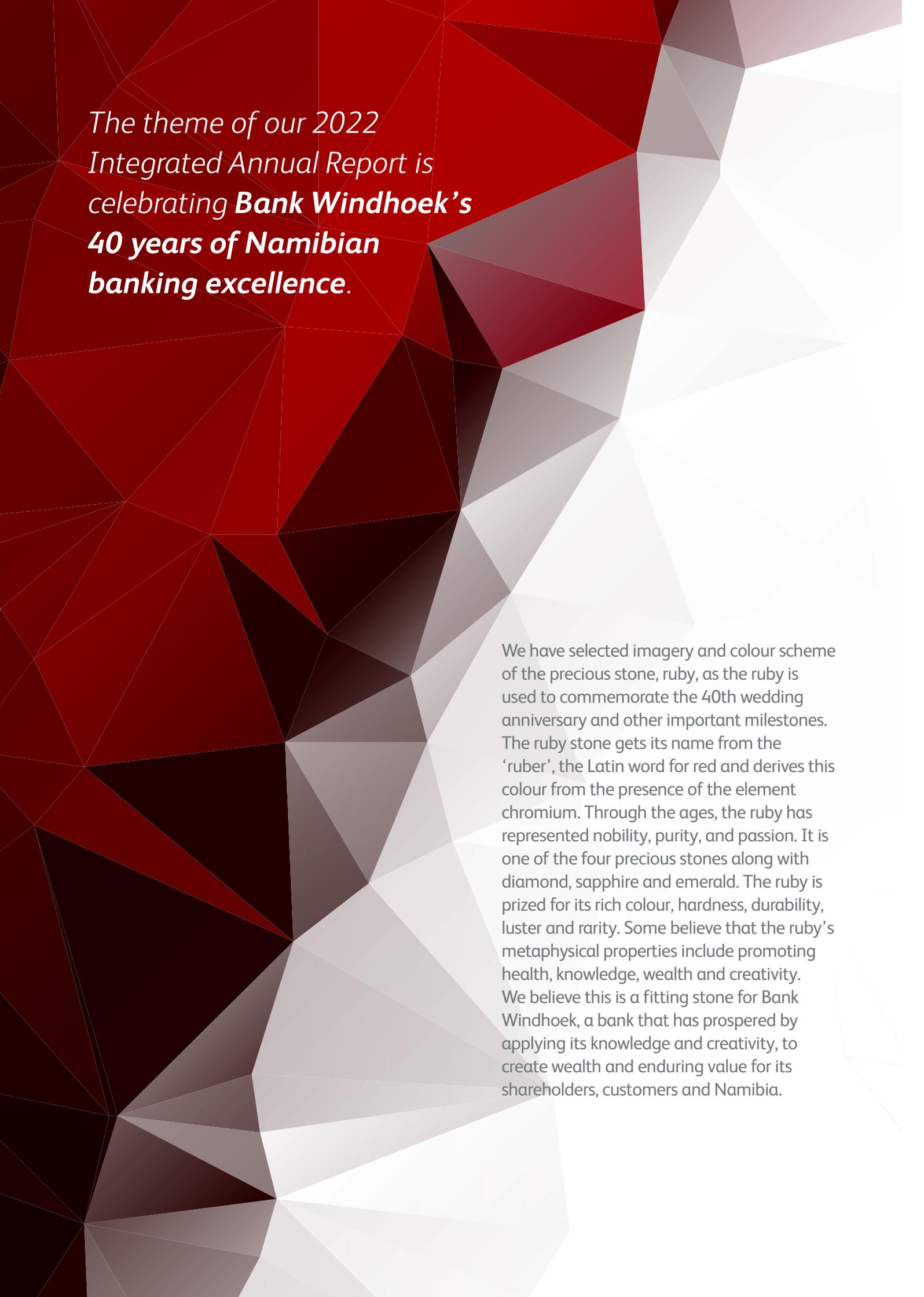


2022

INTEGRATED
ANNUAL REPORT



Capricorn Group



*The theme of our 2022
Integrated Annual Report is
celebrating **Bank Windhoek's**
40 years of Namibian
banking excellence.*

We have selected imagery and colour scheme of the precious stone, ruby, as the ruby is used to commemorate the 40th wedding anniversary and other important milestones. The ruby stone gets its name from the 'ruber', the Latin word for red and derives this colour from the presence of the element chromium. Through the ages, the ruby has represented nobility, purity, and passion. It is one of the four precious stones along with diamond, sapphire and emerald. The ruby is prized for its rich colour, hardness, durability, luster and rarity. Some believe that the ruby's metaphysical properties include promoting health, knowledge, wealth and creativity. We believe this is a fitting stone for Bank Windhoek, a bank that has prospered by applying its knowledge and creativity, to create wealth and enduring value for its shareholders, customers and Namibia.

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Celebrating 40 years of banking excellence

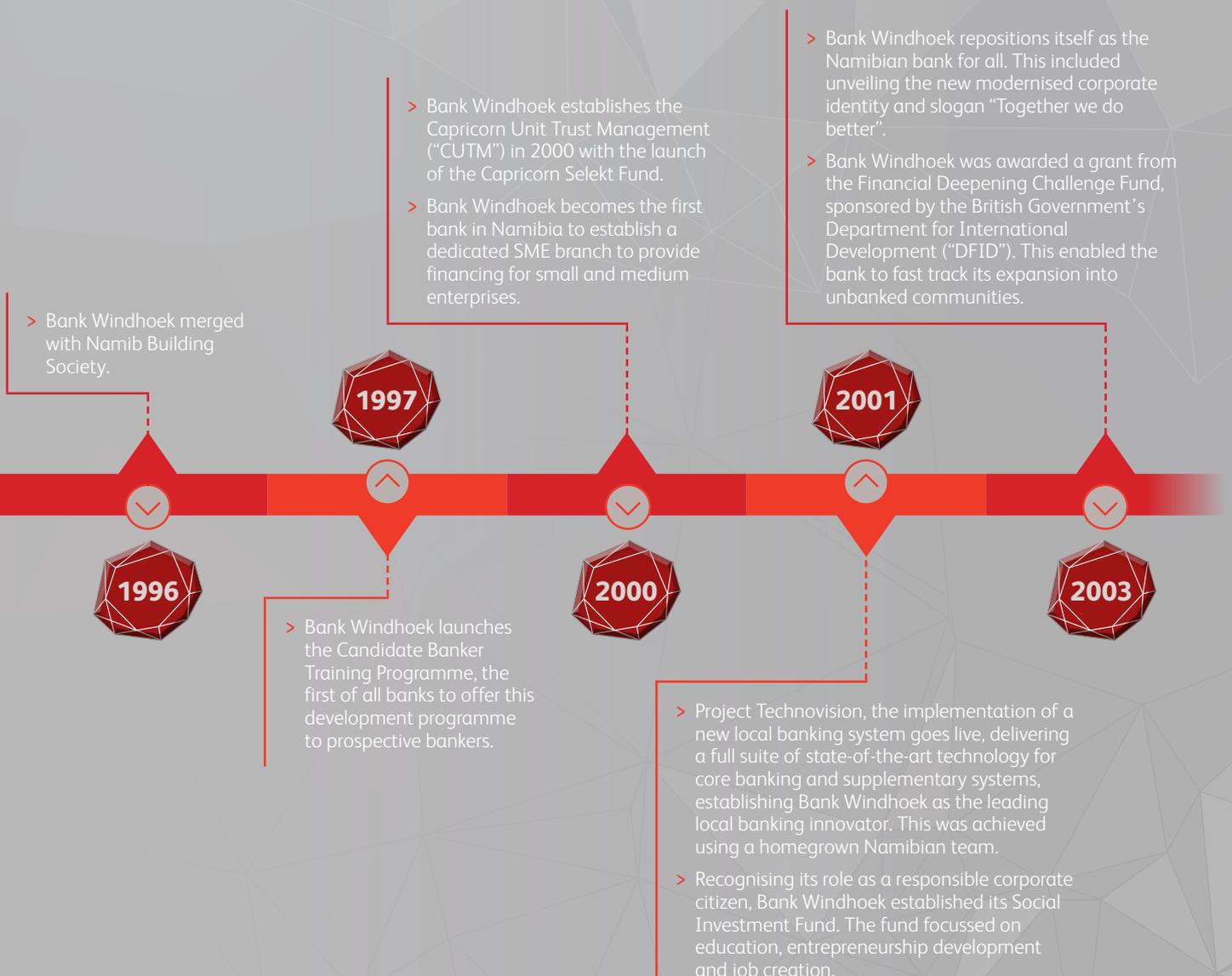
As we celebrate 40 years of banking excellence, we look back on Bank Windhoek's history and achievements and remain mindful of its humble beginnings and the foundation on which the bank was built. Our success was never guaranteed. Through the conviction of a small group of Namibians, with an ambition to make a difference and a value system of integrity, entrepreneurship, commitment, hard work, perseverance and dedication, we can reflect back today with pride.

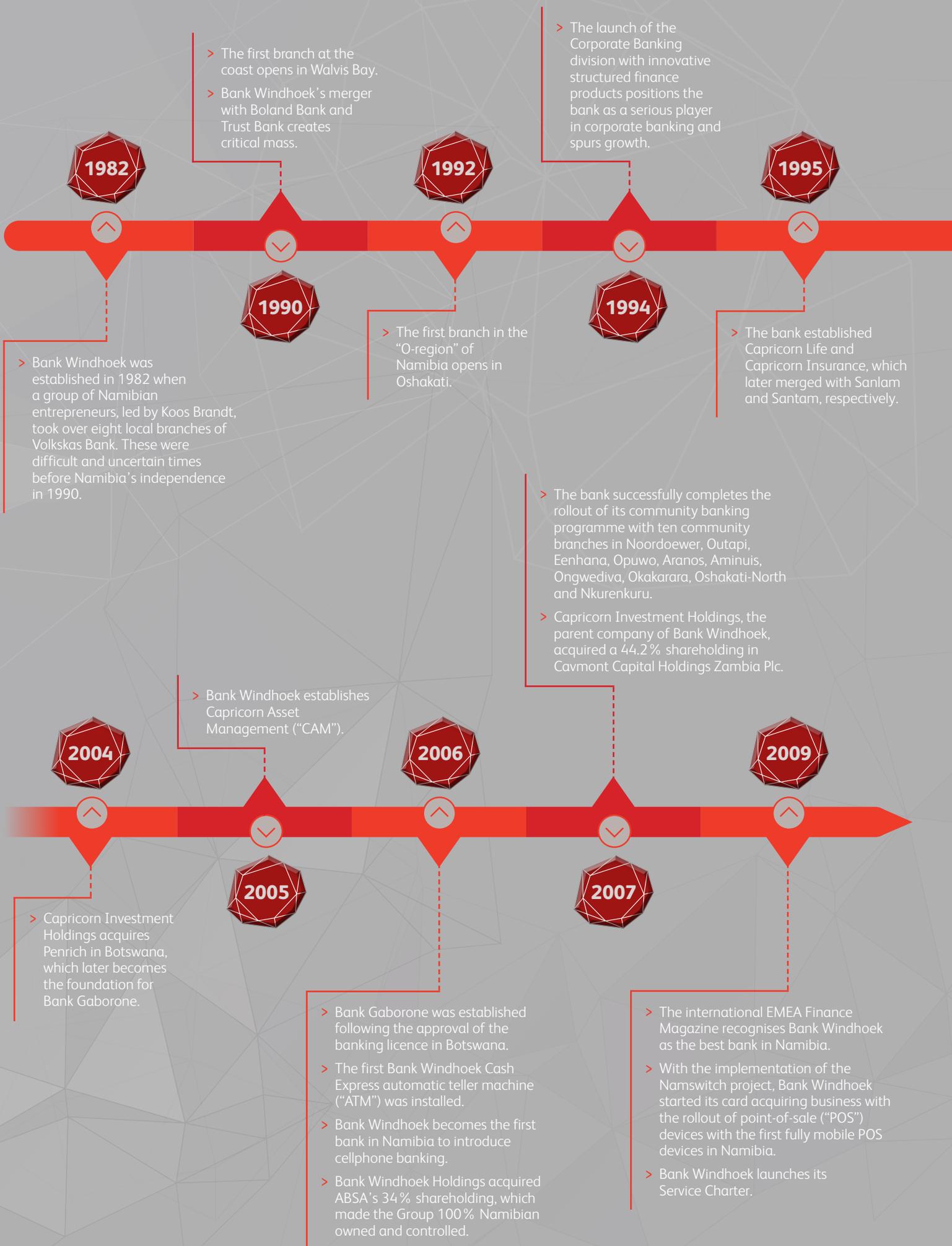
In April 2022, Bank Windhoek launched its 40th birthday celebrations having catered to the banking needs of Namibia and its people since 1982. In September 1996 it was incorporated as Bank Windhoek Holdings Limited. This ambitious venture ultimately led to the listing of Bank Windhoek Holdings Limited on the Namibian Stock Exchange in 2013 and later the renaming to Capricorn Group Limited, Namibia's largest and most diversified home-grown financial services Group.

Bank Windhoek's purpose over the past 40 years has been to impact the lives of Namibians and contribute to the communities

in which it operates. The bank has stayed true to its purpose and has shown that any obstacle can be overcome through perseverance. Its growth has been sustained by continuously evolving its products and service offerings, making sound business decisions, and investing in its employees and communities.

From a capital base of N\$2.6 million in 1982 to over N\$6 billion today, Bank Windhoek has built a strong financial position and achieved a remarkable evolution. Today, Bank Windhoek continues to bring innovative banking solutions to its loyal customer and has embarked on an exciting digital transformation.





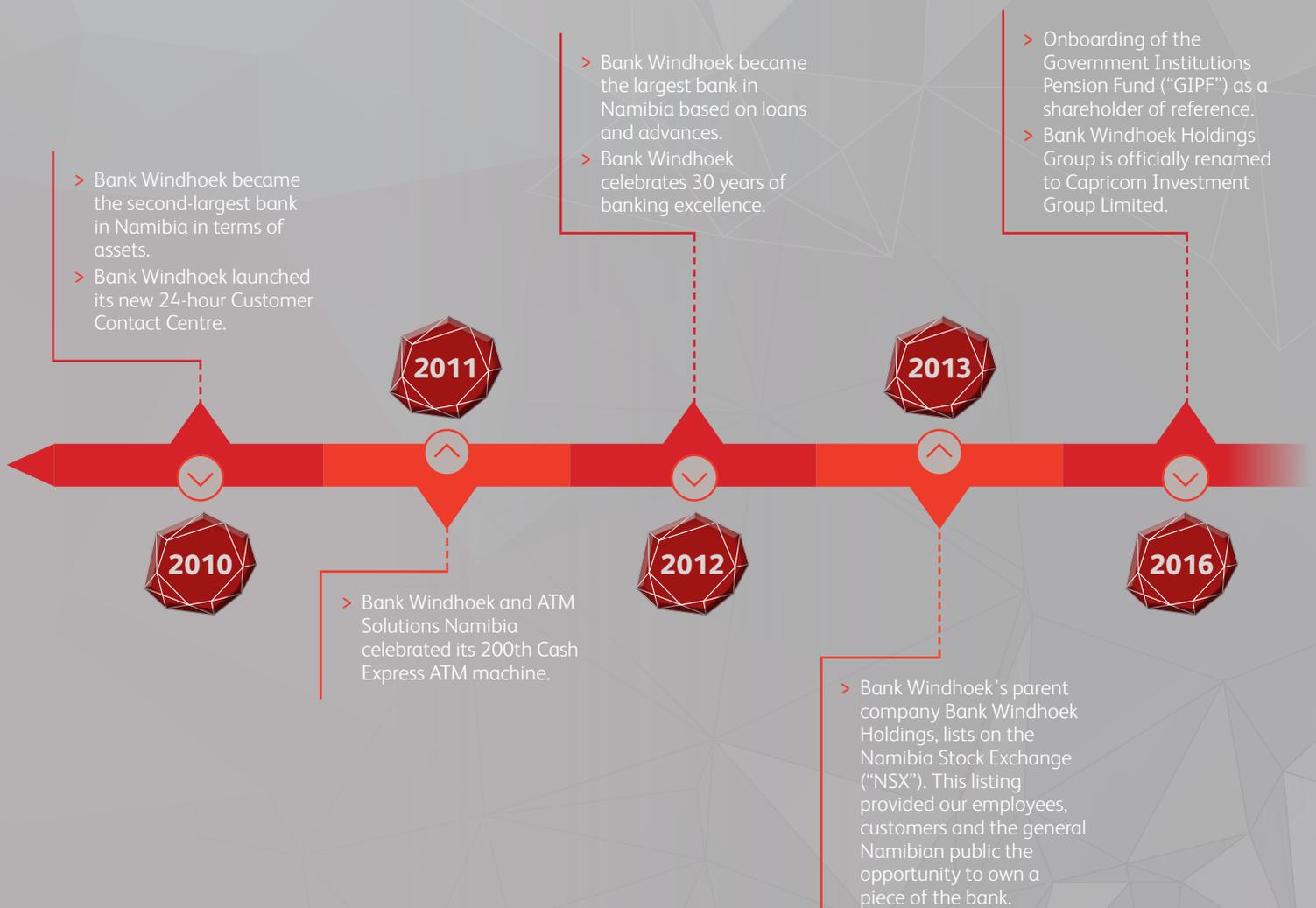
Bank Gaborone commemorates 15 years of impactful banking

In September 2021, Bank Gaborone celebrated 15 years of devoted service to its customers.

The bank's first branch at Capricorn House opened its doors to customers on the 18th of September 2006 and since then built out the business according to the value system, solid foundation and banking experience the Group gained in Namibia. Over this time, the bank has evolved from one branch to 12 branches nationwide, 21 ATMs and a myriad of retail products and services.

Known as 'The Red Bank', Bank Gaborone celebrated its anniversary with the #KeSummerYamaOneFive campaign, which captures the vibrant spirit of its workforce and clientele. The anniversary is an achievement given the many shifts in the banking industry, economic challenges and the COVID-19 crisis.

Over the years, the bank has received many service accolades, launched new digital channels, installed cash deposit ATMs and built a customer-friendly "branch of the future". The bank strives to be a good corporate citizen through its corporate social responsibility ("CSR") initiatives, including the Diabetes Apple Project and support for breast cancer awareness.



40

1982 - 2022
CELEBRATING
YEARS
OF NAMIBIAN BANKING EXCELLENCE

- > Bank Windhoek receives the Bank of the Year Namibia Award presented by the Banker Magazine.
- > According to the PSG Banking Review Report, Bank Windhoek is ranked the best Bank in Namibia.
- > Bank Windhoek and Capricorn Asset Management establishes Capricorn Private Wealth as a joint venture.

- > Bank Windhoek issues Namibia's first sustainability bond.
- > The National Association of Securities Dealers Automated Quotations ("Nasdaq") welcomed Bank Windhoek as a member of its Sustainable Bond Network.
- > Bank Windhoek receives the Bank of the Year Namibia Award presented by the Banker Magazine.
- > The International Business Magazine Awards names the Bank's managing director, Baronice Hans, the Best Banking Chief Executive Officer of the Year in Namibia and acknowledges Bank Windhoek as the Best Corporate Bank in Namibia.
- > Bank Windhoek is declared the Best Green Financial Institution at the Sustainable Development Awards hosted by the Namibian Environmental Investment Fund in partnership with the Sustainable Development Advisory Council.
- > Brand Africa names Bank Windhoek as the Most Admired Namibian Financial Services Brand.

2017

2020

2022

2019

2021

- > Bank Windhoek launches the first mobile fuel payments system in Namibia.

- > Bank Windhoek lists Namibia's first green bond on the NSX. The bond has raised a total of N\$407 million of additional funding to finance renewable energy projects in Namibia.
- > Bank Windhoek launches the #gobeyond project to improve the bank's digital channels and customer experience.
- > The Capricorn Foundation is established as a section 21 company and welfare organisation.
- > Bank Windhoek installed its first cash deposit receiving ATM at its Katutura branch in Windhoek.
- > Capricorn Investment Group Ltd renames to Capricorn Group Ltd.

- > Bank Windhoek introduces Namibia's first contactless-enabled feature across ATMs. The new feature allows customers to tap their card on contactless-enabled ATMs, enter their pin, and proceed to transact.
- > Brand Africa once again recognises Bank Windhoek as the Most Admired Namibian Financial Services Brand.
- > Bank Gaborone celebrate 15 years since its establishment.



As we celebrate 40 years of banking excellence, we look back on Bank Windhoek's history and achievements and remain mindful of its humble beginnings and the foundation on which the bank was built."

– Gerhard Fourie, Group chairperson



About this report

We believe that financial services can drive economic development and a more inclusive and sustainable economy. We improve lives through leadership in financial services and by being Connectors of Positive Change.

This integrated annual report (“the report”) is a reflection on the performance, activities and engagements of Capricorn Group Ltd (“the Group” or “Capricorn Group”) to deliver value to our stakeholders during the financial year from 1 July 2021 to 30 June 2022 (“the year”). The report is aimed primarily at providers of financial capital.

