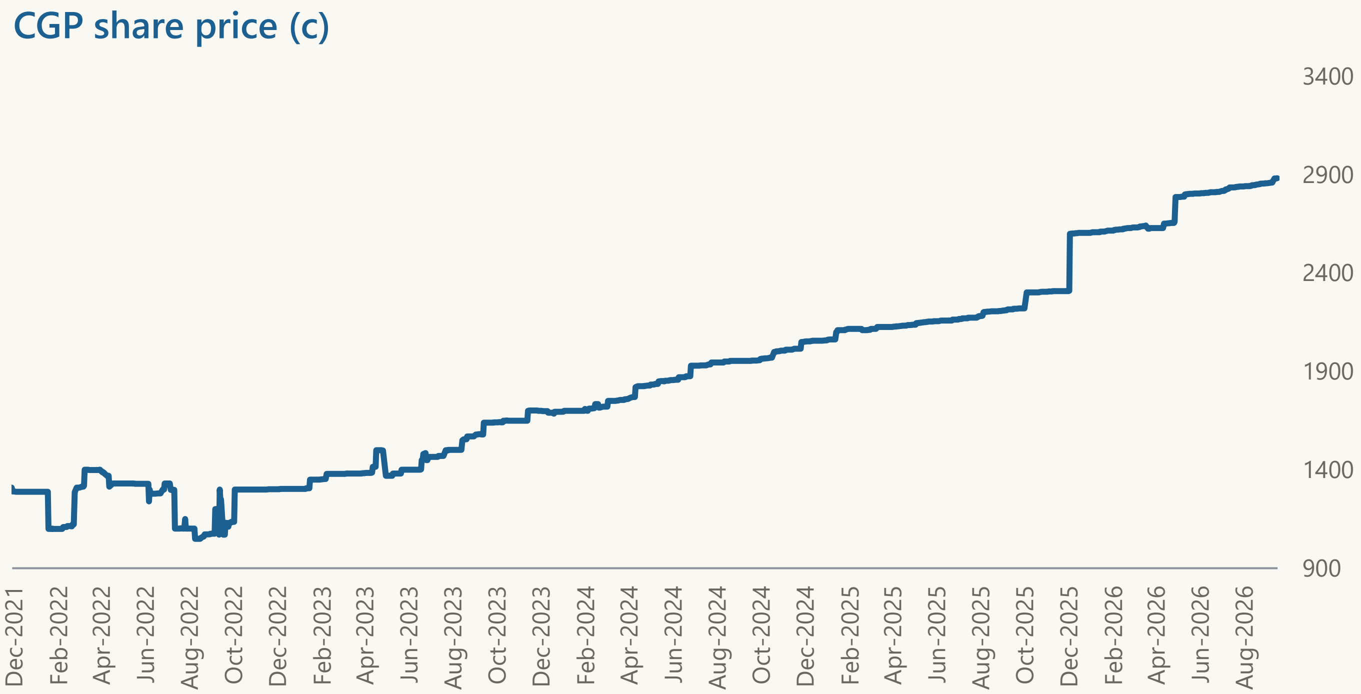
**Annualised*

***Includes the special dividend declared in FY25*

Share data

Share data	CGP
NSX Code	CGP
Current Price (c)	2,882
12-Month Target Price (c)	2,643
Market Cap (N$ m)	14,656
Shares in Issue (m)	509
Free Float (%)	27.4
52-Week High (c)	2,882
52-Week Low (c)	2,181
Recommendation	**SELL**

Source: Capricorn Group Limited; IJG Securities



Source: IJG Securities

Income statement

Summarised income statement

(N$ m)	FY25	FY26	Δ%
Interest and Similar Income	6,786.0	6,793.0	0.1%
Interest Expense and Similar Charges	(3,387.0)	(3,459.0)	2.1%
Net Interest Income	**3,399.0**	**3,334.0**	**-1.9%**
Impairment Losses	(315.0)	(457.0)	45.1%
Net Interest Income after Impairment Losses	**3,084.0**	**2,877.0**	**-6.7%**
Non-Interest Income	2,422.0	2,623.0	8.3%
Operating Expenses	(3,040.0)	(3,272.0)	7.6%
Operating Profit	**2,466.0**	**2,228.0**	**-9.7%**
Share of Associates' Results after Tax	211.0	252.0	19.4%
Profit before Tax	**2,677.0**	**2,480.0**	**-7.4%**
Income Tax Expense	(684.0)	(615.0)	-10.1%
Profit for the Period	**1,993.0**	**1,865.0**	**-6.4%**