The financial and non-financial information in this report relates to the entities that constitute the Group, as set out on page 10.

The principle of materiality guided the selection of content for this report. Read more about the process we followed on page 26.

The 2022 reporting suite consists of the following separate elements (including the frameworks and legislation to which they adhere and comply) and are available on our website at www.capricorn.com.na:

Integrated annual report with summarised annual financial statements	<ul style="list-style-type: none"> > The IFRS Foundation’s International <IR> Framework > King IV Report on Corporate Governance™ for South Africa, 2016 (“King IV™”)¹ > Companies Act of Namibia, 28 of 2004 (“Companies Act of Namibia”) > NSX Listing Requirements
Annual financial statements	<ul style="list-style-type: none"> > International Financial Reporting Standards (“IFRS”) > Namibia Banking Institutions Act, 2 of 1998 > Botswana Banking Act, 13 of 1995
Risk report	<ul style="list-style-type: none"> > King IV™
Governance report	<ul style="list-style-type: none"> > King IV™ > Companies Act of Namibia > NSX Listing Requirements
King IV™ index	<ul style="list-style-type: none"> > King IV™

Additional information is available online at www.capricorn.com.na/Pages/Reporting-Centre.aspx. For more information or feedback on this report or any other elements listed above, contact Marlice Horn at investorrelations@capricorn.com.na or +264 (61) 299 1226.

Forward-looking information

This report contains certain forward-looking statements regarding the results and operations of the Group, which by their nature involve risk and uncertainty because they relate to events and circumstances that may or may not occur in the future. These forward-looking statements have not been reviewed or reported on by the Group’s external auditors.

Approval of this report

Our core reporting team works with content owners from functional areas and business entities and with Group principal risk owners in compiling the different reporting suite elements. The executive management team (“EMT”) approved the information and data contained in the reports. After that, the audit, risk and compliance committee (“BARC”), Group remuneration committee and the Group board sustainability and ethics committee (“BSEC”) reviewed the elements before submitting them for approval by the board. The board, which is responsible for the quality and integrity of the reporting suite, including the integrated annual report, approved the reporting suite on 13 September 2022. The board concluded that the reporting suite is presented following the frameworks and regulatory requirements listed above. Detail of the members of the board is set out on page 64.

“The external auditor’s opinion on the annual financial statements is available on page 3 of the full annual financial statements available online. The auditor’s report does not necessarily report on all of the information contained in this reporting suite. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor’s engagement they should obtain a copy of the auditor’s report in the annual financial statements at <http://www.capricorn.com.na>

¹ Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Group at a glance

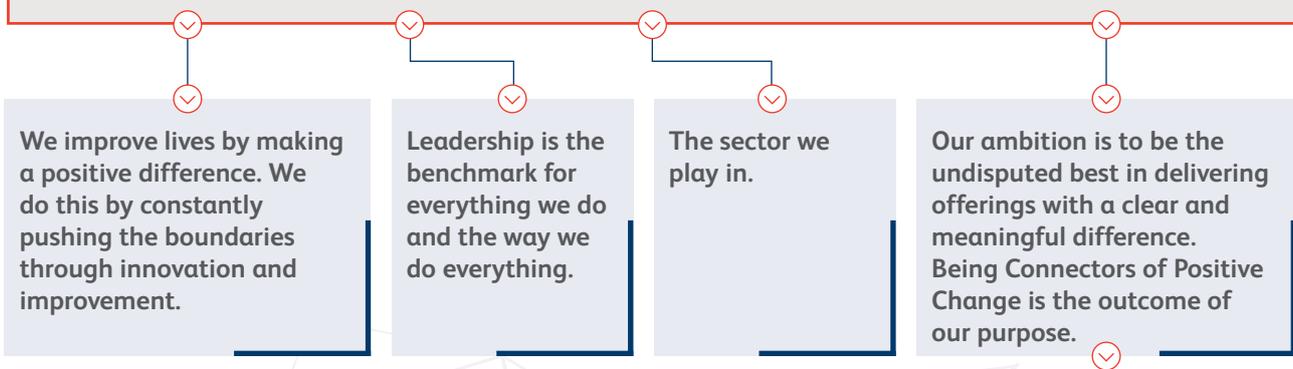
Our unique work culture is a distinctive advantage in a highly competitive environment.

Capricorn Group is a regional financial services group that is Namibian-owned and listed on the NSX. Our two banking subsidiaries operate in Namibia and Botswana, with other subsidiaries and associates offering associated and complementary financial products and services in the two countries.

Our broad spectrum of customers includes individuals, small and medium enterprises and large corporates. Our value proposition is developed around customers rather than products or channels. We are evolving our banking proposition through data and digital technology to remain relevant to future customer needs.

Our Purpose

Improving lives through **leadership** in **financial services** by being **Connectors of Positive Change**.



What it means to be Connectors of Positive Change

- > We connect our customers to products and services that positively impact their lives
- > We bring positive change to our communities by being a responsible corporate citizen
- > We encourage employee volunteerism through the Changemaker initiatives
- > We connect our customers, partners and suppliers with opportunities for growth
- > We seek to find innovative ways in which to bring together our customers and their aspirations
- > We collaborate with the like-minded to bring about positive change in the countries in which we operate
- > We are catalysts of sustainable opportunities

The Capricorn Way

We realise our purpose by making deliberate strategic choices and working according to The Capricorn Way. The Capricorn Way directs us towards positive change and is underpinned by three beliefs:

1. We believe that
Purpose Inspires Leadership
2. We believe that
Diversity Ignites Quantum Leaps
3. We believe that
Being Connected Helps Us Grow

Our brand values

Inspired

We strive to empower the communities we operate in.

Open

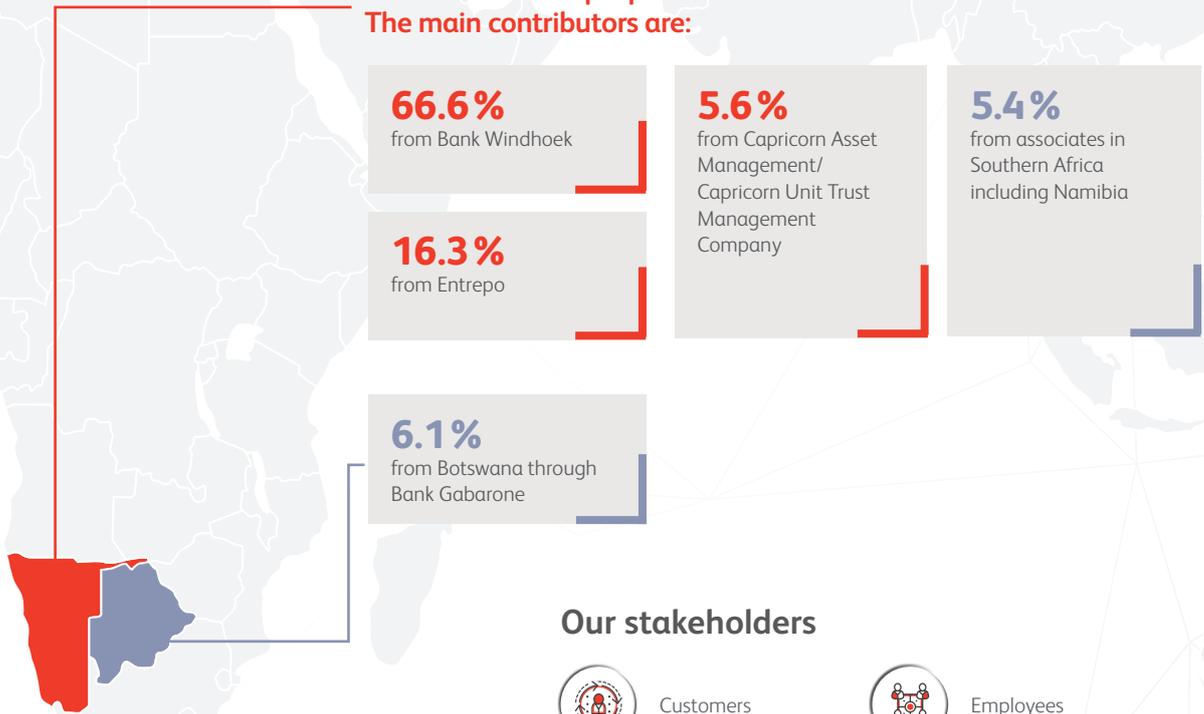
We learn from the best and share our knowledge openly.

Dedicated

We aim to build deep customer relationships and put the needs of customers first.

Our footprint

88.5% of the Group's profit after tax derives from Namibia.
The main contributors are:



Our three strategic choices

- We will transform our business using data and digital to achieve superior customer experience, lower cost to serve and scalable competitive advantage
- We will grow through entrepreneurial action in order to contribute to a sustainable organisation
- We will prioritise diversity, equity and inclusivity focusing on race and gender to represent the demographics in our chosen markets, including future-fit leadership, as a catalyst for growth

Our material matters

- Conducting business in the right way
- Managing risks effectively
- Embedding a customer-centric service culture
- Building agile and high-performing teams
- Ensuring a responsible COVID-19 response
- Making a positive impact in society

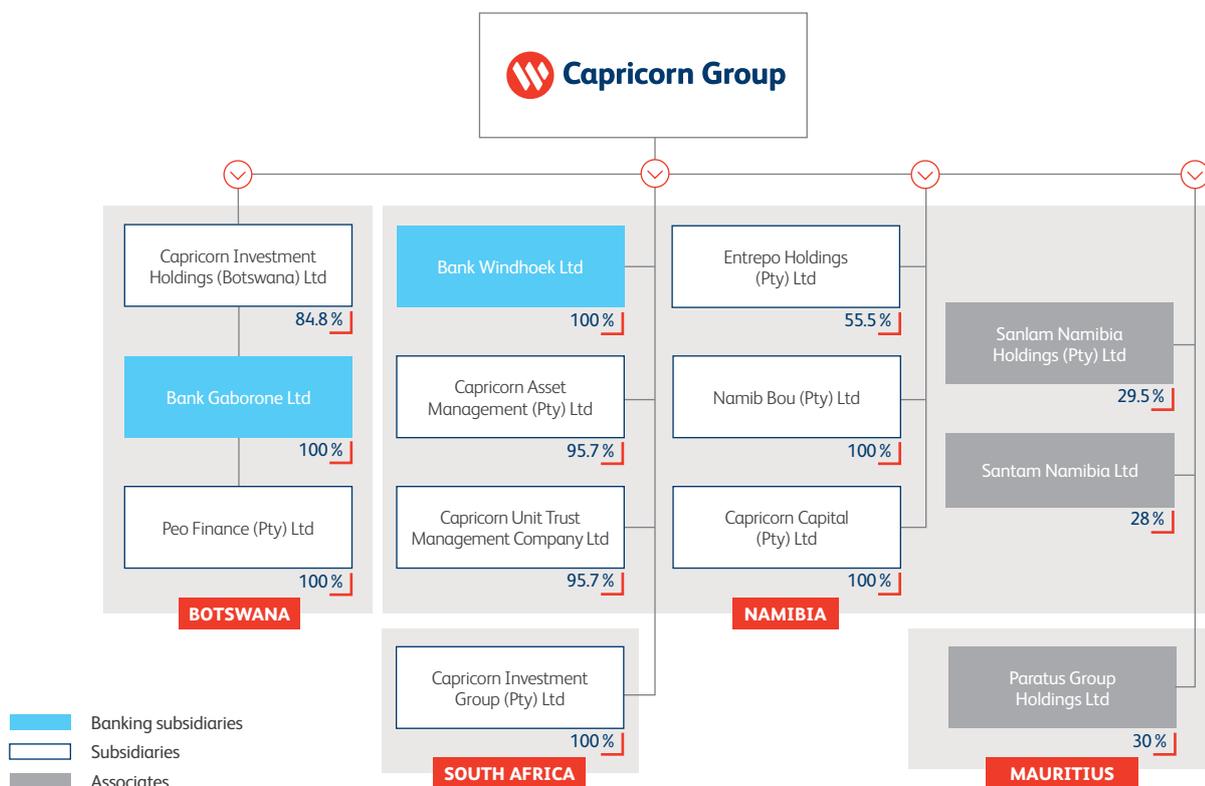
Our stakeholders

- | | |
|-----------------------------|--------------|
| Customers | Employees |
| Suppliers | Communities |
| Regulators | Media |
| Shareholders | Government |
| Strategic alliance partners | Trade unions |

Our principal risks

- | | |
|-----------------|------------|
| Capital | Liquidity |
| Compliance | Market |
| Credit | Operations |
| Finance and tax | People |
| Financial crime | Reputation |
| Legal | Strategic |
| Cyber | Technology |

Capricorn Group operating subsidiaries and associates



Bank Windhoek

Head office: Windhoek, Namibia
 MD: Baronice Hans
 Date of establishment: 1982

Bank Windhoek Limited ("Bank Windhoek") is a registered commercial bank licensed by the Bank of Namibia, the national banking regulator, to operate in the Namibian market. As the Group's flagship brand, it is the largest Namibian lender and the first commercial bank in southern Africa to issue green and sustainability bonds. Bank Windhoek is the only bank in Namibia that is a member of the Nasdaq Sustainable Bond Network.

We have a strong track record of making banking more accessible in remote areas of Namibia through our extensive branch network. This network includes branches, specialist branches, agencies, an ATM footprint, and Cash Express ATMs installed at merchants countrywide with 38 of these ATMs accepting cash deposits.

Bank Windhoek's products and services cover many customer needs across the personal, corporate and small and medium enterprise market segments. Our offering includes transactional, investment and lending products and digital and electronic banking services. Our financial solutions for business clients include structured finance, working capital finance and tailor-made term financing options.

Our range of treasury services includes money market and foreign currency exchange services. Our international banking services comprise foreign payment products, trade finance and foreign currency accounts.

Bank Windhoek's private banking offering is provided through Capricorn Private Wealth, a joint venture between Bank Windhoek and Capricorn Asset Management ("CAM"). Capricorn Private Wealth caters to the affluent market's banking, wealth, insurance and investment needs.

Our bancassurance options include short-term, life, travel and commercial insurance and guarantees.

Contribution to Group profit after tax

67%

(2021: 59%)

Number of permanent employees

1,539

(2021: 1,609)

Number of ATMs in Namibia

150

(2021: 144)

Number of branches in Namibia

54

(2021: 56)

Bank Gaborone

Head office: Gaborone, Botswana
MD: Sybrand Coetzee
Date of establishment: 2006

Bank Gaborone is a 15-year-old financial services provider in Botswana, established to create a bank for Botswana, in Botswana. Today, we are a client-centric bank that provides a convenient and responsive network of channels that enables opportunities to be developed, financed, transacted and secured.

Bank Gaborone has a national network of 12 branches, and 21 ATMs, of which 12 accept cash deposits. We offer financial solutions across a full range of banking and related financial services. Our diversified business units offer high-quality financial services to different market segments.

These segments include personal and business banking to individual clients and small and medium-sized enterprises ("SMEs"), including transactional products, mortgage lending, card products, vehicle and asset finance. The bank provides wholesale banking services to clients, including governments, parastatals, larger corporates and financial institutions. Bancassurance, including short and long-term insurance, is also part of the service suite.

The bank offers digital banking, including internet banking, mobile app and SMS banking, bulk payment services, ATMs and point-of-sale ("POS") devices.

The bank's market share in terms of loans and advances stands at 7.5% (June 2022).

Contribution to Group profit after tax
6%
(2021: 6%)

Number of permanent employees
300
(2021: 298)

Number of ATMs in Botswana
21
(2021: 19)

Number of branches in Botswana
12
(2021: 12)

Capricorn Asset Management

Head office: Windhoek, Namibia
MD: Tertius Liebenberg
Date of establishment: CUTM 2000 and CAM 2005

CAM is a Namibian-owned asset manager offering a wide range of investment products and services across the risk spectrum to retail, corporate and institutional investors, including pension funds and insurance companies, and financial intermediaries and their clients. CAM is one of the largest asset managers in Namibia, with more than N\$32.1 billion of assets under management ("AUM").

CAM's offering includes wealth services, investment advisory, financial planning, estate planning and fiduciary services. It manages investments covering all major asset classes across global markets.

Capricorn Unit Trust Management (CUTM) was established in 2000 with the launch of the Capricorn Selekt Fund. CUTM's market share as at 30 June 2022 was approximately 30.8%, with 13 unit trusts covering all major asset classes, including cash, bonds, property, equity and international equities. CAM is the asset manager and administrator of all Capricorn Unit Trust funds.

Capricorn Private Wealth, a combined offering of CAM and Bank Windhoek, serves the affluent market segment of the Capricorn Group in an integrated offering.

CAM is a registered Linked Investment Service Provider ("LISP") and provides easy access via CAM Online to the full range of Capricorn Unit Trusts and selected funds from other third party unit trusts.

CAM, as a registered Unlisted Investment Manager, manages the Caliber Capital Trust, an approved unlisted special purpose vehicle in terms of Part 8 of the Pension Funds Act, 24 of 1956. It enables CAM to provide Namibian pension funds and other institutional investors with an alternative to unlisted equity investments to diversify risk. The Caliber Capital Fund invests in Namibian companies that aspire to the Harambee Prosperity Plan II and Vision 2030, driving job creation, import replacement, and industry and infrastructure development. The Fund has provided more than N\$300 million of aggregated funding since its launch.

Contribution to Group profit after tax
6%
(2021: 6%)

Number of permanent employees
53
(2021: 46)

Value of Assets Under Management
N\$32.1 billion
(2021: N\$31.8 billion)

Entrepo

Head office: Windhoek, Namibia
MD: Leonard Louw
Date of establishment: 2014

Entrepo Holdings is a focused and innovative financial services group providing lending and credit protection products to government employees in Namibia. Its business activities are conducted through two separate legal entities regulated by the Namibia Financial Institutions Supervisory Authority ("NAMFISA"): Entrepo Finance (Pty) Ltd, a registered micro lender, and Entrepo Life Ltd, a registered long-term insurer.

Entrepo's tailor-made products are simple, clear, competitively priced, and provide comprehensive and suitable benefits to the chosen target market. Entrepo Finance is a responsible lender and accepts loan applications that are considered against clear and unassailable rules regarding affordability and minimum take-home pay. Entrepo Life offers credit protection, including death, disability, funeral and job loss protection benefits.

Contribution to Group profit after tax
16%
(2021: 20%)

Number of permanent employees
43
(2021: 39)

More information about our associates is available online:

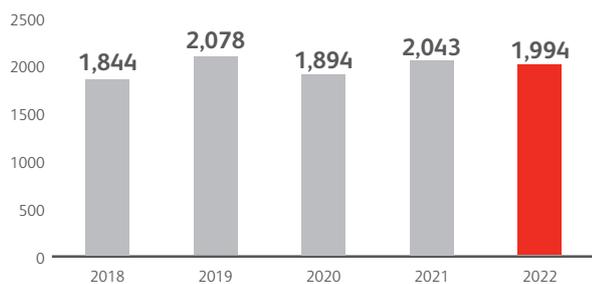
Paratus Group Holdings Ltd: www.paratus.africa
Sanlam Namibia Holdings (Pty) Ltd: www.sanlam.com/namibia
Santam Namibia Ltd: www.santam.na

Five-year review

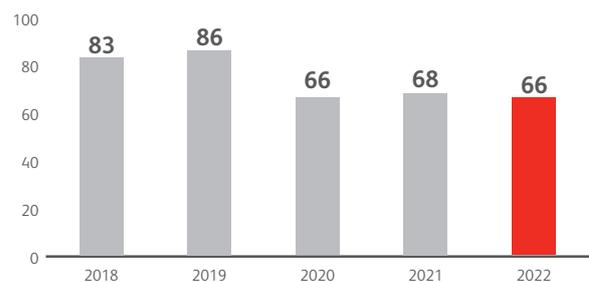
Statement of Comprehensive Income (N\$'000)	2018	2019	2020	2021	2022
Total income	3,044,065	3,492,357	3,505,610	3,731,214	4,006,082
Operating profit	1,168,117	1,325,772	1,300,362	1,290,531	1,507,656
Profit after tax	934,435	1,015,299	856,412	983,027	1,145,881
Total comprehensive income	986,240	1,023,901	926,827	877,445	1,129,445
Earnings per share (cents)	180.7	181.6	148.6	170.7	204.9
Headline earnings per share (cents)	157.9	181.5	157.2	173.4	205.4
Dividends per share (cents)	60	66	50	60	72
Statement of financial position					
Total assets	47,433,686	50,677,955	56,338,126	56,012,991	60,439,632
Total loans and advances to customers	36,234,418	38,049,583	40,078,622	40,829,687	43,226,296
Total deposits	33,948,091	36,984,725	39,323,264	40,179,699	43,647,452
Net asset value per share (cents)	1,099	1,136	1,232	1,294	1,427
Performance indicators (%)					
Return on average equity	17.3	16.3	12.6	13.5	15.0
Return on average assets	2.1	2.1	1.6	1.7	2.0
Impairment charges to average gross loans and advances	0.23	0.30	1.01	1.07	0.85
Non-interest income as % of operating income	41.3	40.2	44.5	44.9	45.9
Cost-to-income ratio*	56.7	53.0	50.8	51.7	51.1
Closing share price (cents) at 30 June	1,723	1,600	1,399	1,300	1,330
Price to book ratio at closing price per share	1.6	1.4	1.1	1.0	0.9
Price earnings ratio at closing price per share	9.5	8.8	9.4	7.6	6.5
Capital adequacy (%)					
Total risk-based capital ratio	15.4	14.9	14.7	15.0	15.8

* Aligning to industry practice, we have updated the way in which the cost-to-income ratio is calculated. When calculating the cost-to-income ratio, banking and related fee and commission expenses are treated as a reduction in non-interest income, rather than operating expenses. Prior period ratios have been restated to be consistent with this new approach.