Source: Capricorn Group Limited; IJG Securities

Net interest income

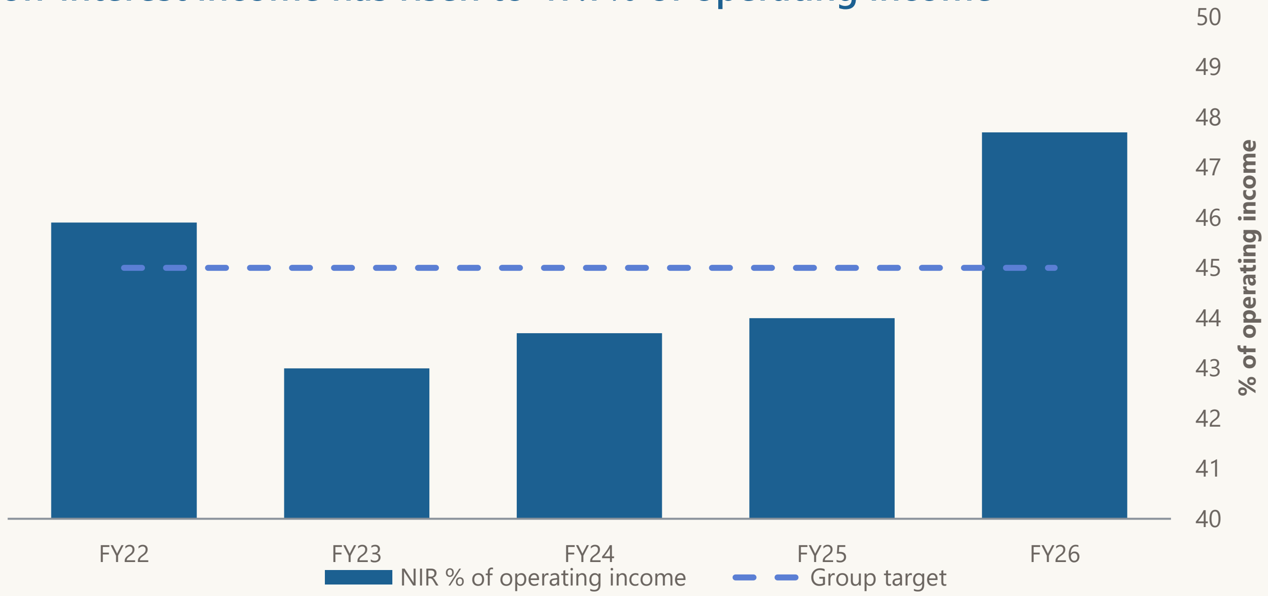
Interest income remained broadly flat at N$6.79bn (+0.1% YoY), reflecting the transition out of a low interest rate environment as earlier monetary policy easing by the Bank of Namibia continued to weigh on lending yields, while funding costs adjusted more gradually. Interest expense rose 2.1% YoY to N$3.46bn, with the increase driven by term and notice deposits (+30.9% YoY to N$1.32bn), partially offset by an 18.4% YoY decline in NCD interest costs to N$585.0m. The result was a 1.9% YoY contraction in net interest income to N$3.33bn, the first decline in five years.

The divergence between the two banking subsidiaries is stark. Bank Windhoek grew net interest income by 5.2% YoY and expanded its net interest margin to 5.3% (FY25: 5.24%), reducing its cost of funding through an improved funding mix and growth in lower-cost deposits, which supported margin resilience in the lower interest rate environment. Bank Gaborone's net interest income, by contrast, collapsed 40.2% YoY as its net interest margin narrowed to 2.8% from 4.3%, with funding costs rising sharply as the bank leaned on more expensive institutional deposits to navigate acute market liquidity shortages in 1H26.