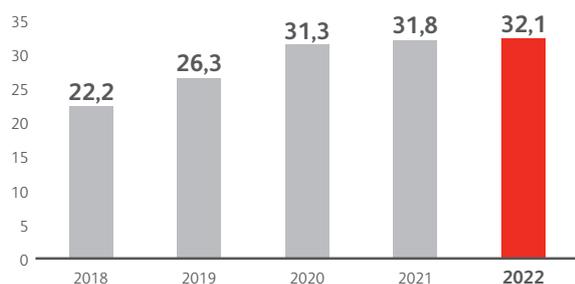
Number of employees



Number of branches



Assets under management (N\$ billion)



Investment case

Operating profit
N\$1.51 billion
 (2021: N\$1.29 billion)

Profit after tax
N\$1.15 billion
 (2021: N\$983.0 million)

Net asset value per share
1,427 cents
 (2021: 1,294 cents)

Capital adequacy ratio
15.8%
 (2021: 15.0%)

Dividend per share
72 cents
 (2021: 60 cents)

Return on equity ("ROE")
15.0%
 (2021: 13.5%)

Earnings per share
204.9 cents
 (2021: 170.7 cents)

Headline earnings per share
205.4 cents
 (2021: 173.4 cents)

Price to book ratio*
0.9
 (2021: 1.0)

Price earnings ratio*
6.5
 (2021: 7.6)

Dividend yield*
5.4%
 (2021: 4.6%)

Cost-to-income ratio
51.1%
 (2021: 51.7%)

* Based on the closing share price as at 30 June 2022.

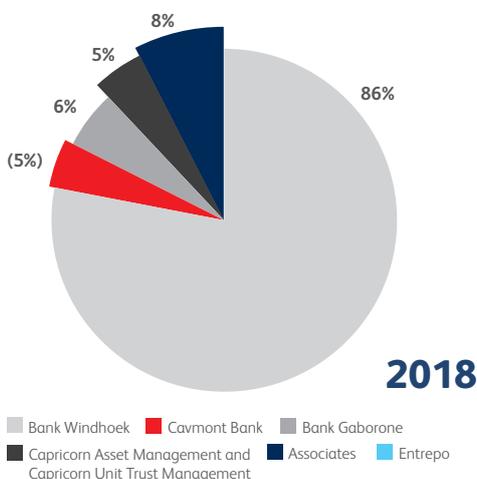
The diversified nature of our Group, strong capital and liquidity position, continued resilience in challenging economic conditions and targeted growth ambitions underpin our compelling investor proposition.

A successful diversification strategy: We are a mature, diversified financial services group with exposure to banking, asset management, microlending, insurance and telecommunications. Diversification increases our revenue streams while spreading our risks. We are geographically diversified and plan to use our footprint in Botswana to expand our offering, gain market share and increase return on equity.

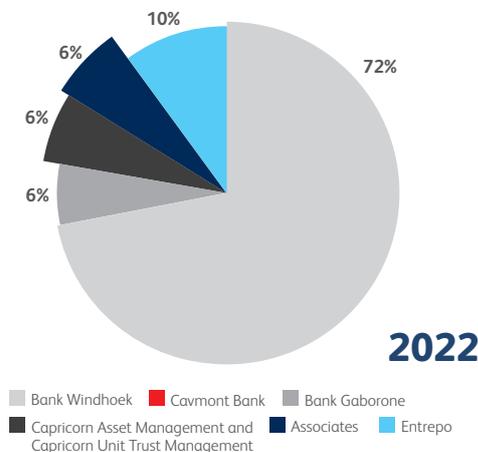
Capricorn Group entities' and associates' diversified profit attributable to shareholders

	2018	2019	2020	2021	2022
Bank Windhoek	86%	76%	85%	67%	72%
Cavmont Bank	(5%)	(2%)	(18%)	(4%)	–
Bank Gaborone	6%	5%	6%	6%	6%
Capricorn Asset Management and Capricorn Unit Trust Asset Management	5%	5%	6%	7%	6%
Associates	8%	7%	8%	11%	6%
Entrepo	–	9%	13%	13%	10%

Capricorn Group entities' and associates' diversified profit attributable to shareholders



Capricorn Group entities' and associates' diversified profit attributable to shareholders



A strategic and responsive investment approach: Our investment philosophy has stood the test of COVID-19. We always diversify, never speculate and continuously monitor and evaluate actual performance. We see every investment opportunity as unique, fully understand the characteristics of an investment and clearly define and quantify all the associated risk factors.

Our decision to exit the Zambian market in 2020 was wise given the deterioration of the Zambian economy, rising inflation and liquidity shortages. This sale ended the significant drain on human and financial resources.

Entrepo was a sound acquisition, outperforming our expectations. It is complementary to our financial services offering, with an entrenched market, good scale and excellent management.

Entrepo provided a blueprint for Peo Finance, our new growth microlending business in Botswana. We have a strong focus on Botswana and want to build on our solid banking foundation developed over several years. We are considering new ventures, partnerships, products and markets to increase the contribution from Botswana.

Our investment in Paratus started with the acquisition of 18.3% in Nimbus Infrastructure in 2018, renamed to Paratus Namibia Holdings, followed by a further acquisition of 30% in Paratus Group Holdings Ltd in July 2019. These investments moved us beyond traditional financial services with exposure to the rapidly developing telecommunications sector and the exponential growth in the demand for data.

The quality of our operations: Our subsidiaries represent well-known and respected brands with loyal customer bases. All our subsidiaries performed well and continued to build market share during the year under review.

In 2022, Capricorn Group won the "Leading Financial Investment Firm in Namibia 2021" category at the Global Brand Awards held by Global Brands Magazine, an international publication headquartered in the United Kingdom. This is a significant achievement considering that although the roots of our Group have run deep in Namibia for 40 years, the Capricorn Group brand is only five years old.

Bank Windhoek is an award-winning bank with international and local accolades for the high quality of its business and leadership. The bank introduced the first green bond in southern Africa in 2018 and was also the first to launch a sustainability bond in 2021. Both bonds have received awards and positioned the bank as a leader in sustainability finance.

An enhanced customer experience: We lead strategic projects to drive digital transformation, business development and trade finance. Our investment into #gobeyond, our digital transformation programme, is already yielding improved customer convenience, security and cost savings.

We are stable, reliable and well capitalised: Our two shareholders of reference, the GIPF, the largest institutional investor in Namibia, and Capricorn Investment Holdings ("CIH"), the founding holding company of Bank Windhoek, ensure stability, liquidity and access to capital. We have adequate capital to pursue our growth ambitions.

We have a strong ethical culture, entrepreneurial spirit and commitment to transparency: Ethical decision-making is demonstrated by the board and entrenched by governance structures and controls. We have zero tolerance for unethical behaviour and non-compliance with core legislation and regulations.

In October 2021, GCR Ratings affirmed the Namibian long and short-term issuer ratings of Bank Windhoek Ltd at AA_(NA)/A1_(NA). At the same time, the South African national-scale long-term issuer rating has been revised upward to A_(ZA), from A_(ZA). The outlooks are stable.

Capricorn Group's long and short-term issuer ratings have been affirmed at AA_(NA)/A1_(NA), with the outlook regarded as stable.

The rating affirmation and stable outlook are premised on Capricorn Group's strong and entrenched position as a leading financial services provider in Namibia and good asset quality against adequate funding and liquidity and below peer capitalisation.



Bank Windhoek's success is due to the visionary leadership and business acumen of its founder, Koos Brandt, and Namibians' loyalty to a homegrown, iconic brand."

– Gerhard Fourie, Group chairperson



Group chairperson's message



“2022 was a year of recovery and strong execution against our strategy. Our financial performance is testimony to prudent management despite the double challenge of the high cost of funding and low liquidity levels across our two geographies.”

It is an honour to present my first report as chairperson in a year of celebration as we mark the 40th anniversary of Bank Windhoek, our flagship brand. The year 2022 was a year of hardship and strong recovery. We began the year with a sense of trepidation. The Delta variant wave was devastating in our territories, with hospitals exceeding capacity, oxygen shortages and a high death toll. The economic impact was also severe, especially for the local tourism industry, where travel restrictions prevented foreign tourist arrivals. Capricorn Group stepped up to assist our employees and customers in navigating this crisis.

While COVID-19 hampered performance for the first half of 2022, economic recovery was clearly evident across Namibia and Botswana for the second half. This increased economic activity, while from a low base, had a positive impact on the Group's performance, with profit from continuing operations rising 11.9% to N\$1.15 billion. This is better than pre-pandemic levels.

We faced several headwinds in 2022, including the high cost of funding and low liquidity levels in both Namibia and Botswana, low business confidence inhibiting private sector investment and a persistent low interest rate environment. A high percentage of our customers continue to face financial strain, and we can still see this through rising impairments.

Sustainability on the board agenda

In some respects, the Group has been a sustainability pioneer by listing Bank Windhoek's green bond in 2020 and sustainability bond in 2021. In other respects, our sustainability journey is in the early stages. As a board, we know the importance of sustainability risks such as climate change. Namibia is already seeing the effects of climate change in a water-scarce country prone to severe droughts.

In 2022, we engaged external experts to facilitate a process to identify, standardise and measure key sustainability indicators. The Group has decentralised sustainability initiatives, with each entity responsible for its sustainability programme. The Capricorn Foundation, the Group's vehicle for CSR, contributed to 16 projects across Namibia in education, job creation, economic advancement, health and vulnerability relief. We are pleased to present first Social Value Report, available online. This report gives more detail about the work of the Foundation and other CSR initiatives.

Through the BSEC, the board has identified opportunities to enhance our sustainability efforts and standardise the indicators to report on their progress. The Group appointed a head of sustainability effective 1 July 2022 to drive more integrated implementation, measurement and reporting.

Investing in the local economy

In November 2021, we opened Capricorn Corner, our new office building in Klein Windhoek. The building incorporates green technologies to save energy and water. The board deliberated on the construction of the building while faced with the economic impact of COVID-19. We were mindful of the positive impact the project would have in securing jobs and stimulating the economy during this time. When others were disinvesting, postponing investment and cutting capital expenditure, we boldly decided to invest in the development of Capricorn Corner, helping to secure 250 jobs over 16 months and injecting N\$110 million into the economy.

Reflecting on Bank Windhoek's 40th anniversary

As we mark the 40th anniversary of Bank Windhoek, we can be proud of our journey to become a diversified financial services group.

Bank Windhoek's success is due to the visionary leadership and business acumen of its founder, Koos Brandt, and Namibians' loyalty to a homegrown, iconic brand. The bank was always prudently managed, and this provided a solid foundation for consistent growth. The bank was fortunate not to suffer a significant setback in its early years. The bank has always been known for its strong client relationships and resilience in widely diverging economic environments.

The bank could prosper in its early history thanks to strong demand for credit as the Namibia economy flourished. In the 1980s, nominal annual gross domestic product ("GDP") growth averaged 14.5%, with the economy growing from about N\$2 billion to N\$7 billion in the run-up to independence. This translated into fast growth for the bank's asset base. Since its independence in 1990, young Namibia grew fast, with an average growth rate of 13.8%, with GDP reaching N\$26 billion. In the first ten years of the new millennium, these high GDP rates began to slow, reaching single digits by 2010, in the wake of the global financial crisis in 2008. Namibia's GDP reached N\$82 billion by 2010.

The past decade has been more difficult for the bank. There was a significant structural drop in the annual GDP growth, to an average of about 6% per year. Then in the wake of COVID-19 in 2020, there was a dramatic contraction in nominal GDP. The asset base of the banking sector was badly affected as credit demand by the private sector evaporated and as several years of contraction in the property market deepened. Today, Namibia's economy is about N\$190 billion. This is a small, open economy in the global context.

Inflation over the decades has followed a similar structural downtrend. Inflation peaked at 20.5% in June 1995, but by April 2020, it was 1.6%. This meant that interest rates plunged to their lowest levels at 3.75% in August 2020, only rising again in February 2022.

Despite these challenging economic conditions, the bank, through excellent leadership, continued to grow and expand its products and services.

Changes to the board and management

In September 2021, we welcomed the appointment of both Daniel Kali and Elizabeth Fahl as independent non-executive directors. Daniel is the resident director for the De Beers Group in Namibia and has more than 20 years of executive management and board-level experience. Elizabeth has been the Principal Officer of Bankmed Namibia since 1997. She is a Generalist Human Resources Professional with over 38 years of experience and established her own people-centric business Flexona Organisational Services, in 2016.

In November 2021, we announced the resignation of Jaco Esterhuyse from his position as Group financial director. We thank Jaco for his valuable contributions to the Group since 2012 and wish him well in his new business endeavours.

On 1 January 2022, I took over the reins from Johan Swanepoel as chairperson. On behalf of the board, I thank Johan for his remarkable leadership since he was appointed chairperson in 2017. Johan, who has a long history with the Group, will remain an independent non-executive director and continue serving as Bank Windhoek's chairperson. Daniel Kali stepped in as lead independent director from January 2022.

Other notable board changes include Dirk Reyneke appointed as the chairperson of the BARC, Gida Sekandi as the chairperson of the Group board remuneration committee ("Remco") and Goms Menetté as chairperson of the Group board human resources committee ("HR committee"). Our two new directors, Daniel Kali and Elizabeth Fahl, were appointed to the BSEC and the HR committee, respectively.

I am pleased to confirm that the recruitment process for Group chief financial officer ("Group CFO") has been successfully concluded with the required regulatory approvals obtained. In July 2022, Johan Maass, was promoted to the role. Johan has led the Group's financial reporting team for the last three years and worked on our corporate actions and strategic initiatives. He has acted as Group CFO since March 2022 and led the Group finance team with distinction. I have every confidence in his ability to lead the finance function.

Looking ahead

In 2021, the Namibia economy showed tentative signs of recovery, growing by 2.4%. We expect positive real growth of about 3%, on average, over the next five years and inflation to average about 5%. The nominal GDP growth should recover to around 8% per annum. Over time, the demand for credit should recover.

Much hope lies in the expansion of the resources sector, the discovery of oil and the development of green energy initiatives. However, realising tangible economic benefits from these will take several years. Our tourism sector continues to bounce back as international tourists return to our shores.

In the meantime, it is critical that macroeconomic policy, specifically fiscal policy, is steered in a healthy direction. The 5% deficits envisaged over the next couple of years need to be reduced sooner. Given rising

domestic and global inflation, monetary policy will likely continue a tightening trajectory. Maintenance of the currency peg requires an alignment of the domestic and the South African interest rate structure where monetary policy is also tightening.

We expect a somewhat stronger growth cycle in Botswana than in Namibia, with around 4% to 5% real growth over the next five years, given greater fiscal room to manoeuvre. Bank Gaborone will likely experience a growth spurt over the next few years, given its small market share and the growing economy.

A word of appreciation

I thank our employees for their hard work and commitment to building the Capricorn Group and representing us as Connectors of Positive Change. We are grateful for their continued resilience and efforts to support our customers and communities during these challenging times.

I acknowledge the board for its sound leadership. Our resilient results and consistent delivery against strategy would not have been possible without your guidance. A special thank you to Johan Swanepoel for his service as Group chairperson. Johan has always been a humble and deliberate leader, known for his stakeholder inclusive approach and measured decisions. He has successfully steered the Group through several challenging years, including the unprecedented COVID-19 crisis.

Our success would not be possible without our loyal customers. You inspire us to create a better customer experience and play a more active role in our communities. Finally, I thank our shareholders for their continued support and faith in the future of the Group.



Gerhard Fourie
Group chairperson

Reflections from outgoing Group chairperson Johan Swanepoel

Since I joined the Capricorn Group board in 1999, I have witnessed its transition from a relatively small single business servicing a small market segment to a leading multi business financial services group with strong brand equity across several market segments.

Today, the Capricorn Group brand represents a well-respected and trusted corporate citizen, positively impacting all its stakeholders. The Group has proven its resilience and is well-positioned to capitalise on the Namibian opportunities brought about by the oil reserves discovery and the emergence of the green energy sector.

As I hand over the reins to Gerhard Fourie, I thank my Bank Windhoek and Capricorn Group family, from junior employees to board members who have worked with me over the years. They are an incredibly loyal, committed and talented brand of people who deserve the credit for the Group's successful evolution. I acknowledge the board for their visionary and strategic thinking, a deep understanding of risk and a strong sense of accountability in setting the right tone regarding governance and ethics. A special word of thanks to our visionary founder, Koos Brandt, who was an outstanding chairperson of the Board, and on a personal note, a wonderful mentor over the years.

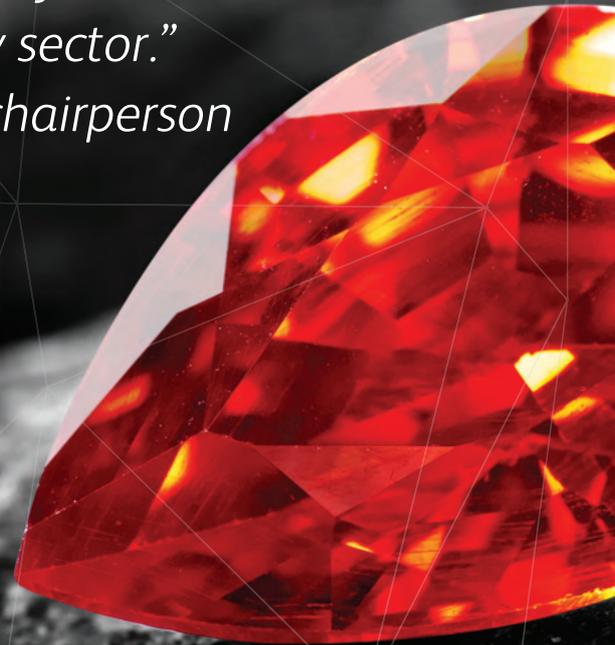
I would also like to thank our customers who have chosen us as their banking partners and have remained with us during the good and difficult times.

The next five years will likely be challenging with the rising risk of cyber threats, an increased regulatory burden, the emergence of non-bank competitors and persistent economic woes. I am confident that the board and management have the necessary skills to shepherd the Group through these challenging times. Capricorn Group has future-fit people who can innovate products, services, processes, data and technology.



Today, the Capricorn Group brand represents a well-respected and trusted corporate citizen, positively impacting all its stakeholders. The Group has proven its resilience and is well-positioned to capitalise on the Namibian opportunities brought about by the oil reserves discovery and the emergence of the green energy sector.”

– Johan Swanepoel, outgoing chairperson



Connecting for positive change

Our stakeholders

We acknowledge that no company is an island. Each exists at the centre of a complex ecosystem of mutually beneficial stakeholder relationships.

Our stakeholder-inclusive approach

Our stakeholders are those groups impacted by the Group's business activities and who are interested in our success. By understanding their issues and providing solutions, we gain internal and external support for our activities and growth plans, creating and preserving stakeholder value.

Effective stakeholder engagement and management are essential to our continued success and contribute to our competitive advantage. The Capricorn Way and our purpose of being Connectors of Positive Change shape our interactions with stakeholders.

Understanding our stakeholders

We categorise our key material stakeholders based on their influence and interest in our Group. We evaluate the quality of our relationships to pinpoint opportunities and allocate resources when planning our stakeholder events or contributions.





Our 3,953 shareholders hold shares in the entity listed on the NSX. Find more detail about them in the shareholder analysis on page 76. We engage with shareholders through stock exchange news, annual results and reports and our annual general meeting ("AGM"), where they vote on resolutions and elect board members.



Capricorn Group has a total employee count of 1,994 permanent employees (30 June 2022) who undertake specific work and set responsibilities against agreed remuneration. 63.8% of employees in the bargaining unit belong to trade unions. Read more about our engagement with employees in the material matters section on page 31.



Our customers are the individuals, groups, businesses or institutions that use our products and services and hold accounts or policies with one of our banks or subsidiaries. We engage with customers in the process of facilitating transactions or providing advice. Our engagement is through electronic communications and in-person meetings. Our call centres deal with queries and complaints, and customers contact the Office of the Ombudsman if their expectations are unmet. Our Customer Service Charter sets the required customer service levels.



Communities are groups or networks of people with a common agenda, cause or interest who collaborate by sharing ideas, information and other resources. They include non-profit organisations. We engage with communities through public events and respond to proposals or requests for support submitted to Group entities through the Bank Gaborone, Entrepo, CAM and Bank Windhoek CSR initiatives and the Capricorn Foundation ("the Foundation").