Non-interest revenue

Non-interest revenue was the standout line, rising 8.3% YoY to N$2.62bn and lifting it to 47.7% of operating income (FY25: 44.0%), comfortably above the Group's 45% target. Asset management and administration fees grew 28.4% YoY to N$335.0m as Capricorn Asset Management's assets under management rose 17.3% YoY to N$67.0bn. Net trading income rose 21.6% YoY to N$417.0m, driven by a 52.1% YoY increase in net foreign exchange gains to N$254.0m. Fee and commission income grew a more modest 4.3% YoY to N$1.63bn, with transaction-based fee income up 8.3% YoY to N$756.0m. The net insurance service result was broadly flat at N$184.0m (FY25: N$185.0m), with a 10.6% YoY rise in insurance revenue offset by a 51.0% YoY increase in insurance service expenses.

Non-interest income has risen to 47.7% of operating income



Source: Capricorn Group Limited; IJG Securities

Operating expenses

Operating expenses rose 7.6% YoY to N$3.27bn. Staff costs, at 54.2% of total operating expenses, increased by 2.9% YoY to N$1.77bn, while technology costs rose 19.9% YoY to N$320.0m as the Group's digital transformation agenda continued. Fee and commission expenses grew 14.0% YoY to N$359.0m. With operating expense growth outpacing a declining top line, the cost-to-income ratio deteriorated to 52.0% (FY25: 49.5%), at the ceiling of the Group's own 52.0% target.

Assets and advances

Total assets increased 3.9% YoY or N$2.85bn to N$75.38bn, but the composition shifted markedly toward liquid assets rather than lending. Financial assets at fair value through profit or loss rose 83.8% YoY to N$4.88bn and FVOCI instruments rose 31.7% YoY to N$9.41bn, while cash and cash equivalents fell 12.3% YoY to N$6.74bn.

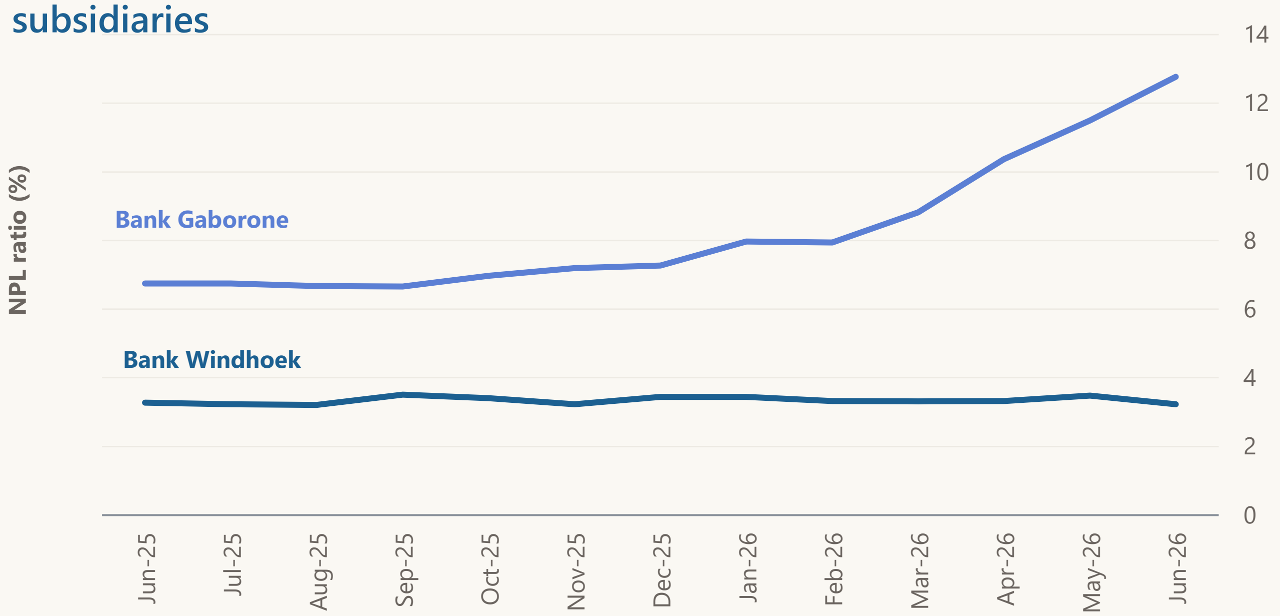
Gross loans and advances contracted 2.0% YoY to N$51.45bn, reflecting weak loan demand in Botswana and lower origination at Entrepo following the discontinuation of the government payroll deduction management system (PDMS). Term loans fell 6.9% YoY to N$17.81bn and overdrafts declined 7.0% YoY to N$6.06bn, partially offset by a 9.4% YoY rise in instalment finance to N$6.50bn and a 5.3% YoY increase in residential mortgages to N$14.32bn. Commercial mortgages contracted 6.8% YoY to N$6.74bn. Bank Windhoek's market share in loans and advances fell to 31.5% (FY25: 35.0%).