We have a supplier base of individuals or companies providing goods and services. These range from consumables used in branches to complex information technology ("IT") services in the banks. We ensure high service levels and confidentiality through service-level agreements and contracts.



The media refers to the journalists, editors and producers who manage the communications channels through which news, entertainment, education, data, or promotional messages are disseminated. We communicate with the media through press releases and interviews. We also host regular media lunches and media conferences to build relationships and develop a deeper understanding of our Group.



The Namibian and Botswanan governments define and administer public policy and exercise executive, political and sovereign power through customs, institutions and laws. Government regulators ensure compliance with the provisions of the specific acts, for example, the Banking Act, 13 of 1995. Our main regulators are NAMFISA, the Bank of Namibia and the Bank of Botswana.



We collaborate with companies or associates that enable us to share resources to complete a specific mutually beneficial project. This includes, for example, our associates Sanlam and Santam, which allows us to offer bancassurance products to our clients.

Relationship quality legend:



Strong relationship of trust and mutual understanding



Good-quality, value-adding relationship



Good relationship but needs to improve to add value



Functional, poor-quality relationship



Poor to no relationship

We safeguard our stakeholder relationships

The board is ultimately accountable for the Group's stakeholder relationship management and engagement strategy. The board delegates these responsibilities to the executive committee to execute the strategy and ensure operational integration through the Group. The board mandates the BSEC to monitor and oversee the effective coordination of stakeholder relationship management.

We apply the King IV™ principles and the United Nations Global Compact ("UNGC") in governing our stakeholder relationships. Read more about the former in the 2022 governance report and the latter in the BSEC report on page 67.

We also adhere to the regulatory requirements for risk-based supervision ("Basel II"), where interacting and consulting with stakeholders, formal and informal, are an integral part of our risk management strategy.

Tools and directives

The Group Stakeholder Relationship Management Policy reflects our values and beliefs and supports management's commitment to creating an enabling business environment. The policy underlines the importance of responding to the evolving stakeholder expectations and fosters open, honest communication to build trust and cooperation.

The Capricorn Stakeholder Relationship Management Guide explains why stakeholder relationships are critical to our success. The guide provides the steps to identify and map stakeholder groups and shares tools and templates to capture stakeholder information and engagement activities. This guide also provides for a continuous feedback loop.

Our stakeholder engagement plans are developed to proactively respond to material matters and align with the Group strategy. Entity plans that include specific activities, channels and desired outcomes are submitted to the BSEC quarterly, which reviews and monitors stakeholder issues.

Understanding our stakeholders

We appointed an independent external research firm in 2021 to conduct a comprehensive stakeholder engagement audit to assess the top-of-mind associations that key external stakeholders have of the Capricorn Group, Bank Windhoek, Capricorn Asset Management and Bank Gaborone.

This audit covered relationship strengths and weaknesses, stakeholder expectations, communication strengths and weaknesses, corporate reputation and stakeholder reputation. The research methodology employed both qualitative and quantitative research techniques. This included in-depth interviews with identified key stakeholders and a survey targeting identified Group and Bank Windhoek stakeholders from the media and community-based organisations and key suppliers.

Some of the most notable survey findings include:

- > Respondents strongly associate the Group, and Bank Windhoek in particular, with being truly Namibian, which evokes a sense of pride and motivates stakeholders to be associated with both brands.
- > Stakeholders mentioned the Group and its banks as responsible corporate citizens, a positive top-of-mind association.
- > The words "professional", "helpful", "friendly", "easily accessible" and "efficient" were used to describe the customer experience at Bank Windhoek.
- > The Group and Bank Windhoek's engagement with key stakeholders, including media, suppliers and community-based organisations was described as exceptional.
- > Some respondents believed that Bank Windhoek could have done more to support clients and communities through its product and service offering during the pandemic.

"Respondents strongly associate the Group, and Bank Windhoek in particular, with being truly Namibian, which evokes a sense of pride and motivates stakeholders to be associated with both brands."

Our 2022 stakeholder activities

Stakeholders communicate their interests and needs in different formats and through various channels. Our collaborations with non-profits are covered in more detail in the material matters section on page 35. You can read more about our engagements with the government in our material matters section on page 35 and our Group CEO's report on page 44.

The annual Mirror survey invites employees to provide feedback on their engagement and identifies **opportunities to enhance our working environment**. In 2022, we repurposed the survey and successfully launched it with a **91% participation rate**. Read more in material matters on page 32.

In 2022 we launched the Group's Twitter account to complement the Group's **social media presence**. Content management plans are in place to ensure **brand visibility and effective communication** to stakeholders across the Group's **internal and external communication channels** (intranet, website, Facebook pages, LinkedIn, Twitter, and YouTube).

In October 2021, we recognised **Capricorn Group individuals and teams who surpassed expectations** in the past financial year through the online Capricorn Awards. This awards ceremony **celebrated the best performing branches** across different categories, the best performing region, individuals who exemplify excellent service and Group CEO awards for service, leadership and Being a Connector of Positive Change.

The MyCapricorn **employee app continues to serve as a critical engagement platform** for all Group entities with their teams. At present, **87% of our employees are registered**, and employees spend **26 hours on the app per month**. In 2022, we enhanced the app by integrating leave.

Capricorn Group hosted an **Inspire Session on mental strength titled The Road to Re-Discovery**. The session aimed to give the public a new perspective on COVID-19. The event allowed **face-to-face engagement** and was live-streamed via the Group's Facebook and YouTube pages. Attendees on both physical and virtual platforms were eager to engage on the topic.

Capricorn Group continues to **focus on employee wellness** to improve employee health, reduce absenteeism and lift productivity. With the assistance of an external provider, we **aim to detect and prevent cardiovascular and metabolic diseases** like heart attack, stroke, hypertension, obesity and diabetes. Our onsite clinic is accessible to Namibian employees. In 2022, we **raised awareness of our clinic services**, including eye testing, hearing screening and counselling. We conducted campaigns to educate employees about disease areas, including COVID-19, diabetes, breast cancer and epilepsy.

Key focus areas

In the past year we focused on

Conducting a comprehensive stakeholder audit to test the effectiveness of our stakeholder relationships and to identify stakeholder priorities.

Actively engaging with the Group's key suppliers to strengthen relationships.

Continuing to collaborate with subsidiaries on key stakeholder engagements.

Exploring online stakeholder monitoring and reporting platforms.

Increasing the Group's visibility in the media through a steady heartbeat of media releases.

In the next year we plan to focus on

Implementing the second Pulse survey to gauge whether there has been an improvement in the holistic wellbeing, resilience and change readiness among employees.

Enhancing the Group's stakeholder engagement plan in response to the stakeholder audit.

Conducting a dipstick brand and stakeholder audit to track brand perceptions and relationships.

Implementing an online stakeholder and monitoring and reporting platform.

Maintaining the Group's visibility in the media through a focused media strategy.

Our operating context

Economic review

Out of the frying pan into the fire aptly describes a world lurching from a deflationary shock to an inflationary shock. The former an unmatched standstill of economic activity and the latter an unmatched turmoil in pricing activity, exacerbated by war in Europe.

The surge in energy costs acts like a global and domestic tax on consumers and dramatically cuts global growth expectations. Transport, food and housing costs easily amount to two-thirds of households' expenses. Add the rising inflation and interest rates, and one is left with a toxic mix affecting consumers' ability to take up credit.

The relentlessly high cost of oil fuelled a surge in the transport heavy consumer baskets of the USA to 8.5% and Botswana to 14.3%. In SA and Namibia inflation reached 7.8% and 6.8%, respectively, and is set to rise further as long as transport inflation hovers close to 20%.

Following a sharp bounce back in economic activity after the COVID-19 crisis, which provided an interlude between crises, the global growth outlook for the next two years is deteriorating fast. The International Monetary Fund ("IMF"), Organisation for Economic Co-operation and Development ("OECD") and the World Bank have consistently lowered their outlooks from around the 6% mark to 3% or below.

In South Africa, real economic growth will hardly reach 2%, hamstrung, among others, by load shedding and low confidence. The Namibian economy is likely facing a window of normalisation, having lagged other economies in the bounce back phase. It grew by a better-than-expected 2.4% in 2021 and should register 3% or more for a couple of years, while Botswana should settle back to its normal growth range of 4% to 5%. The risk is that our domestic economies might not escape the effects of a global downswing for long.

In large measure, the anticipated global slowdown can also be ascribed to fiscal and monetary policy actions. Central banks were forced into tightening policy by raising interest rates and stepping back from buying assets in the interest rate markets. For credibility's sake, they could simply not afford to be perceived to be behind the curve. However, higher interest rates are unlikely to significantly slow the type of inflation we are seeing.

Nevertheless, the Federal Reserve is determined to stamp down inflation. We fear these interest rate hikes will tip the United States economy into recession, a view supported by the inversion of the yield curve. Like most other central banks, the South African Reserve Bank, the Bank of Namibia and the Bank of Botswana will continue to raise rates. This should provide some relief to the domestic banks' interest margins. However, if higher rates choke off recovery, this could worsen bad debts.

Stretched budget trajectories leave little room to manoeuvre on the fiscal policy front for most economies. Therefore, without meaning to, reductions in deficit spending will be a drag on growth. Rising short rates and inflation have significantly increased the cost of funding, resulting in a painful bear market in fixed income and share markets.

The most recent twelve-month period was the worst one to be invested in the United States ten-year treasury market for the past 33 years. Market-related long bonds in South Africa and Namibia did comparatively better. However, yields also rose sharply, reaching levels normally seen during severe crises.

At the outset of 2022, Namibia was in the throes of a severe COVID-19 wave, with many lives lost. Since then, there have been flare-ups and variants in many geographies. Like a veldfire which had not been completely extinguished, smouldering pockets threaten renewed outbreaks, such as in China. A slowing China will have a cooling effect on commodity markets, an early harbinger of which is the copper price that has already dropped precipitously.

Floris Bergh

Chief Economist

Capricorn Asset Management

"Customers' changing financial reality in a post-COVID-19 world will inform their perception of value, resulting in changing banking needs and preferences."

Banking trends on our radar

If 2020 and 2021 were the years that COVID-19 forced banks to embrace change, 2022 is the year in which this change will be institutionalised, with the beginnings of a new normal emerging.

The Capricorn Group strategy team tracks global and local developments and banking trends as part of our strategic review process. The following are some of the major trends we have identified.

The long-term impacts of COVID-19 on banking

The COVID-19 pandemic has fundamentally changed the banking industry. For most leading banks, the pre-COVID approach of incremental change and experimentation has been superseded by the need for rapid digital transformation and a willingness to challenge conventional business models. Other operating changes include the need for greater organisational agility, future work skills and cyber security.

Empowered customers are becoming more demanding on multiple dimensions, from service fees to sustainability, and new entrants are more ambitious in their scope of services. Contactless payments and growth in online shopping, which grew in response to COVID-19, continue to gain traction.

Customers' changing financial reality in a post-COVID-19 world will inform their perception of value, resulting in changing banking needs and preferences. Capricorn Group is proactively meeting the challenge of developing a balanced/hybrid model that supports elements of "old" and "new" ways of banking to generate value for customers.

Low-cost and fee-free digital banking

Customers are naturally inclined to look out for value for money, especially when cash is tight. Low-cost and fee-free digital banking offerings are gaining traction globally and attracting new banking clients. Digital banks, because they are often branchless or maintain limited physical locations, tend to provide an intuitive online and mobile banking experience alongside customer support that is attentive and easy to reach. While these banks are gaining traction globally, they often struggle with profitability.

Thinking beyond banking

Digital banking has traditionally meant offering the customer the ability to check balances and pay bills. Now, banks continuously enhance their online platforms and apps by adding increased functionality, often in collaboration with fintech and other partners. This can include a range of new payment options and online shopping services. Banks also add non-banking functionality to their services to compete for customer attention. For example, banks offer advice, tools and digital marketplaces for small businesses to promote themselves online.

Financial firms and the planet

In the future, investors and regulators will not be satisfied with empty environmental promises as they urge financial firms to become better environmental stewards. Banks will face immense pressure to redirect credit away from carbon-heavy companies and fund renewable energy. Many banks will embrace the change and adopt a stricter stance toward their customers' environmental footprints.

The market for sustainable finance continues to grow, surpassing the trillion dollar mark in 2021¹, a high point in the rise of a sub-sector that did not exist a decade ago. Sustainable bond issuance now accounts for one-tenth of the global debt capital markets.

Digital currencies gain traction

Several central banks are launching digital currencies, and many more are considering this. Regulators realise that digital currencies and the concept of decentralised finance have enduring value. We can expect to see more financial institutions and government agencies sharing data and ideas on incorporating aspects of digital currency into the global financial system.

Digital transformation looks inward

Transformation of back-office processes is not unique to banking, as most industries apply automation to reduce human errors and save time and resources. With extensive investment in technology, banks should be able to decouple revenue from headcount somewhat. For example, some banks have slashed the work required to process commercial loan applications by analysing financial information using artificial intelligence.

Read more about our strategy review process and strategic choices on page 36.

Our regulatory environment

We mitigate our regulatory and compliance risk through good corporate citizenship and sound market conduct that are underpinned by compliance with legislation, regulations, supervisory requirements and applicable international standards. As a financial services group our licenses to trade in Namibia and Botswana are subject to adherence to strict regulations overseen by local and foreign regulators.

The compliance function manages an extensive compliance management programme. This programme entails identifying, assessing, advising on, monitoring and reporting on the compliance risk of the Group and its subsidiaries with core legislation. The programme includes a legislative review of the impact of pending legislation, and assessments to judge readiness for implementation.

The Eastern and Southern Africa Anti-Money Laundering Group ("ESAAMLG") national mutual evaluation focused on the evaluation of Namibia's measures for anti-money laundering ("AML"), combatting the financing of terrorism compliance ("CFT") and countering the proliferation of weapons of mass destruction financing ("CPF"). This evaluation assessed whether these threats are effectively identified, assessed, understood and mitigated, that the financial system and broader economy is protected, financial sector integrity is strengthened, and the overall system contributes to safety and security. The mutual evaluation has been completed and the final report is expected to lead to enhanced regulation, monitoring and stricter regulatory oversight.

In Namibia, significant pieces of legislation that will affect our operations include the Financial Institutions Market Act, 2021 ("FIMA"). The objective of FIMA is to consolidate and harmonise the laws regulating financial institutions, financial intermediaries and financial markets in Namibia. FIMA was gazetted to come into operation on 1 October 2022, but NAMFISA has notified the public that the implementation of FIMA has been postponed until further communication. In Botswana, significant legislation included the Virtual Assets Act, 2022, which was enacted in February 2022, and the Data Protection Act, 2018, with an intended enforcement date in October 2022. The Virtual Assets Act provides for the regulation of the sale and trade of virtual assets and the licensing of virtual asset service providers. The objective of the Data Protection Act is to regulate the protection of personal data and ensure that individuals' privacy in relation to their personal data is maintained.

Read more about legal and compliance risks in the risk report, available online.

¹ Research by Refinitiv <https://www.refinitiv.com/perspectives/market-insights/sustainable-finance-continues-surge-in-2021/#:~:text=The%20market%20for%20sustainable%20finance,of%20global%20debt%20capital%20markets.>

Our material matters

Our most material matters are those factors that have the greatest potential impact on our ability to create and preserve value. These are the issues that most affect our long-term sustainability and the interests of our stakeholders.

Our dynamic external environment influences our risks, opportunities, and stakeholder relationships. We determine our material matters to crystallise those matters that will affect us in the future, both positively or negatively. Having material matters helps focus management's attention, and these are integrated with our strategy and risk management process.

In 2021, we reviewed our previous material matters to simplify them and consider how they have evolved in response to COVID-19. Our materiality process included desktop research, obtaining executive committee and other internal stakeholder input, and an impact assessment to determine any new issues or changes to existing material matters.

The board approved the six material matters that shaped the content of our 2022 integrated annual report in September 2021. These six material matters are linked to our principal risks, and board governance oversight accountability is assigned to each.

Rank	Material matter	Related principal risk and Group principal risk officer ("GPRO") oversight	Board committee oversight	Timeframe
1	 Conducting business the right way	 People  Compliance  Reputation  Operations  Technology	BARC, BSEC	Short, medium and long term
2	 Managing risks effectively	 Credit  Capital  Liquidity  Market  Finance and tax	BARC	Short, medium and long term
3	 Embedding a customer-centric service culture	 People  Technology  Reputation  Operations	BSEC, Group board information technology committee ("GBITC")	Short and medium term
4	 Building agile and high-performing teams	 People  Strategic  Operations	HR committee, Remco	Short and medium term
5	 Ensuring a responsible COVID-19 response	 People  Reputation	BARC	Short term
6	 Making a positive impact in society	 People  Reputation	BSEC	Short, medium and long term



Conducting business in the right way

We are proud of our commitment to high ethical standards and integrity in our dealings with all stakeholders. As a leading business in Namibia, we are committed to improving transparency and governance and promoting general awareness of ethical practices and behaviour.

Our ethical culture

We believe that ethical conduct is the foundation for a sustainable business. Shareholders expect ethical conduct and effective control systems to mitigate reputational risk and protect their investment. We promote ethical business conduct and institutionalise ethical behaviour. Our ethics priorities include creating an open and safe environment where different perspectives are encouraged and difficult conversations are possible. Employees expect management to lead by example and to ensure the fair and consistent application of disciplinary procedures and policies.

Our Group Code of Ethics and Conduct Policy and the behaviours set out in The Capricorn Way (see page 8) provide practical guidance on doing business the right way. Our suppliers commit to adhering to the Suppliers' Code of Conduct. We believe that we have a role to play in demonstrating and cultivating ethical leadership in society.

The Group has implemented an "Ask Us" line to seek information on ethics. Our policies and procedures provide guidelines on lawful behaviour and organisational integrity. Ethical concerns can be reported internally to Ethics Champions or line management as set out in the relevant policies. An independent, anonymous whistleblowing line operated by Deloitte is in place to report ethics, fraud and alleged unlawful conduct.

Our board has formally stated, in its qualitative risk appetite statement, that it has no appetite for unethical conduct, and our BSEC oversees ethics at the Group. The BSEC reviews the outcomes of matters reported through our confidential whistleblowing line and management ethics reports.

Our ethics culture and maturity are evaluated through periodic ethics risk assessments which inform our ethics strategy and plan. An independent ethics risk assessment was completed in 2020 and informed our ethics strategy and plan for 2021 and 2022. Our Group internal audit team conducts an annual audit on the ethics plan implementation.

Activities concluded during this reporting period:

The Group maintained its Ethics framework and processes during the year through a formal group-wide ethics programme which included the following activities:

- > All entities completed their ethics strategy and management plans for the 2021 to 2023 cycle.
- > All Capricorn Group employees completed an online ethics training course.
- > All non-executive directors received ethics training.
- > A calendar of ethics awareness activities was implemented with a focus on ethical people practices.
- > Messaging around ethics was incorporated into speeches at the Leadership Summit and the keynote address by the Group CEO at the Capricorn Awards.
- > Capricorn Group sponsored the Baobab Award Breakfast at the 20th annual Business Ethics Network of Africa's Conference.

Stakeholders that have an interest in this matter



Shareholders



Employees



Government and regulators



Customers

Strategic choice related to this matter



Data and digital

Related principal risks:



Legal



Operations



Reputation



Strategic

Expected outlook

By acting ethically, the Group gains the trust and respect of employees and customers, and this builds a solid foundation for a sustainable business in the long term.



Managing risks effectively

Sound risk management is critical to our long-term sustainability. We consider risk systemically and holistically, focusing on “what must go right” to achieve desired outcomes.

Our risk management practices are shaped by our business objectives and formal risk capacity, appetite and tolerance statements. We have a forward-looking approach and use technology, data and insights to embed controls into our process. Risk management enables us to make better, more considered, and sustainable decisions.

Senior executives at Group and subsidiary levels are accountable for risk management. Central risk management functions are responsible for risk management policies, standards, infrastructure and processes while operating units manage risks within their operations. Assurance functions, including internal audit, management assurance and compliance, have varying degrees of independence from operating units and perform monitoring activities.

The Group’s main risk types have been identified and are called principal risks. A Risk Management Framework is in place to mitigate each principal risk. These frameworks are created with a systemic approach to risk and control framework and control framework design to align our risk management practices with the system’s performance objectives.

Read more about the governance of risk and find detail per principal risk in the 2022 risk report available online.

Embedding a Risk Culture

Every employee must be aware of risks in their function and take responsibility for risk management in their daily duties. Our Risk Culture Building Framework features four pillars incorporated into the performance assessment process for all employees. This requires regular performance discussions on how each employee applies the following pillars in the execution of their role:

1. **Think differently:** Think through immediate events and consider the consequences of decisions
2. **Get the whole picture:** Adopt a broader view than historical events and internal perspectives
3. **Build a risk intelligence system:** Collect information from inside and outside Capricorn Group and from multiple sources to allow us to sense and respond to changes in the operating environment
4. **Every Capricorn employee is a risk manager:** Risk management is everyone’s duty, and we equip our employees to perform this duty

The Capricorn Group Risk 101 training programme was launched in March 2022 as an e-learning course. The programme aims to teach all employees basic risk management skills to enable them to make better, risk-informed, decisions in the execution of our strategy. Our more advanced 2022 Certified Risk Culture Builder programme is fully subscribed with 56 participants from Namibia and Botswana.