Impairments and non-performing loans

Credit impairment charges rose 45.1% YoY to N$457.0m, one of the two principal drags on FY26 earnings alongside a N$232.0m increase in opex. Botswana accounted for the bulk of the impairment increase, with the Botswana segment's charge rising from N$144m to N$260.0m, contributing N$116.0m of the Group's N$142.0m increase, or 82%. Management attributes the increase to a weakening economic environment in Botswana together with a smaller number of significant client exposures that are not identified by geography.

Non-performing loans excluding interest in suspense rose 22.6% YoY to N$2.55bn (FY25: N$2.08bn), lifting the Group NPL ratio to 5.0% from 4.0%, above the Group's own sub-4.5% target, while the loan loss rate increased to 0.9% (FY25: 0.6%). The subsidiary split mirrors the pattern in NII. Bank Windhoek's NPL ratio was broadly steady at 3.2% (FY25: 3.3%), while Bank Gaborone's nearly doubled to 12.8% (FY25: 6.8%).

Credit quality diverged sharply between the two banking subsidiaries



Source: Capricorn Group Limited; IJG Securities

This should be read against a difficult, but not uniformly damaging, Botswana operating environment. Real GDP grew just 0.2% in the twelve months to March 2026, against a contraction of 1.6% in the year to March 2025. The global rough diamond price index fell 10.4% q/q in Q2 2026, and S&P downgraded Botswana's long-term sovereign ratings from 'BBB' to 'BBB-' in March 2026. First National Bank of Botswana, which reports to the same 30 June year end, offers the cleanest comparison. Its own impairment charge rose 159.3% YoY to P191.0m, close to twice the rate of increase in CGP's Botswana segment, and its gross advances contracted 4.1% YoY, yet it still grew profit after tax by 14.1% YoY to P1.65bn, closing the year with an NPL ratio of 3.0% (FY25: 2.9%) and a return on equity of 33.2%. With the Bank of Botswana putting the system-wide NPL ratio at 3.4% as at December 2025, Bank Gaborone's 12.8% points to institution-specific factors as much as to the broader Botswana economy.

Deposits, funding and capital

Total deposits grew a healthy 6.3% YoY to N$56.22bn. Demand deposits rose 14.4% YoY to N$11.58bn and NCDs increased 15.9% YoY to N$8.65bn, while current accounts were flat at N$14.88bn. With deposit growth outstripping loan growth, the loan-to-funding ratio improved to 83.6% (FY25: 88.8%), well inside the Group's 90% ceiling. The resulting liquidity was directed mainly into lower-yielding securities rather than loans, with financial assets at FVOCI up 31.7% YoY and at FVTPL up 83.8% YoY. The Group's capital adequacy ratio strengthened to 19.4% (FY25: 18.1%), with Bank Windhoek at 19.2% (FY25: 18.2%). Bank Gaborone's capital adequacy ratio weakened to 14.3% (FY25: 15.0%). Net asset value per share rose 6.7% YoY to 2,277cps.

Dividends

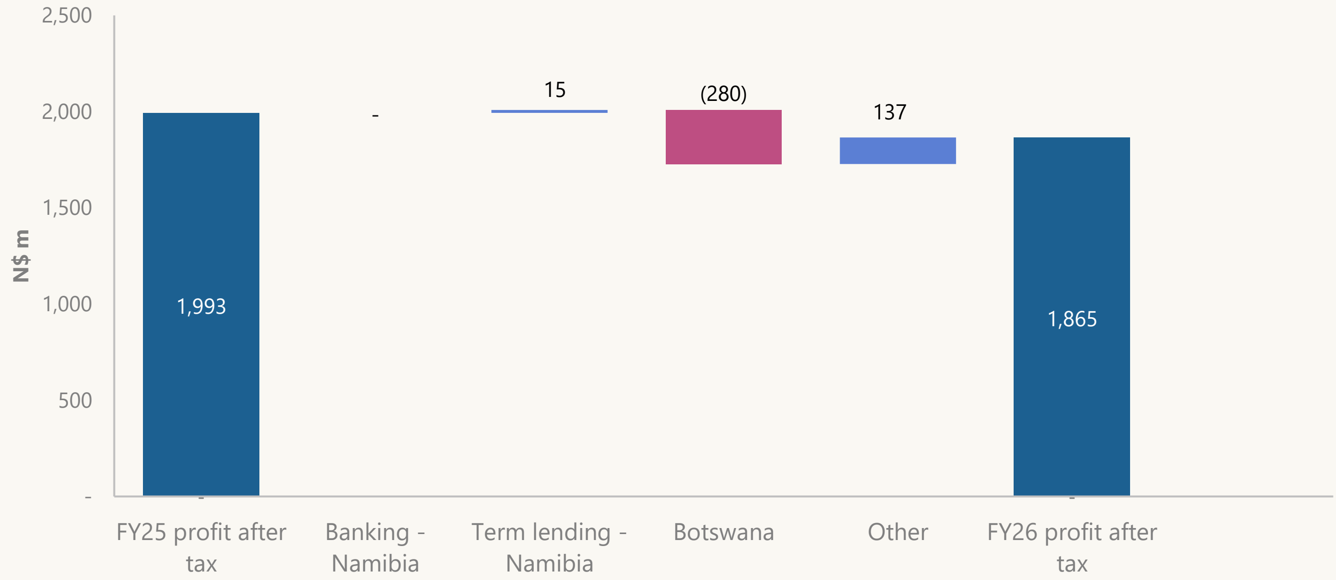
CGP declared a final ordinary dividend of 77 cents per share, bringing the total ordinary dividend for FY26 to 135cps, unchanged YoY. No special dividend was declared (FY25: 36cps), taking the total distribution down 21.1% YoY from 171cps.

- Last day to trade cum dividend: 02 October 2026
- First day to trade ex-dividend: 05 October 2026
- Record date: 09 October 2026
- Payment date: 22 October 2026

Our take

CGP's first earnings decline since FY20 is mainly geographic problem. Botswana swung from a N$167m profit to a N$113m loss, a N$280m reversal against a Group earnings decline of N$128m; excluding Botswana, Group PAT rose 8.3% to N$1.98bn. Bank Windhoek expanded its net interest margin to 5.30% in a falling rate environment and held its NPL ratio at 3.2%, while the Group capital adequacy ratio strengthened to 19.4%. The Group's 2.0% loan book contraction is not a Namibian banking story: it comes from the Botswana segment, down N$2.19bn, and Namibian term lending, down N$493m on the PDMS discontinuation, against N$1.65bn of growth in Namibian banking.

Botswana more than explains the entire FY26 earnings decline



Source: Capricorn Group Limited; IJG Securities

The year also draws a clear line between CGP's two diversification strategies. Diversifying income worked, with non-interest income growing 8.3% YoY while net interest income fell 1.9%, cushioning the decline. Diversifying geographically is what caused it.

Beyond Botswana, the cost-to-income ratio of 52.0% now sits at the ceiling of CGP's own target with no room left. Bank Gaborone's 14.3% capital ratio, against 19.4% at Group, leaves that subsidiary thin. On Bank Gaborone, we do not expect a quick recovery, and we read the deterioration as both macroeconomic and institutional. We expect the Botswana book to keep contracting in FY27 and the segment to record a second consecutive loss, with breakeven the upside case rather than the base case. We would look to 1H27 for evidence that NPL formation has peaked, and to the funding mix for evidence that the margin can rebuild off 2.8%.

Return on equity fell to 15.6% from 18.2%, its weakest since FY22 and below our 16.7% cost of equity estimate. We set a 12-month target price of 2,643cps.

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