Oversight and accountability

The board is accountable for governing risk in a way that supports the Group in setting and achieving its objectives. The board allocates the responsibility for oversight and governance of risk management to the BARC. The Group CEO is the senior executive responsible for implementing a sound Risk and Compliance Management Framework.

The combined assurance model identifies instances of non-compliance, which are remediated through the Group's formal remediation process. Compliance monitoring forms part of the combined assurance model. The scope of compliance monitoring is to be enhanced with a three-year plan to cover policy compliance and core legislation group-wide.

Stakeholders that have an interest in this matter



Employees



Shareholders



Customers



Government and regulators



Suppliers

Strategic choice related to this matter



Entrepreneurial action

Related principal risks



Compliance



Credit



Finance and tax



Financial crime



Investment management



Legal



Liquidity



Market



Operations



People



Reputation



Strategic



Technology

Expected outlook

Managing emerging risks effectively will prevent value erosion and ensure resilience and sustainability.



Embedding a customer-centric service culture

Customers expect financial services companies to be nimbler and more responsive. They expect a better, more predictive, and seamless experience, including better advice, across every channel. Branches remain important, but their role and emphasis are changing. Consequently, we prioritise our investment in digital channels and remain customer-centric to grow profitably despite difficult conditions.

Our customers span different income and age groups, a range of industries and two countries. We carefully segment our customers to understand their specific needs and expectations better. We develop distinct customer value propositions with targeted solutions for particular groups such as small businesses or high-income earners. Our customer engagement strategy differs depending on which segment we serve. While our customers' needs are evolving, customers expect safe, reliable and convenient offerings from financial services firms.

Our digital transformation programme

The Group's drive towards digitisation has been fast-tracked by the impact of COVID-19 on our business landscapes in Namibia and Botswana. Customers expect to be provided with various services on multiple digital channels. To ensure that we meet these needs, #gobeyond, our digital transformation programme, is streamlining our operational processes while delivering additional customer value through enhanced digital channels. One of the major aims of the programme is to migrate high-volume, low-value transactions to digital channels while offering customers access to high-value advice in branches.

Our investment in #gobeyond has four value drivers:

1. Back office automation
2. Active sales and relationships
3. Digitised enquiries and transactions
4. Automated cash services

Significant resources have been allocated to the programme, which has a dedicated team led by the Bank Windhoek managing director.

The role of the chief data and analytics officer was created. This role will help establish a formal strategy and to leverage data effectively as a key asset to deliver personalised, secure and customer-centric solutions. We developed a data strategy to help us derive value from our data assets. This was approved in May 2022, and we are executing the proposed roadmap.

All enhancements to channels have been designed and built using design-thinking methods. Other guiding principles include:

- > An omnichannel approach
- > Paperless outcomes
- > Consistency across all touchpoints
- > Commercial viability
- > Personalisation
- > Customer-centric design

Customer and employee transition to adopt #gobeyond platforms and processes remain critical. A business transition team is driving our robust change management focus. Risk management is a vital part of the programme, including cyber security. Our banks had no losses or legal proceedings related to customer privacy. We also adapted our Connector programme to offer strategic support to #gobeyond through our change agent network.

Our vision of the banks' future work is to reduce manual paper-based processes and automate certain functions, freeing time to better focus on our customers' needs. Consequently, how employees execute certain processes may change. Digital ones will replace manual ones, or the products and services offered to customers may change. Employees will have to learn new techniques and tools to promote and support these products and services.

The banking trends set out in our section on our operating context on page 24 reflect the emphasis on digital transformation to remain competitive. Read more about #gobeyond milestones for 2022 in the Group CEO report on page 44.

Stakeholders that have an interest in this matter



Employees



Customers



Shareholders



Strategic alliance partners

Strategic choice related to this matter



Data and digital



Entrepreneurial action

Related principal risks



Reputation



Strategic



Operations

Expected outlook

We can attract new clients and increase market share by serving clients better and improving our offering. The market share growth opportunity in Botswana is better than in Namibia.



Building agile and high-performing teams

We rely on an effective workforce that can deliver on our strategy and adapt to our changing operating environment and different skills requirements.

Creating a skilled, educated and adaptable workforce is the top societal outcome business should help deliver. An adequately and appropriately skilled workforce is a competitive advantage for businesses. Upskilling or reskilling employees create more inclusive and sustainable societies that pull people along and catalyse deeper connections between humanity and the economic marketplace.

We are committed to investing in talent to provide employees with access to the right opportunities, exposure and development to reach their full potential. This commitment is supported by The Capricorn Way, which aims to unlock potential in individuals and the collective.

Our talent approach:

Attract and attain talent to build a high-potential, high-performing talent pool	Optimise business efficiency by deploying talent	Develop talent through targeted functional and leadership development	Retain talent through tailored retention packages
<ul style="list-style-type: none"> > Employee value proposition > Recruitment and selection > Onboarding > Young talent programme > External bursaries > Remuneration 	<ul style="list-style-type: none"> > Talent identification > Talent review > Succession planning > Talent rotation programme > Performance development > Workforce planning 	<ul style="list-style-type: none"> > Career conversations > Functional development > Leadership development > Coaching and mentoring > High-potential programme > Digital Academy > Internal bursaries 	<ul style="list-style-type: none"> > Employee engagement > Wellness > Recognition > New ways of work

A future-fit people development and learning strategy

In 2021, the Group approved a people development and learning strategy aligned with our three strategic choices. The strategy aims to develop key competencies to respond to the challenges and opportunities of the Fourth Industrial Revolution.

The strategy acknowledges that our learning environment needs to change from a formal setting to one favouring social and experimental learning. We are investigating trends, including creating personalised learning paths using new technologies such as artificial intelligence, mobile-first learning experiences and using internal and external experts to design learning content and deliver training.

In February 2022, we launched our online learning platform, Captivate, which specifically focused on developing soft skills. This self-paced learning initiative is available to all employees and can be accessed anytime.

In March 2022, we launched a Digital Academy to improve our employees' digital skillsets. The academy offers a comprehensive introductory learning programme focused on building a foundational knowledge of Fourth Industrial Revolution concepts and exponential technologies.

To foster leadership development, 38 employees took part in the Harvard ManageMentor online programme, which provides self-directed leadership and management training. The programme is recognised for aligning to future skill requirements, stimulating personal growth and improving leadership effectiveness.

Developing people also presents opportunities for innovation. In 2022, we introduced Bank Windhoek's Selekt Platinum Training Programme. Employees were asked for new ideas to evolve the offering, generating 110 new ideas. The top ideas were identified by a formal panel of specialists and management, and the winners of the top two ideas were formally recognised.

Planned projects for 2023

The following projects are in the pipeline for 2023:

- > Develop a coaching programme to help line management build coaching capability to support their teams in navigating change.
- > Develop a formal Customer Masterclass to enable the growth of customer-facing business units.
- > Develop a Corporate and Business Banking Academy.
- > Develop a Financial Literacy and Education Training Programme for all employees.
- > Evaluate the most effective methods and channels to reach employees, create scale, and reduce learning costs through more online, mobile and regional training.
- > Undertake a project to innovate the learning infrastructure, including potentially a new learning management platform.
- > All Group entities will implement a diversity and inclusion programme.
- > We are evaluating the most effective methods and channels to reach employees, create scale, and reduce learning costs through more online, mobile and regional training.

Succession planning

We have a holistic succession planning approach that combines several constructs to identify the most suitable successors. This allows us to combine a disciplined, data-driven process with a people-centric approach to identify a more diverse portfolio of leaders. By relying on data to remove bias, we make better decisions around recruitment, promotion and development investments. The diversity lens is always considered in our succession planning. In 2022, key IT and data roles were mapped and approved by the GTIBC, and this is currently used for talent mapping and recruitment purposes.

Employee engagement

A positive employee experience boosts our ability to attract and retain high performers. We define employee engagement as the emotional connection an employee has with the organisation, influencing behaviour and level of effort in work-related activities. At Capricorn Group, we track engagement through an annual Group-wide Mirror survey. The survey focuses on employees' commitment to the Group and belief in what it stands for and their willingness to do more than what is required to help achieve the Group's goals.

The survey allows employees to provide feedback regarding how they experience leadership, the work environment and their job. This feedback helps us improve areas further to elevate our employee experience and boost engagement levels. In 2022, we achieved a 91% employee response rate.

Despite our changing environment, we have intentionally driven employee engagement by prioritising employee wellbeing during the pandemic. This is evident in the positive change in our engagement levels. The Group achieved an engagement score of 86%, comprising 49% fully engaged and 37% semi-engaged. Our fully engaged scores increased from 46% last year to 49% in 2022.

The MyCapricorn app is actively used as an employee engagement channel where information is shared. In addition, we hosted a series of wellness sessions and webinars and counsellors are actively involved in facilitating both team and individual sessions. Our voluntary and involuntary turnover rate for employees is 0.56%.

Total responses

91%

1,804 of 1,994 employees participated in the survey

Our workforce profile

We have a disability strategy to accelerate the appointment of disabled employees. In 2022, we appointed one disabled employee from our graduate programme.

Capricorn Group employee profile	Permanent employees	% male	% female	% permanent of total employees	% contract	Total 2022	Total 2021	Total 2020
Namibia*	1,645	36	64	91	9	1,688	1,712	1,793
Botswana	299	36	64	93	7	299	310	313
South Africa	7	57	43	28	72	7	21	19
Total and average %	1,994	43	57	71	29	1,994	2,043	2,125

* Includes employees for head office, Bank Windhoek, CAM, Entrepo, Namib Bou and Capricorn Capital. The head count for 2021 excludes Zambia and contract workers.

Group indicator	2022*	2021*	2020	2019	2018
Female permanent employees (%)	64	64	63	64	63
Racially disadvantaged permanent employees (%)	78	78	78	78	78
Women in senior management (%)	34	32	45	32	30
Women in middle management (%)	61	60	59	60	60
Racially disadvantaged employees in senior management (%)	34	35	39	34	30
Racially disadvantaged employees in middle management (%)	67	65	66	64	61
Non-Namibian workforce (%)**	2	2	2	2	2
New employees aged <24 (%)	14	6	14	15	28
New employees aged 25 – 35 (%)	61	74	71	62	52
New employees aged 36 – 45 (%)	25	12	14	15	11
New employees aged 46 – 55 (%)	0	8	0	8	9
Employee turnover annualised (%)	7.07	4	5	5	6
Training hours Bank Windhoek, CAM and Namib Bou (hours)***	27,408	10,392	1,824	2,248	2,600
Training hours Bank Gaborone (hours)****	2,762	1,964	2,558	3,168	3,304
Total investment in training (N\$ million)	7.6	3.9	7.1	23.6	18.5
Diversity score from the Namibia Preferential Procurement Corporation (%)	98.74	98.87	98.87	98.34	98.16

* Cavmont Bank is excluded from the 2021 and 2022 statistics.

** Namibia only indicator.

*** The increase in training hours results from the online modules that have been rolled out via the KnowBe4 training platform. The previous value was calculated on the number of training hours via face-to-face training as the only methodology.

**** The increase in training hours is as a result of the increase in online training, also note that the training hours for online training is only calculated for employees who have completed the training.

Stakeholders that have an interest in this matter



Employees



Shareholders



Communities



Trade unions

Related principal risks



Operations



People



Reputation



Strategic

Strategic choice related to this matter



Diversity, equity and inclusion

Expected outlook

If we attract, develop and retain agile and high-performing teams, they will be the driving force behind strategic execution and value creation. Empowered and incentivised employees will serve our clients better, and improve our offering.

Ensuring a responsible COVID-19 response

The global pandemic had a devastating impact on both Namibia and Botswana. We remain focused on using our resources, compassion and commitment to social responsibility to support employees, customers and communities.

Capricorn Group acted on its commitment to support stakeholders through the pandemic. The Group remained resilient due to its strong capital and liquidity position, diversified operations, deep local knowledge, and strong relationships in its markets. COVID-19 resulted in a major financial impact on our customers, with deferments that peaked at more than N\$1 billion in 2020. The low interest rate environment and poor market liquidity in Botswana and Namibia further impacted the business. The ability to effectively access and retain local funding and attract foreign investors remains a risk.

Scenario planning and stress testing action plans are being formulated to address extreme events similar to scenarios experienced with COVID-19 and current concerns around stagflation and the Russia-Ukraine war.

The Group implemented stringent cost saving measures in response to COVID-19. This included solar installations, rolling out energy efficient lighting and water saving lights. Doubled glazed windows and motion sensor lights were installed at Capricorn Corner to save electricity. All rental agreements were revisited, better rates were negotiated, and some rental agreements were terminated.

Supporting our employees

While the impact of the COVID-19 third wave in July 2021 on employees was severe, the fourth wave in December 2021 was a milder variant. The expenses related to COVID-19 leave for 2022 amounted to N\$111,162, compared to N\$196,385 in 2021. We also purchased sanitisers, immune boosters and personal protective gear to the value of N\$967,198.

Sanitisers are in place at the entrance to all buildings, floors and all our ATMs. Buildings are regularly sanitized. National measures are enforced and emphasised through notices at building entries, lobbies and lifts. Teller kiosks have screen dividers to maintain social distancing and health measures. Capricorn Corner is a completely hands-free building with “no touch” lifts, sensor and facial recognition doors.

We continued to provide employees with immune boosters, sanitisers and personal safety equipment. Since the pandemic, employees can apply for special COVID-19 leave when awaiting the results or caring for family members. In 2022, we continued to provide oxygen concentrators and counselling to employees who requested this.

Tools and resources are provided to employees to enable them to work remotely if required. Teams were split and relocated to secondary sites or enabled to work from home. This was structured so that employees could revert to the split teams or work from home when required. The agility of the MyCapricorn employee app enabled the Group to seamlessly provide information and updates to employees regarding expectations and steps to address, prevent and mitigate the spread of COVID-19 soon after the first cases of the pandemic were identified.

Assisting clients

Bank Windhoek

Bank Windhoek continued to work with customers in affected industries, such as tourism, to assist them in sustaining their operations. The bank implemented deferments, refinancing and extensions to credit agreements to help customers in line with the government’s BID-33. At year-end, the active deferred book stood at N\$50.2 million (2021: N\$158.8 million). The bank’s deferment document was reformatted to allow for a speedy application process at a time when a fast turnaround is essential to business owners.

Bank Gaborone

Bank Gaborone participates in the Government of Botswana Loan Guarantee Scheme, which aims to support struggling businesses. Through the scheme, the bank offers facilities to business entities with loans guaranteed by the government. At year-end, the bank issued loans and overdrafts to customers to the value of BWP20.5 million. This support has allowed these businesses to continue as going concerns.

In addition, the bank assisted businesses directly impacted by COVID-19 with loan deferrals. The total capital for all deferred loans stood at BWP61.7 million for the period under review, compared to BWP272.1 million that was recorded in June 2021. Many of these businesses have resumed operations and can now service their facilities.

Our community response

Since the start of the pandemic, Capricorn Group has invested more than N\$6 million to support governments and vulnerable communities in the fight against COVID-19.

We continued to provide community relief to support our nations in coping with the hardship caused by the direct and indirect impact of the COVID-19 pandemic through the Capricorn Foundation and projects supported by our subsidiaries.

Bank Windhoek sponsored medical equipment, including oxygen cylinders for the Ciske COVID-19 Task Force in the Erongo region. The task force was set up to support home-based care for patients when the hospitals were full. The sponsorship was critical as the region had an oxygen shortage. In addition, the bank's sponsorship provided nutritious meals to patients at state hospitals.

Stakeholders that have an interest in this matter



Employees



Customers



Communities



Government and regulators

Strategic choice related to this matter



Entrepreneurial action

Related principal risks



Credit



Liquidity



Market



Operations



People

Expected outlook

The pandemic highlighted the most significant social challenges and the need for partnerships on impact. Financial pressure will drive further diversification in the Group.



Making a positive impact in society

Capricorn Group is a responsible corporate citizen with a strong sense of accountability to our stakeholders. We are proud of our contributions to a better society aligned with our brand promise to be Connectors of Positive Change.

Supporting government

In March 2021, the Namibian government unveiled the Harambee Prosperity Plan II for 2021 to 2025. This plan aims to address Namibia's most pressing challenges through initiatives under five pillars:

- > Governance
- > Economic Advancement
- > Social Progression
- > Infrastructure Development
- > International Relations and Cooperation

We support the plan through our ethics initiatives, governance structures, commercial offerings and growth plans, community investment, renewable infrastructure and sustainable financing.

Bank Windhoek was selected to form part of the Brand Namibia Committee in partnership with the Ministry of Information, Communication and Technology, the Ministry of Environment, Forestry and Tourism and the Namibia Investment Promotion and Development Board. The aim is to launch Brand Namibia, an initiative that promotes the country globally and supports local businesses.

Bank Windhoek was also nominated to the Advisory Steering Committee for the proposed social impact bond for the Early Child Development initiative under the Ministry of Gender, Social Welfare, and Equality.

In addition, our Group CEO led the Business Rescue Task Force to develop an environment in Namibia conducive to successful business rescues. Read more about our collaborations with the government in our Group CEO's report on page 44.

The Capricorn Foundation

The Capricorn Foundation was established in February 2020 as a non-profit association incorporated under Section 21 of the Company's Act in Namibia as the Group's vehicle for CSR initiatives. The Foundation has a board of six directors and is chaired by Gerhard Fourie, the Group's chairperson. The Foundation's management committee consists of representatives from Capricorn Group, Bank Windhoek, CAM and Entrepo.

Over the past two years, the Foundation has established itself as a thought leader in corporate social responsibility in Namibia, building strong networks and promoting collaboration with other non-profits and the government. The Group's Changemaker programme has also been effectively used as a tool to involve our employees in the vulnerability programmes supported by the Foundation.

Over and above the work of the Capricorn Foundation, the Capricorn Group and its subsidiaries take on CSR projects that add value to the community.

Read more about the Foundation's activities and other CSR initiatives in our Social Value report, available online.

Stakeholders that have an interest in this matter



Employees



Communities



Customers



Government and regulators

Strategic choice related to this matter



Entrepreneurial action

Expected outlook

Our business will thrive in a healthy social and economic environment that considers the long-term interest of all stakeholder groups.

Our strategy

Our strategic choices create competitive advantage

Our strategy is designed to generate a durable advantage and higher value in a competitive market. It guides the Group to focus on its strategic priorities, identify opportunities and effectively mitigate strategic risks.

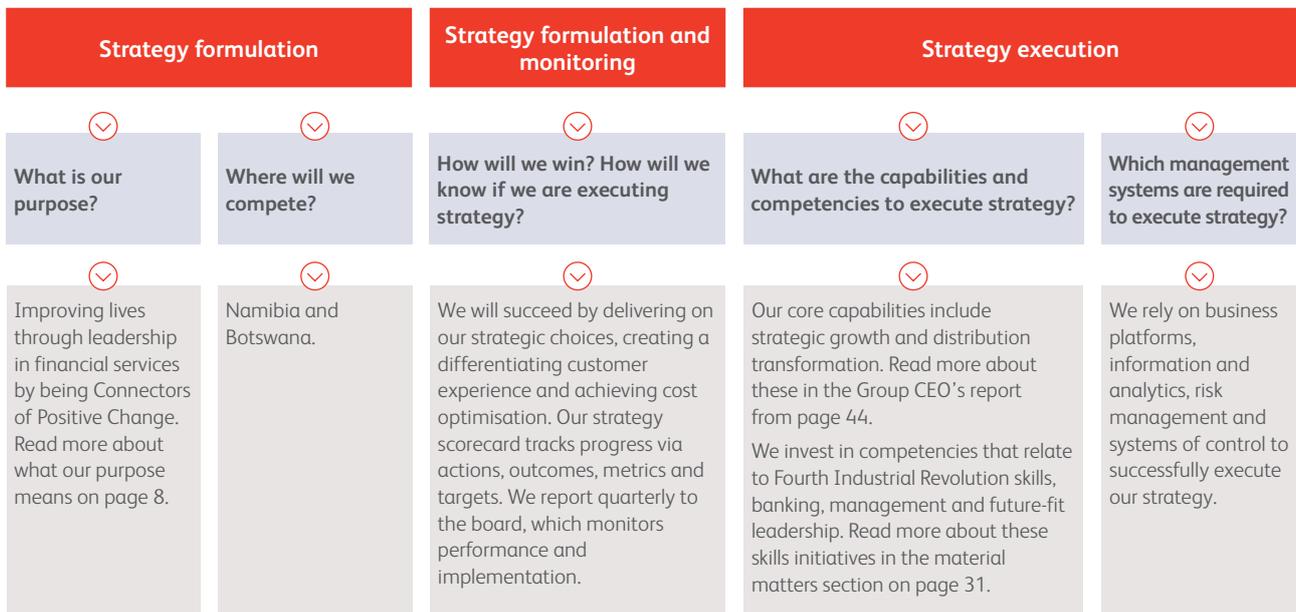
In 2018 the Capricorn Group adopted the cascade of choices approach to strategy development. This inclusive process allows for extensive employee engagement to create strategy co-ownership. It is applied across different entity teams, enabling strategic alignment across the Group. All entities have approved strategy plans and execution scorecards that support strategic choices and their businesses. Scorecards are submitted quarterly for board oversight and monitoring.

Our refined strategy process

We faced a dynamic operating environment in 2022 that presented uncertainties and opportunities. This meant that our strategy development approach also had to evolve.

This year, we refined our strategy process to include our intention of contributing more to socioeconomic transformation in the countries where we operate. We envision both greater business opportunities and a greater positive societal impact. We want to embrace greater agility and openness, including new partners, possibilities and choices.

We continue to broaden our view of strategy and are becoming more open in our strategy development process, collaborating more with internal and external stakeholders.



Our three strategic choices

We began the 2021 to 2023 strategy cycle with six strategic choices. This was revised to three strategic choices during the COVID-19 crisis. These strategic choices incorporate material elements of all six choices. Our focus for the remainder of this strategy cycle is on consolidation, stabilisation and digitisation.



We will transform our business using data and digital to achieve a superior customer experience, lower cost to serve and scalable competitive advantage.

The #gobeyond programme benefits both banks in an improved customer experience and will reduce the cost to serve in time. Cost reduction will, however, not happen at the expense of a superior customer experience.

Progress in 2022	Group performance indicator
<p>We maintained and increased market share by growing our cash deposit receiving ATMs in Namibia and Botswana and implementing a new online banking platform for Bank Gaborone. We also introduced three mobile banking app releases.</p> <p>Bank Gaborone launched a Card-2-Card payment solution, a first for Botswana. The bank also deployed a bulk cash solution.</p> <p>CAM enhanced the Capricorn Online digital platform and is digitalising internal and client processes.</p> <p>Read more about #gobeyond in our Group CEO's report on page 44.</p>	Market share: total loans and advances Bank Windhoek
	Market share: total deposits Bank Windhoek
	Market share: total loans and advances Bank Gaborone
	Market share: total deposits Bank Gaborone



We will grow through entrepreneurial action in order to contribute to a sustainable organisation.

We prioritise new revenue streams for the Group and aim to execute deals and invest in new opportunities that will positively impact our financials. We also support entities with their growth strategies and facilitate collaboration between entities to unlock opportunities.

Progress in 2022	Group performance indicator
<p>In December 2021, we launched our new microlending venture Peo Finance in Botswana.</p> <p>Bank Windhoek focuses on selected segments, products and sectors that offer sustainable growth and profit potential. In 2022, the bank grew new to bank clients across corporate, business banking, Select Platinum, Select Gold, Namibian Students Financial Assistance Fund and Capricorn Private Wealth. The bank also grew its government finance portfolio exponentially. The bank commercialised several new banking solutions and increased forex and trade products revenue. The bank continued to upsell specialised finance and bancassurance products.</p> <p>In 2022, Bank Gaborone mobilised growth in current account balances by offering POS solutions. The bank also revised its scheme lending proposition and operationalised its new SME customers value proposition and Selekt Gold Customer Value proposition.</p> <p>Read more in our Group CEO's report on page 44.</p>	AUM (CAM)
	Growth in new to bank clients in Bank Windhoek
	Growth in new to bank clients in Bank Gaborone



We will prioritise diversity, equity and inclusivity, focusing on race and gender to represent the demographics in our chosen markets, including future-fit leadership, as a catalyst for growth.

We appreciate that diversity opens up new possibilities. Diverse cultures reach a wider audience which is a competitive advantage over a homogenous organisation, while top candidates are attracted to companies with an inclusive workplace. Inclusive organisations have increased empathy for and awareness of others in general. This translates to increased collaboration and more positive co-worker relationships. We must create a psychologically safe and inclusive culture where employees have a sense of belonging.

Our main goals with this choice are to:

1. Implement and execute the transformation initiatives focused on race, gender and age.
2. Promote equitable practices and inclusion for the customer and employee.
3. Promote inclusion at work where no one feels left behind.

Transformation targets have been a key focus area for the Group for several years, and we will continue to drive these elements as part of our recruitment process. This evolution implies that the Group must enable new work models and ultimately attract, retain, and develop the future workforce.

Diversity and inclusion refer to not only race and gender but also diversity in age, perspectives and being differently abled.

Progress in 2022	Group performance indicator
<p>The Group Exco team had a diversity, equity, and inclusivity as well as unconscious bias alignment session and parallel sessions implemented with different entity leadership teams.</p> <p>Bank Windhoek is implementing a diversity, equity and inclusion plan. This plan includes a focus on recruiting differently-abled employees. The bank is evaluating its practices and process to detect biases and minimise inequity across its business units. This is part of a long-term strategy with multiple areas of focus.</p> <p>Bank Gaborone is focusing on recruiting differently-abled people and young talent. The bank continues implementing programmes to build future fit leadership, including management development and mentorship programmes.</p> <p>CAM is driving their diversity targets by focusing on attracting underrepresented talent in specialist roles such as the assistant portfolio manager and recruiting more differently-abled persons.</p> <p>Read more about diversity and leadership support through coaching on page 31 and skills development on page 31.</p>	<p>Response rate on the diversity and inclusion survey</p>

How risk management integrates with strategy

The Group Risk Internal Control and Assurance Framework (“GRICAF”), the heart of our enterprise risk management, is directed by our three strategic choices. These choices influence our risk management infrastructure, key skills and risk management capabilities. Our strategic choices inform the strategic focus areas for Group-wide risk and compliance management.

Our three strategic choices	How enterprise risk management supports successful execution
<p>We will transform our business using data and digital to achieve superior customer experience, lower cost to serve and scalable competitive advantage.</p>	<p>We foster efficiencies and build lean, safe control frameworks into business processes and systems. We use analytics, management information and data-driven solutions, including financial analytics and scenario and stress testing, to make better decisions. We evolve our analytics capabilities towards prediction and prescription.</p>
<p>We will grow through entrepreneurial action in order to contribute to a sustainable organisation.</p>	<p>We complete a risk assessment of new ventures, ensure the vigilance of cyber risk measures and develop new skill sets. Our capabilities are built in a way to achieve scale in our risk management capabilities if required to do so.</p>
<p>We will prioritise diversity, equity and inclusivity, focusing on race and gender to represent the demographics in our chosen markets, including future-fit leadership, as a catalyst for growth.</p>	<p>We contribute to diversity and capacity building through Ethics and Risk Culture programmes.</p>

Read more about strategic risk and how we mitigate this in the risk report, available online.



We appreciate that diversity opens up new possibilities. Diverse cultures reach a wider audience which is a competitive advantage over a homogenous organisation, while top candidates are attracted to companies with an inclusive workplace.”

– Thinus Prinsloo, Group CEO



Our business model

We have a dynamic business model to create and preserve value while remaining true to our purpose.

Inputs



SOCIAL AND RELATIONSHIP CAPITAL

We have long-standing and new customers across all segments in Namibia and Botswana

We contract with a range of reliable suppliers

Customer loyalty: Bank Windhoek is the largest locally owned bank and the second largest commercial bank in Namibia

Bank Windhoek has a 34.8% market share and Bank Gaborone a 7.5% market share in loans and advances

The Foundation and Changemaker initiatives contribute to communities in need

The Capricorn brand is recognised and respected in the region



We maintained our social and relationship capital investment through the Foundation to support stakeholders in need.

Developing a comprehensive sustainability strategy to align sustainability initiatives across the Group is a priority in the short term.



HUMAN CAPITAL

1,994 permanent employees

N\$7.6 million training investment to upskill employees

Digital academy launched to improve our employees' digital skillsets.



Digital and data skills will be difficult to fill and expensive in the short to medium term.



INTELLECTUAL CAPITAL

Over 230 years' collective board member experience

We have a Risk Culture and 14 principal risks, each with a risk owner

We drive ethics awareness and behaviour through the Group Code of Ethics and Conduct Policy, The Capricorn Way and Suppliers Code of Conduct

We are making progress with our #gobeyond digital transformation programme



We are investing in #gobeyond.

We are increasing our investment in cyber resilience over the short term.



FINANCIAL CAPITAL

Retained income of N\$6.5 billion (2021: N\$5.7 billion)

Total assets of N\$60.4 billion

Total loans and advances of N\$43.2 billion

Total deposits of N\$43.6 billion

CAM AUM of N\$32.1 billion



Liquidity and funding in Namibia and Botswana will be constrained in the short to medium term, limiting the capital available for investment in growth projects.



We plan to modernise our branches to create a 'branch of the future' network over the medium to long term.



MANUFACTURED CAPITAL

66 banking branches/agencies, 171 ATMs, (including NCR Self-service ATMS), 5,287 merchants and 5,480 POS devices

24-hour customer contact centre

IT systems and business continuity facilities

Digital banking, apps and other platforms



Climate impacts from physical and transition risks and infrastructure quality might become a business constraint in the medium to long term.

When we invest in a new building or renovate an existing one, we aim to improve our energy and water efficiencies. Our new building, Capricorn Corner, utilises green technologies to reduce our environmental footprint.

Bank Windhoek's green bond positioned the bank as leader in sustainability finance. This is a potential growth area over the short, medium and long term.



NATURAL CAPITAL

Environmental and Social Management System

Water, energy and paper

Business activities

Transactions – we facilitate payments

Loans, credit and deposits – we provide credit, loans and savings or investment products

Asset management – we invest and manage assets on behalf of customers

Advisory – we provide investment banking and advisory services

Bancassurance – we provide short and long-term insurance products

Foreign exchange and trade finance – we provide currency access to global markets

Outputs

Products and Services

Banking

Specialised finance

Foreign exchange and trade finance

Lending

Wealth management

Asset management

Unit trust management

Bancassurance

Property development and evaluation

Micro-financing

Waste

Customer waiting time

Losses due to internal errors

Outcomes



SOCIAL AND RELATIONSHIP CAPITAL

More people are banking and insured
We make positive community impacts through the Foundation and Changemaker platform
The number of transactions increased
Our Net Promoter Score remained at 39 %
Bank Windhoek received more awards



A wider variety of products and services will be linked to the Capricorn Group brand and underlying entities

Products and services will be simplified and easy to access

Less waiting time for clients and better customer experiences

Offerings will be more competitive and cost-effective

New clients in new markets/segments

New partnerships across banking and digital

Shifts in priorities and CSR based on stakeholder feedback and responses



HUMAN CAPITAL

Employee turnover annualised at 7.07 %
Absenteeism at 4.96 %
Mirror survey results from 91 % participation rate, engagement score of 86 % and fully engaged 49 %
35,564 employees received training



Higher skills levels in data and digital

One team culture across subsidiaries

More diversified, inclusive and equity-representative teams

Improved workplace and employee satisfaction based on the Mirror survey, brand, communication audits and ethics survey.



INTELLECTUAL CAPITAL

New capabilities launched via bank and MyCapricorn apps
Non-performing loans mitigated through effective and proactive processes
Limited losses due to financial crime



More client data will be available for analysis and insights

The #gobeyond programme will create a bank for the future



FINANCIAL CAPITAL

Value created for all stakeholders (see value added statement) and dividends paid
Cost-to-income ratio down to 51.1 %
Return on equity of 15.0 % (2021: 13.5 %)
Capricorn Group remains well capitalised with profit after tax increasing by 16.6 %
Business development plans are progressing



More diversified income streams with less exposure to interest rates

Scale achieved in Botswana will have a positive cost impact based on transaction volumes

Strong growth from new ventures making a material contribution to operating profit

Available and optimised capital and funding



MANUFACTURED CAPITAL

Capricorn Group's footprint increased
Lower levels of cash in branches as more customers use digital banking



Expanded digital footprint and capabilities

Scalable digital offerings/platforms



NATURAL CAPITAL

The Green Bond was fully allocated and matured last year.
We currently have funding from our sustainability bond which was issued June 2021. Up to June 2022 we raised N\$407 million in two tranches and made allocations to renewable (Solar photovoltaic) energy projects of N\$124 million and SME financing of N\$315,000
We are yet to finance a sustainable agriculture project



Operational efficiency will optimise resource use

Bank Windhoek will remain a leader in sustainable financing

Our trade-off decisions in 2022

The Group makes trade-off decisions guided by our purpose, strategic choices and the business model outcomes we seek to achieve. We often forgo short-term gains for long-term value creation and preservation or to avoid value erosion. The following examples illustrate our trade-offs in 2022:

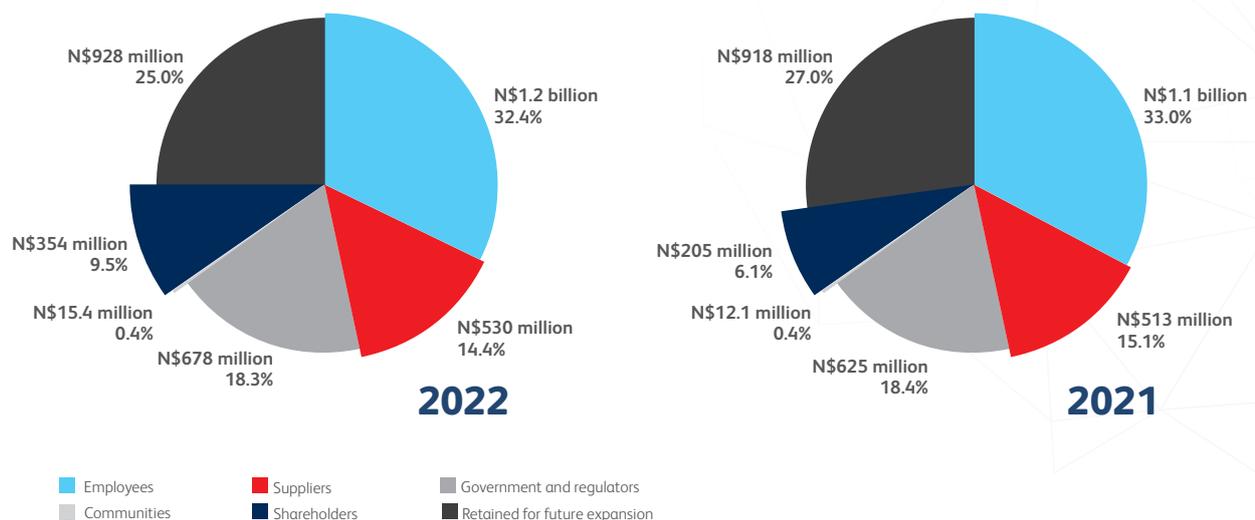
- > We considered the impact on liquidity in most business decisions and favoured capital allocation choices that optimises the allocation of capital.
- > We decided to fill vacancies and hire senior IT talent to deepen our digital and data capabilities, knowing that this would increase our operating expenses more than inflation.
- > We accelerated our investment into our cyber resilience programme to shorten implementation by more than 12 months, increasing our expenses over the short term.
- > Bank Windhoek closed two agencies namely the Khomas Grove Agency in Windhoek in April 2022 and the Gobabis Agency in May 2022 as a result of the bank's focus on digitalisation through the #gobeyond programme.

Shared financial value as an outcome

	Value and ratio 2022	Value and ratio 2021	% change
Stakeholder sharing in financial and other value created			
Employees In addition to remuneration, employees receive rewards, recognition and have opportunities for career and personal development.	N\$1.2 billion 32.4%	N\$1.1 billion 33.0%	7.4
Suppliers Suppliers have a market for their products and services and opportunities to expand the range and nature of their contracts with the Group.	N\$530 million 14.4%	N\$513 million 15.1%	3.3
Government and regulators The Group pays taxes, duties and licence fees in the territories where we operate and supports government in maintaining a stable, trustworthy and well-functioning financial system.	N\$678 million 18.3%	N\$625 million 18.4%	8.6
Communities The Capricorn Foundation is the Group's vehicle for its main community activities in Namibia and is funded by the subsidiaries. In addition to their financial contribution to the Foundation, all subsidiaries run their CSR initiatives. The Group also runs a Changemaker employee volunteer programme to support vulnerable communities. The 2022 contribution to the communities by the Group includes funds contributed to the Foundation by the subsidiaries by 30 June 2022 but not expensed in full.	N\$15.4 million 0.4%	N\$12.1 million 0.4%	26.9
Shareholders Shareholders receive dividends and benefit from funds retained for future growth opportunities.	N\$354 million 9.5%	N\$205 million 6.1%	72.5
Retained for future expansion	N\$928 million 25.0%	N\$918 million 27.0%	1.1

* During the current year, the value shared with shareholders was updated to include only ordinary dividends. On previous reports, preference dividends were also included in this line item. In the current period, preference dividends paid to preference shareholders are disclosed as part of value shared with suppliers. Comparative numbers for 2021 have been restated to ensure comparability.

Value and ratio





The Group made trade-off decisions guided by our purpose, strategic choices and the business model outcomes we seek to achieve. We often forgo short-term gains for long-term value creation and preservation or to avoid value erosion.”

Thinus Prinsloo, Group CEO.



Group CEO's report



“2022 was a year of positive growth as we emerged from the hardship brought about by COVID-19. We continued to benefit from our diversified revenue streams, loyal customer base and sound financial position.”

2022 was a year of recovery as the Group emerged from the shadow of COVID-19. All Group entities delivered solid performances, with our overall profit from continuing operations increasing 11.9% to N\$1.15 billion (2021: N\$1.02 billion). Highlights for the year included delivering on key customer-facing projects for our #gobeyond programme and expanding our growth plans for Botswana with the successful launch of Peo Finance.

COVID-19 continued to impact businesses across all sectors, although a slight recovery was noticed in the last few months of 2022. The Russia-Ukraine war and resulting sanctions have accelerated inflation, placing additional pressure on the local environment. In the short to medium term, households and businesses face rising inflation, high fuel prices and rising interest rates. SMEs and tourism sector clients remain under significant pressure.

The high cost of funding and low liquidity levels in Namibia and Botswana are major business constraints. Safeguarding our liquidity was a key factor in our decision-making for 2022. Namibia's long-standing socioeconomic issues and the health crisis have added impetus to increased public spending to alleviate hardship while government revenues have declined. Government has been the most significant borrower in the economy for several years. The government's steep yield curve has attracted capital, even though its creditworthiness has deteriorated further due to its heavy debt burden. Due to Namibia's downgrades in 2020, most international investors are not mandated to invest in Namibia. For much of 2022, the liquidity in the market was close to zero, worse than 2021 levels, resulting in high funding costs and constraining private sector growth. Demand for credit remains muted in the private sector.

Botswana experienced a sharp inflation surge and a strong bounce in real GDP growth post the COVID-19 contraction of 2020. Economic growth was driven by improvements in the global demand for

diamonds, easing COVID-19 restrictions, an expansionary fiscal stance, and an extensive rollout of COVID-19 vaccines. Persistent deficits have led to high levels of public debt, while pandemic-induced spending continues to place pressure on the fiscal budget.

Competing with highly attractive government yields places our net income margin under pressure. In addition, the prevailing poor economic conditions meant that our credit risk has also increased. While our non-performing loans ("NPLs") percentage improved in 2022, this book is still worse than in 2016, at the onset of Namibia's recession. Given these challenges, the Group's leadership has done exceptionally well to protect our net interest margin and manage our credit and liquidity risks.

Bank Windhoek

Bank Windhoek's profit after tax increased by 21.5% year-on-year to N\$813.2 million (2021: N\$669.5 million). This notable improvement is thanks to an increase in non-interest income earned and a lower impairment charge as the economy recovers from COVID-19. Although the impairment charge was lower, the bank's impairment coverage ratio reflects adequate provisioning. Struggling customers were assisted on a case-by-case basis with deferments granted within the prescribed credit policies.

The net interest margin has remained relatively unchanged following the South African Reserve Bank and Bank of Namibia's interest rate increases in February, April and June 2022.

Bancassurance growth continued above expectation, specifically the retail credit life and the direct homeowners' insurance offering. A strong sales drive also resulted in an uptick in bancassurance for SMEs and commercial customers.

Our collaboration with government

We believe it is important to participate in conversations with government and other stakeholders to shape Namibia's future. This year, I am particularly proud of the Group's efforts to work with government and represent Namibia abroad.

Business Rescue Task Force

As the chairperson of the Business Rescue Task Force, I contributed to the discussion around proposed policy and legislative reforms to assist businesses in financial distress. We presented our recommendations to President Hage Geingob in April 2022.

Conference of Parties ("COP") 26

Bank Windhoek was part of the Namibian delegation and the only local financial services institution to attend COP26 in November 2021. The event highlighted the importance of mitigating the climate crisis and the role of financial services in combating climate change. This has also accelerated the development of innovative financial products.

World Economic Forum ("WEF")

In May 2022, Namibia participated in the WEF in Davos, Switzerland, for the first time. Capricorn Group, together with Bank Windhoek, was proud to participate. As a country, Namibia wanted to highlight its requirements for strategic investment and finance solutions to ensure the implementation of key infrastructure development projects. Capricorn Group and Bank Windhoek are crucial facilitators of local funding. We co-hosted a session titled 'Funding Gap for Infrastructure Development in Namibia', and discussed the gaps and challenges faced by the Namibian government and the financial sector in ensuring adequate investment and funding are procured for Namibia. The discussion was attended by world leaders from the public, private and philanthropic sectors.

An invitation to Davos comes with immense benefits for Namibia, primarily to showcase the country's investment potential to global leaders and some of the wealthiest nations and entrepreneurs in the world. The Namibian government positioned itself as striving for transparency, ethical governance and clear communication.

Capricorn Group is honoured to have been part of the delegation to attend this auspicious occasion and see ourselves as a key player in accelerating the country's economic recovery. We remain true to our purpose of improving lives through leadership in financial services and being a Connector of Positive Change through smart partnerships and collaborations.



In November 2021, Bank Windhoek promoted its sustainability loan campaign resulting in numerous customer requests for funding for renewable energy installations. This new product is gaining traction in the retail space for its favourable terms. It also underlines the bank's commitment to sustainable finance and positions it as the go-to financial institution for green finance.

Key initiatives for Bank Windhoek in 2022 included:

- > Launch of Selekt Platinum, a unique bundled-fee offering.
- > Launch of the Business Banking offering and i-Lounge service, geared towards providing commercial and SME businesses with value and convenience.
- > Continuous nationwide roll-out of cash accepting ATMs with 27 ATMs available for use so far.
- > Launch of contactless cash accepting ATMs.
- > Continuous enhancement of the Bank Windhoek and Capricorn Private Wealth mobile apps, introducing new and convenient features.
- > Sponsorship of the World Skills Africa Competition 2022 that was hosted in Namibia.
- > 2021 Cancer Apple Project raised N\$1.4 million towards the Cancer Association of Namibia – 21st anniversary of the Cancer Apple Project.
- > Successful Online Agriculture Series, with Hon. Calle Schlettwein as the main speaker at the event.

Bank Gaborone

Bank Gaborone's profit after tax increased by 33.4% to BWP65.0 million (2021: BWP48.7 million). The bank made steady increases in market share for loans and advances, with growth mainly in commercial loans, overdrafts and asset finance. Market share on deposits grew marginally thanks to good growth on cheque, call and savings accounts. The rise in new customers was good, translating to a 1.5% increase in the customer base.

COVID-19 continued to impact Bank Gaborone's customers negatively. Many retail customers have less disposable income, and there is a high level of dormant accounts. Certain industries continued to be weighed down by the pandemic. COVID-19 travel restrictions hampered tourism while manufacturing suffered due to lower exports and customer demands. From a positive perspective, COVID-19 has helped the bank rethink its business and fast-tracked its digital transformation.

Key initiatives for 2022 included:

- > Launched a Card-2-Card payment solution, a first for Botswana, that allows customers to send money to any VISA card issued in Botswana instantly.
- > Introduced new products, including a revised savings offering, new credit cards and an exciting new offering in partnership with the insurance and legal aid industries.
- > Introduced products for three new market segments: fuel, franchise and agriculture.
- > It relocated its central administration branch to a bigger, more technologically-equipped location, enhancing its ability to process more transactions centrally and efficiently.
- > The bank rolled out 12 deposit accepting ATMs and redeployed three standard ATMs. This brings the total ATM footprint to 21.
- > Signed an agreement with the Morupule Coal Mine to provide a financial package of BWP100 million to support the mine's supplier development programme. This is similar to the Debswana Mine agreement completed in 2021, where the bank committed BWP200 million.

Peo Finance

In December 2021, we launched Peo Finance, our new microlending venture in Botswana. Despite competition from larger established microlenders, Peo Finance has experienced rapid growth. Like Entrepo's business model, Peo Finance caters for government employees. At present, this includes central government employees and government pensioners, and Peo Finance will expand this to local government, parastatals and private employers. The Group successfully raised funding for Peo Finance, including a \$40 million loan from the International Finance Corporation in September 2022. While Peo Finance operates as a standalone entity with its management team, we can leverage Bank Gaborone's strong brand equity and networks to scale this business. Bank Gaborone provides funding to support its loan book growth and helps to raise awareness of Peo Finance's offering through cross-selling and joint promotions.

Capricorn Asset Management

The Namibian unit trust industry had a difficult year, with total assets under management effectively remaining the same in value. CAM delivered a mixed performance for 2022. CAM's AUM remained flat for most of the year, but the direct purchase of government paper for clients were very active during the year resulting in good profits. Overall, CAM's market share decreased to 30.8% due to new entrants into the market that increased the market scope (2021: 31.7%) while assets under management grew to N\$32.1 billion (2021: N\$31.8 billion). Despite this market share loss, CAM opened many new accounts, resulting in a 6.2% growth in its customer base. CAM and CUTM delivered a 3.4% growth in net profit after tax to N\$67.6 million (2021: N\$65.4 million).

Environmental, social and governance ("ESG") is becoming increasingly important in asset management. CAM is developing an ESG framework and exploring how it can strengthen its overall commitment to sustainability in line with the global trend. CAM supports the sustainability agenda through investments through the Caliber Capital fund. This fund focuses on Namibian companies that aspire to meet the aims of the Harambee Prosperity Plan II and Vision 2030. These aims include job creation, import replacement and industry and infrastructure development. In 2022, this fund made investments in tourism, education and logistics.

Entrepo

Market conditions for Entrepo remained tough due to Namibia's slow economic recovery and no salary increases for government workers. Despite these conditions, Entrepo continued to perform well, producing a profit after tax of N\$199.2 million (2021: N\$226.2 million) Entrepo's management controlled its expenses tightly and reduced its external debt ratios.

Customers use the Entrepo app to manage their loans and provided positive feedback on the app's user-friendliness. The app was enhanced with document receiving capabilities to allow customers to apply for loans via the app. Facial recognition technology was implemented on the app to reduce fraud incidents.

Capricorn Foundation

Since its establishment in February 2020, the Capricorn Foundation, funded by Bank Windhoek, CAM and Entrepo, has built up a portfolio of 16 projects, benefitting communities across Namibia. The Foundation is the Group's main vehicle for its CSR activities.

#gobeyond

The #gobeyond programme, launched in October 2020, aims to transform our banks' distribution channels, both digital and physical, to achieve a lower cost to serve combined with a yet superior customer experience. Unlike other banking players, we do not have plans to reduce our branch network radically. Our approach is to offer a blend of physical and digital channels.

In 2022, the following #gobeyond milestones were achieved:

- > Mobile banking app releases in May 2021, November 2021 and May 2022. These releases improved functionality such as biometric sign-on, enhanced user interface, payments, account statements and card limit management.
- > Installing 38 cash deposit receiving ATMs with a large percentage of branch deposits migrating to these self-service devices.
- > Implemented a new online banking platform, for both individuals and business, for Bank Gaborone by April 2022.

Although we had some challenges when we first introduced our mobile banking app, including some incidences of fraud, we have received good customer feedback, and our app ratings have increased over time. From a cash deposit perspective, we have seen customers using cash receiving ATMs after hours for 60% of the time. This illustrates the customer need for certain 24-hour banking services.

The #gobeyond team has done exceptionally well in achieving these milestones considering the impact of COVID-19, competing with other well-resourced banks and delivering solutions across two countries simultaneously. Savings have already been realised in the areas of headcount (not filling vacant positions) and eliminating certain software license costs, as we have developed our own mobile and online platforms.

Sourcing and retaining senior IT talent remains challenging, but we have made good progress in this area. Overseeing complex technology projects demands a specialist skill set. Fortunately, we have the right resources at a board committee level through the GBITC, chaired by Erna Solomon, an independent external IT specialist and board member. We also leverage partnerships with technology companies to ramp up our delivery capabilities.

Introducing Capricorn Corner

In November 2021, we opened Capricorn Corner, our new state-of-the-art office facility in Klein Windhoek. The building's inauguration was officiated by Koos Brandt, one of the founders of Bank Windhoek. Notably, the building was completed on time and below budget.

The office block of 3,258 square metres consists of five floors, nine boardrooms, conference facilities for 40 people, a training centre with four classrooms and a technologically advanced data centre. Capricorn Corner will house the Group's Data Centre, an in-house training centre and Bank Windhoek departments. It also boasts a facility that can host up to 100 people for events. The conference and event spaces have live-streaming capabilities, and the classrooms are equipped to facilitate remote training.

The office block was designed environmentally friendly to meet the current employee needs and the future workforce. The building has energy-saving features such as LED lights, motion sensor lights, heat recovery air conditioning and double-glazed windows. The building is partially powered by solar energy. Waterless urinals, water-saving taps, and toilets were installed to save water.

The building is equipped to reduce the spread of respiratory diseases, including COVID-19. Ultraviolet lights in the air conditioning system help eliminate viruses before the air is recirculated into the office. The doors are also developed with facial recognition access control, automatic no-touch access and lift operations to reduce physical touch.

I am particularly proud of the many work and income-earning opportunities provided to local businesses and their employees, especially during a challenging period for the construction industry. Capricorn Corner is a proudly Namibian building – designed, constructed, equipped, furnished, and decorated by Namibians.

Outlook and expectation

We expect further economic recovery as COVID-19 restrictions fall away and the global pandemic inches closer to endemic status. The outlook is for improved economic conditions in Namibia and Botswana, albeit from a lower base. The stability and sustainability of the Group for the benefit of all stakeholders remain our key priority.

The current geopolitical uncertainty, including the economic fall-out from the Russia-Ukraine war, is lowering global economic growth prospects and increasing inflationary pressures. According to the latest Bank of Namibia Economic Outlook, growth is expected to accelerate to 3.2% in 2022 and 2.9% in 2023. These projected improvements are expected to be broad-based, with robust growth rates across all industries, particularly in the diamond mining and manufacturing sectors. This economic growth depends on successful country policy reforms and initiatives encouraging investment. As with the global economy, risks to domestic growth are dominated by health outcomes related to COVID-19 and rising energy and food prices.

Other positive prospects for Namibia include the recent oil and gas discoveries in the Orange Basin and developments in the green hydrogen space. Continued investments in mining and the restarting of mothballed mines on the back of higher commodity prices provide further growth prospects.

Botswana's growth prospects look positive, supported by a continued pickup in economic activity, a recovery in diamond prices, a revival in the tourism industry and the full implementation of the government's Economic Recovery and Transformation Plan.

Bank Windhoek will continue to focus on creating sustainable value for its stakeholders in a challenging operating environment. Delivering on the bank's sustainability ambitions will be a priority. The bank is also undertaking key technology projects, including moving to a new treasury system that allows for better market risk mitigation, and introducing the first phases of credit automation, allowing customers to manage certain credit processes.

Bank Gaborone's focus for 2023 is growing retail customer numbers and savings and current account deposits to reduce the cost of funding. This is a competitive market where margins are under pressure. The operating environment is expected to be challenging due to higher inflation and poor economic activity.

2023 marks the third and final year of the #gobeyond programme. Here, we will focus on achieving customer adoption across the channels we have already deployed solutions. These include our mobile app, online channels and cash recycling ATMs. Bank Windhoek's new online banking platform will be released in 2023. We will also deliver key solutions and training for our employees in customer onboarding, credit automation and in-branch servicing.

Once #gobeyond is successfully delivered, we will map out a new journey to capitalise on our digital assets. Banking is a dynamic and competitive industry; we believe that our investment will build a strong digital core and ultimately open up new markets and revenue streams.

CAM will focus on enhancing its product offering and customer experience through digital technology. This includes evaluating its internal business processes and digitising these when appropriate. A slow economic recovery could see investors delving into their investment reserves, negatively impacting CAM. Another perspective is that it could encourage the conservative investor to seek out safe-haven CAM investments.

Entrepo will continue leveraging its simple, effective business model and expand its product offering to provide a wider choice to our customer base. Containing expenses and further reducing external debt to maximise profitability will remain a focus.

Appreciation

This year we celebrated two important milestones: Bank Gaborone's 15th and Bank Windhoek's 40th anniversaries. These milestones would not have been possible without our talented employees' hard work and dedication. I am proud of these sustainable businesses and look forward to many more years of growth.

I thank our employees for their genuine commitment through service and support to clients during another challenging year. I am grateful to the more than 1,994 passionate and hardworking employees, many of whom fell sick in 2021 and 2022, who resiliently adapted to the impact of the pandemic. I also thank our loyal clients, partners and suppliers for the value they add to our business. As a Group, we remain committed to our purpose of improving lives through leadership in financial services by being Connectors of Positive Change.



Thinus Prinsloo
Group CEO



This year we celebrated two important milestones: Bank Gaborone's 15th and Bank Windhoek's 40th anniversaries. These milestones would not have been possible without our talented employees' hard work and dedication. I am proud of these sustainable businesses and look forward to many more years of growth."

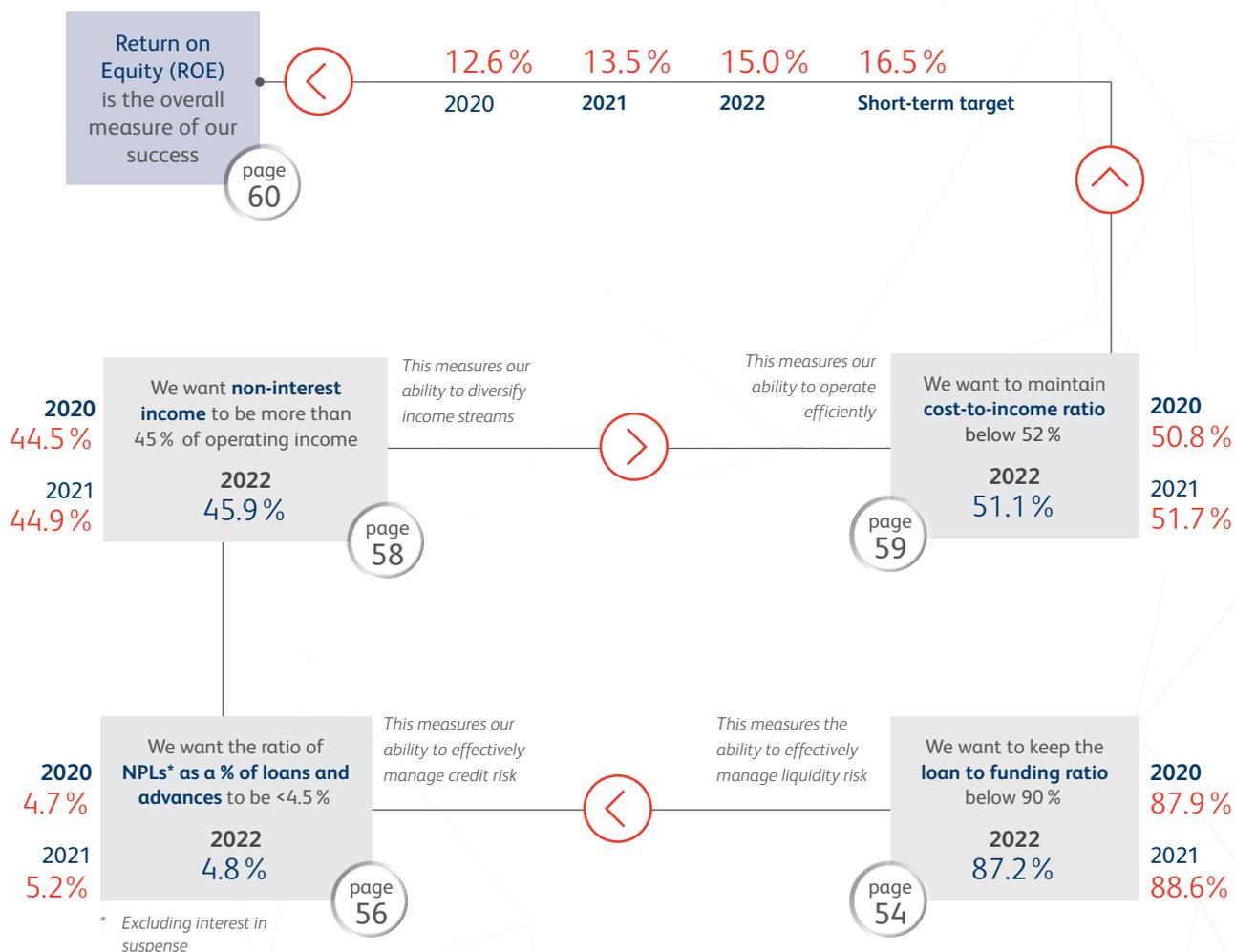
– Thinus Prinsloo, Group CEO



Our performance: financial review

“The Group delivered strong results with profit after tax increasing by 16.6% to N\$1.15 billion, despite the economic pressures exacerbated by rising inflation on the back of increased global oil and food prices. Our region fortunately witnessed increased economic activity as COVID-19 related restrictions were eased.”





Key indicator trends

	2019	2020	2021	2022
Return on average equity (%)	16.3	12.6	13.5	15.0
Earnings per share year-on-year growth (%)	0.5	(18.1)	14.9	20.0
Headline earnings per share year-on-year growth (%)	14.9	(13.4)	10.3	18.5
Net asset value per share year-on-year growth (%)	3.4	8.5	5.0	10.3
Cost-to-income ratio (%)*	53.0	50.8	51.7	51.1
Operating profit year-on-year growth (%)	13.5	(3.4)	(0.8)	16.8
Profit after tax year-on-year growth (%)	8.7	(15.6)	14.8	16.6
Total risk-weighted capital ratio (%)	14.9	14.7	15.0	15.8
Dividend per share (cents)	66	50	60	72

* Aligning to industry practice, we have updated the way in which the cost-to-income ratio is calculated. When calculating the cost-to-income ratio, banking and related fee and commission expenses are treated as a reduction in non-interest income, rather than operating expenses. Prior period ratios have been restated to be consistent with this new approach.

Financial highlights

- > ROE increased to 15.0% (2021:13.5%).
- > Group profit after tax increased by 16.6% to N\$1.15 billion (2021: N\$983.0 million), indicating a strong recovery from COVID-19.
- > Impairment charges decreased by 17.2% to N\$367.3 million, mainly attributed to an improved operating environment positively impacting the key credit risk indicators, resulting in a lower increase in provisions than what was required in 2021.
- > The Group's NPL ratio (excluding interest is suspense) recovered to 4.8%, which is better than expectations, but is a result of a deliberate attempt to manage credit risk effectively.
- > Non-interest income increased by 13.1% to N\$1.67 billion (2021: N\$1.48 billion), once again ahead of pre-pandemic levels. This is largely attributed to a N\$111.5 million increase in net trading income, mainly from foreign exchange trades and derivatives. Transaction-based fee income increased by 18.7%, driven mainly by increased transaction volumes on the back of improved economic activity.
- > Bank Windhoek's net interest income increased by 7.4% as it maintained its net interest margin, while increasing market share from 33.8% to 34.8%.
- > Bank Gaborone's profit after tax increased 33.4% to BWP65.0 million (2021: BWP48.7 million).
- > Peo Finance, our newly established microlending business serving government employees in Botswana, experienced strong demand and growth in its first seven months of operations.

- > CAM and CUTM navigated a difficult year to produce a net profit after tax growth of 3.4% (2021: 12%). CAM remained the largest asset manager in Namibia with an AUM of N\$32.1 billion as at 30 June 2022. (2021: N\$31.8 billion).
- > Net asset value per share increased by 10.3% to 1,427 cents (2021: 1,294 cents).
- > Earnings per share increased by 20.0% to 204.9 cents (2021: 170.7 cents).

Financial lowlights

- > Entrepo's profit after tax decreased to N\$199.2 million (2021: N\$226.2 million), as new business growth and net interest margins came under pressure.
- > Net interest margins at Bank Gaborone were negatively impacted due to rising cost of funding as inflation continued to soar and raised investors' expectations on interest rates. This was further exacerbated by stiff competition for funding in a decreasing liquidity environment as government bonds auctions have since been increased from quarterly to monthly. Yields on government stock increased across the curve by between 0.21% and 1.80% over the financial year, whilst inflation increased from 8.20% in June 2021 to 12.70% in June 2022. Net interest margins at Bank Gaborone decreased to 2.9% (2021: 3.8%).
- > Rising inflation accompanied by an interest rate hiking cycle is putting additional pressure on our customers to service their loans. Despite an improving NPL ratio during the current financial year, our efforts will need to be amplified to ensure that credit risk remains effectively managed.

Salient performance of our main subsidiaries

Bank Windhoek

7.4%

 growth in net interest income
 (2021: 2.7%)

13.0%

 decrease in impairment
 charges
 (2021: 23.8% increase)

10.3%

 growth in non-interest income
 (2021: 4.3%)

9.1%

 increase in liquid assets
 (2021: 2.7%)

21.9%

 increase in operating profit
 (2021: 4.9% decrease)

4.5%

 decrease in NPLs (including
 interest is suspense)
 (2021: 31.3% increase)

34.8%

 market share in loans
 and advances
 (2021: 33.8%)

Net interest margin of

4.37%

(2021: 4.36%)

Bank Gaborone

7.6%

decrease in net interest income
(2021: 5.4%)

58.2%

decrease in impairment charges
(2021: 34.0% decrease)

33.3%

growth in non-interest income
(2021: 28.8%)

27.2%

growth in liquid assets
(2021: 24.4%)

23.9%

increase in operating profit
(2021: 12.9%)

7.2%

increase in NPLs (including interest in suspense)
(2021: 2.8% decrease)

7.5%

market share in loans and advances
(2021: 7.4%)

Net interest margin of
2.91%

(2021: 3.79%)

Capricorn Asset Management and Capricorn Unit Trust Management

N\$32.1 billion
AUM

(2021: N\$31.8 billion)

4.7%

growth in non-interest income
(2021: 12.9%)

4.7%

increase in operating profit
(2021: 12.9%)

Entrepo Finance

Loan book decreased by
0.4% to N\$1.391 billion
(2021: N\$1.397 billion)

Net interest income decreased by
8.7% to N\$180.3 million
(2021: N\$197.4 million)

Loan write-offs and provisions increased by
8.0% to N\$17.4 million
(2021: N\$16.1 million)

External funding as a percentage of the total loan book decreased from **33.2% to 30.8%**

Entrepo Life

Net premium income decreased by
1.2% to N\$161.3 million
(2021: N\$163.3 million)

Claims paid increased by
36.3% to N\$48.4 million
(2021: N\$35.5 million)



The lingering impacts of COVID-19

In 2022 Capricorn Group emerged stronger and recovered from the worst effects of the pandemic. In Namibia, the pandemic threat has receded with an extremely low death rate, especially when compared to the Delta-variant driven third wave during June to August 2021. Almost all COVID-19 restrictions have been lifted. Economic activity has returned, although it is at a lower base than pre-pandemic levels.

The Group's net interest and non-interest income has recovered strongly, exceeding pre-pandemic 2019 levels. Although impairment charges have reduced by 17.2% year-on-year, these are still worse than in 2019. The demand for credit remains subdued due to uncertainty and a rising interest rate environment. Namibia has been in recession since 2016, and these poor economic conditions also impact our performance. Despite these conditions, the Group remained profitable with a sufficient capital adequacy ratio to fund our expansion.

Operational costs to procure staff masks, sanitisers and immune boosters remained. The impact of the Delta variant in July 2021 was devastating, with high infections, hospitalisations and deaths. While COVID-19 infections increased during December 2021 due to increased travel and the emergence of the Omicron variant, the impact was not as severe as experienced in July 2021. In line with the rest of Africa, Namibia continues to lag the rest of the world regarding vaccinations.

Optimising our balance sheet for sufficient liquidity

Liquidity remains a top priority for Capricorn Group. Ensuring appropriate levels of liquidity always takes preference over profit optimisation. This is an important trade-off for the board and management team to manage through funding and liquid assets.

In 2022, the overall market liquidity worsened in Namibia and Botswana, with both governments tapping the local capital markets to meet their funding needs. Government bonds offered high yields, thus attracting capital, which was already in limited supply. This raised the cost of funding. With interest rates increasing around the globe in recent months, investors continue to seek maximum return on their debt investments both within the region and off-shore.

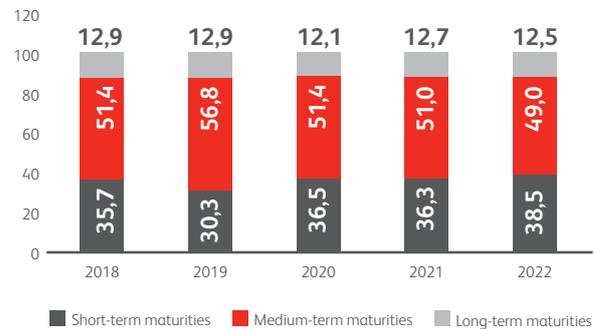
Actively managing the cost of funding

Capricorn Group has a diverse base of funding sources and a low reliance on large depositors. Our loan-to-funding ratio is one of the Group's main liquidity drivers. A high ratio increases profitability but increases the liquidity risk of the Group. We balance profitability and liquidity risk by keeping our loan-to-funding ratio below 90%. The ratio improved from 88.6% in 2021 to 87.2%, as growth in funding outpaced gross advances growth.

The cost of funding has a direct impact on net interest margins. Although the cycle has turned with recent interest rate hikes, interest rates remain below pre-pandemic levels. This low interest rate and low liquidity environment leave limited room for adjustments, increasing the impact of a lag in repricing if one of these factors shift. This situation is also detrimental to overall economic growth and market activity.

Overall, funding increased by 7.4%, largely driven by current, demand and term deposits. We balance shorter-term with longer-term maturities to allow for sustainable liquidity and to manage funding costs.

Funding maturity profile (%)



Bank Windhoek increased funding by 6.1% to N\$40.4 billion (2021: N\$38.1 billion). The bank's focus on accessing cheaper funding meant that the average cost of funding increased by only 62 basis points, despite a 100 basis points increase in the repo rate and a 131 basis points increase in the 3-month JIBAR rate year-on-year. The funding growth was used to meet the 4.7% growth in demand for loans and advances (2021: 3.9%).

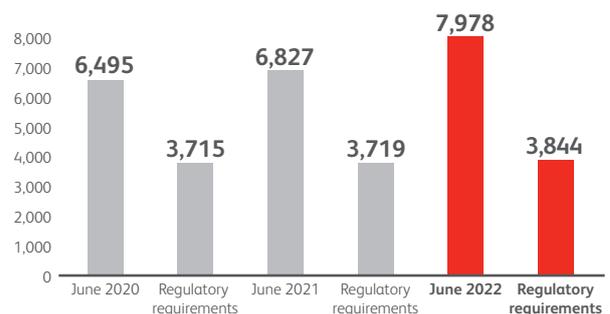
Bank Gaborone's funding increased 13.8% to BWP6.5 billion (2021: BWP5.8 billion). The funding growth is mainly attributable to foreign currency and term deposits growth. The bank's loan-to-funding ratio improved from 86.0% to 80.5% year-on-year. The cost of funding increased by 119 basis points year-on-year as a direct result of competing for deposits in a low liquidity environment accompanied by an interest rate hiking cycle.

Maintaining high liquid asset levels

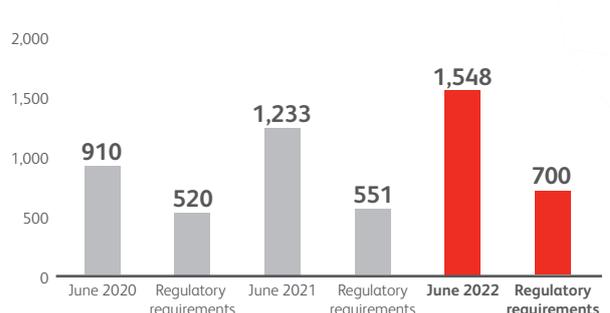
COVID-19 underlined the importance of having sufficient liquidity to withstand a crisis. The Group maintained a sound liquidity position with liquid assets increasing by 14.3% year-on-year. Liquid assets exceeded regulatory requirements in Namibia and Botswana by 107.5% and 121.1%, respectively.

Bank Windhoek increased qualifying regulatory liquid assets by 16.8% and Bank Gaborone by 25.5%.

Bank Windhoek – liquid assets (N\$ million)



Bank Gaborone – liquid assets (BWP million)



	Bank Windhoek N\$'million	Bank Gaborone N\$'million
Regulatory requirements	3,844	925
Surplus liquid assets	4,033	1,120
Surplus liquid assets including buffer portfolio	4,134	1,120
Absolute liquidity surplus including committed facilities	5,234	1,453

In addition to the banks' liquidity buffers, the Group has N\$1.0 billion invested in liquid assets as part of the group's contingency funding facility in South Africa, on which we issued contingency facilities to our two banks. When these contingency facilities are considered, Bank Windhoek and Bank Gaborone have N\$5.2 billion and BWP1.1 billion liquidity buffers respectively. This represents a buffer above the respective minimum requirement of 136.2% and 157.1%.

Sound credit risk management

Protecting our asset quality is an area of strength for Bank Windhoek and a rapidly developing strength at Bank Gaborone. While COVID-19 continues to impact certain sectors, especially tourism, Namibia and Botswana's economic recovery has resulted in fewer deferments and NPLs. While the demand for private sector credit remains muted, both banks continued to grow their market share in loans and advances.

Growing loans and advances

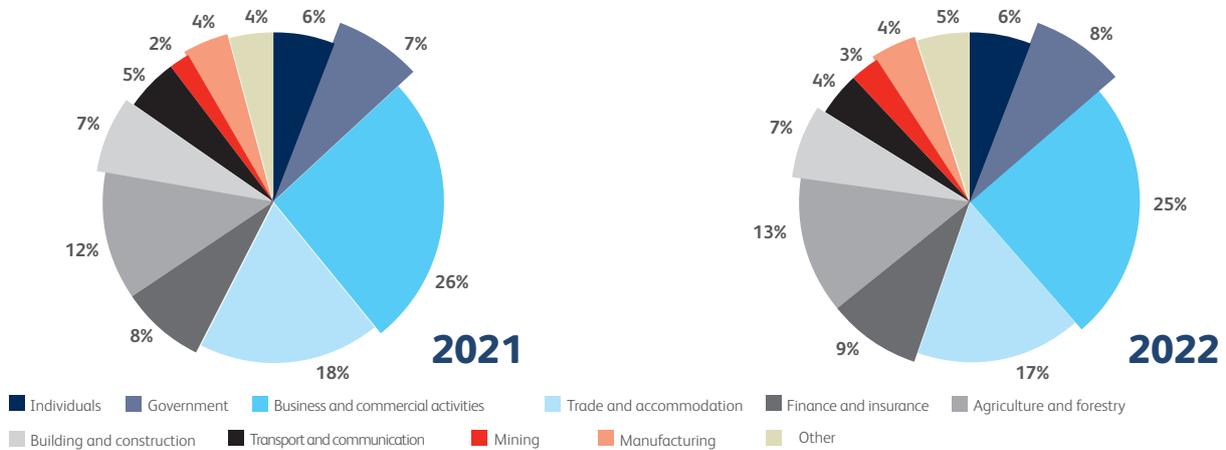
Gross loans and advances increased by 6.1% to N\$44.7 billion this year. This is well above annualised Namibian private sector credit extension growth of 3.4% and confirms our ability and intention to continue extending financing to support clients during difficult times. This growth was mainly attributable to increases in commercial loans, mortgage loans and article finance.

	2018	2019	2020	2021	2022	Comments
Bank Windhoek (N\$'million)	29,994	31,893	33,561	34,899	36,549	Bank Windhoek's gross loans and advances increased by 4.7%. The most noticeable increases were on mortgages, commercial loans and article finance.
Bank Gaborone (BWP' million)	3,615	4,238	4,739	4,967	5,317	Bank Gaborone grew its gross loans and advances by 7.0% to BWP5.3 billion (2021: BWP5.0 billion), with significant increases in commercial loans, overdrafts and article finance.
Entrepo (N\$'million)	848	1,035	1,232	1,428	1,416	Loan repayments exceeded loans granted of N\$575.6 million during the financial year which resulted in an 0.8% decrease in the gross loan book to N\$1,416 million as at 30 June 2022. Third party funding as a percentage of the total loan book decreased from 33.2% to 30.8%.

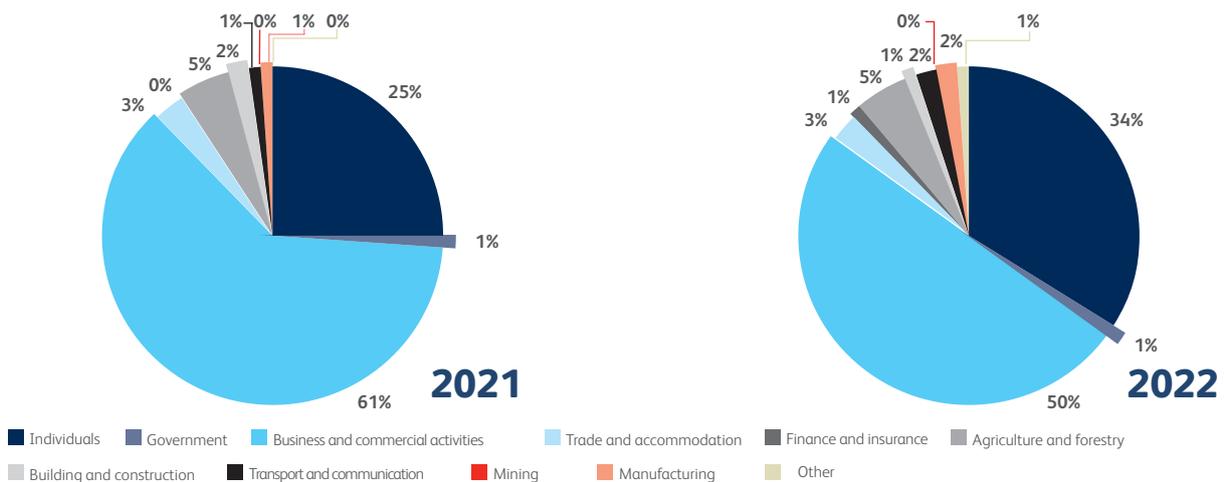
Bank Windhoek remains the market leader in loans and advances in Namibia ending the year at 34.8% share of the total market (2021: 33.8%).

Bank Windhoek has a well-diversified exposure to sectors in its loan book. This diversified nature spreads out credit risk across different sectors. Diversification in the Bank Gaborone loan book improved during the 2022 financial year.

Bank Windhoek's loan portfolio per sector:



Bank Gaborone's loan portfolio per sector:



Proactively managing NPLs

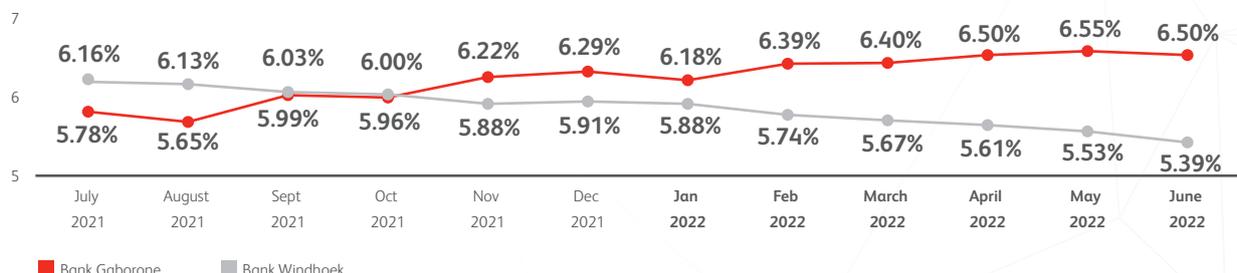
Asset quality remains a key focus for the Group. Pleasingly, despite the challenging economic conditions, the Group's NPLs decreased marginally to N\$2.44 billion (2021: N\$2.46 billion). This resulted in the NPL ratio (excluding interest in suspense) decreasing to 4.8% (2021: 5.2%). This figure is well below the industry average in Namibia, reflecting the Group's prudent approach to credit risk management. We monitor this closely as the outlook and performance of credit risk are highly sensitive to changes in the external environment.

Our loan loss rate decreased from 1.07% to 0.85% and remains low against current industry norms. This loan loss rate includes additional impairment on interest recognised on the net carrying value of NPLs. This approach was adopted in the 2021 financial year to align with industry standards.

Bank Windhoek's NPLs decreased year-on-year. Pressures on the loan portfolio still include challenging macroeconomic conditions, higher costs of living, increasing interest rates and the impact of the Russia-Ukraine conflict. Nevertheless, the bank's NPL ratio excluding interest in suspense improved from 5.5% in 2021 to 4.7% in 2022. The impairment charges to the income statement has been reduced to N\$327.2 million (2021: N\$376.0 million).

Bank Gaborone's NPLs increased 7.2% year-on-year. The impairment charges to the income statement has decreased to BWP16.2 million (2021: BWP38.8 million). The bank enhanced its credit risk management with improvements to its pre-legal, credit assessment and collections operations.

The NPL ratio including interest in suspense for Bank Windhoek reflected a continuous improving trend throughout the year, while a deteriorating trend was noted in Botswana:



At Entrepo Finance, loan write-offs and provisions increased by 8.0% to N\$17.3 million (2021: N\$16.1 million).

Impairment charges

Impairment charges decreased by N\$76.4 million to N\$367.3 million, mainly as a result of our pro-active approach to credit risk management and an improved operating environment for our customers as COVID-19 restrictions were eased.

Protecting earnings quality

The low interest rate environment persisted for most of 2022. We maintained our earnings quality through proactive credit management, growing our non-interest income and limiting operating expenses to essential and value-adding spend.

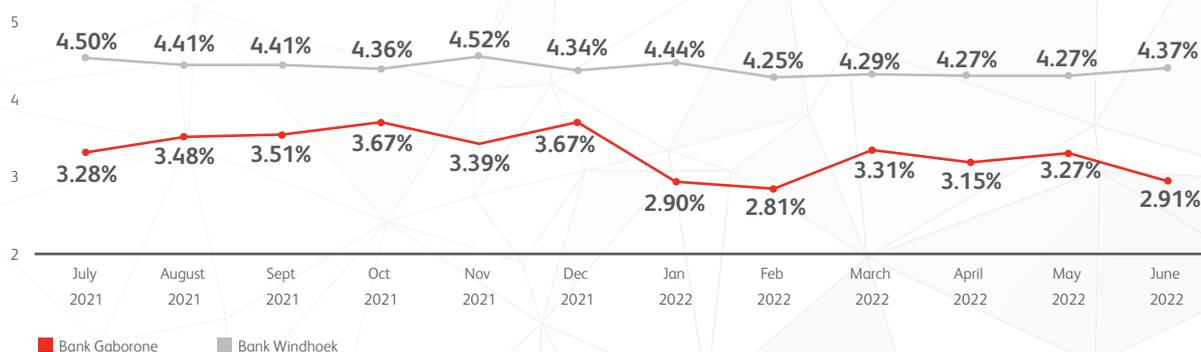
Net interest income

Bank Windhoek's net interest income increased by 7.4% in 2022 thanks to a year-on-year growth of 7.6% in interest earning assets. Notwithstanding repo rate increases of 100 basis points between February and June 2022 by the Bank of Namibia, the bank's average net interest margin remained relatively flat at 4.37% (2021: 4.36%) as average cost of funding increased over the period. A portion of the bank's funding is JIBAR linked, leading to funding repricing before our assets do. This reduces the positive endowment effect of the rate hiking cycle.

The Bank of Botswana increased rates by 51 basis points in April 2022 and 50 basis points in June 2022. Despite these increases, Bank Gaborone experienced a 7.6% decline in net interest income. While net interest income grew by 6.6% in 2022, interest expenses increased 23.2% as Bank Gaborone's interest margin deteriorated to 2.91% (2021: 3.79%), due to poor market liquidity driving higher cost of funding.

N\$'000	June 2018	June 2019	June 2020	June 2021	June 2022
Interest and similar income	4,244,215	4,547,733	4,725,908	4,057,427	4,187,290
Interest and similar expenses	(2,425,318)	(2,513,987)	(2,541,932)	(1,802,124)	(1,850,174)
Net interest income	1,818,897	2,033,746	2,183,976	2,255,303	2,337,116
Impairment charges	(80,840)	(123,698)	(407,448)	(443,748)	(367,303)
Net interest income after loan impairment charges	1,738,057	1,910,048	1,776,528	1,811,555	1,969,813

Net interest trends



	Bank Windhoek N\$'000	Bank Gaborone BWP'000	Comments
Interest income	3,257,863	474,039	Interest income increased by 3.8% and 6.6% at Bank Windhoek and Bank Gaborone respectively on the back of the interest rate hiking cycle and a growing loan book at both banks.
Interest expense	1,403,387	252,737	Interest expense at Bank Windhoek was 0.7% lower than the prior year on the back of an effective cost of funding management strategy, while Bank Gaborone's interest expense was 23.2% higher due to the higher funding costs and good growth in total funding.
Repo rate as at 30 June 2022 (Namibia) Monetary Policy Rate as at 30 June 2022 (Botswana)	4.75%	2.15%	The Bank of Namibia followed the South African interest rate cycle and increased the interest rate by 100 basis points between February and June 2022. The Bank of Namibia is expected to tighten monetary policy to contain inflation. The Bank of Botswana increased the interest rate by 51 basis points in April 2022 and 50 basis points in June 2022 for the same reason.

As Entrepo Finance's gross loan book decreased 0.8% in 2022, net interest income decreased by 8.7% to N\$180.3 million. In addition to the decreasing loan book, Entrepo's interest margins also came under pressure as loans are given at fixed rates, while funding rates are variable. This will have a negative impact on margins during a rate-hiking cycle. Entrepo Finance decreased its reliance on third-party providers with external funding as a percentage of the total loan book decreased from 33.2% to 30.8%.

Growing our non-interest income

Non-interest income increased by 13.1% to N\$1.67 billion (2021: N\$1.48 billion).

	Bank Windhoek N\$'000			Bank Gaborone BWP'000		
	2020	2021	2022	2020	2021	2022
Non-interest income	1,066,608	1,112,058	1,226,532	61,865	79,685	106,206

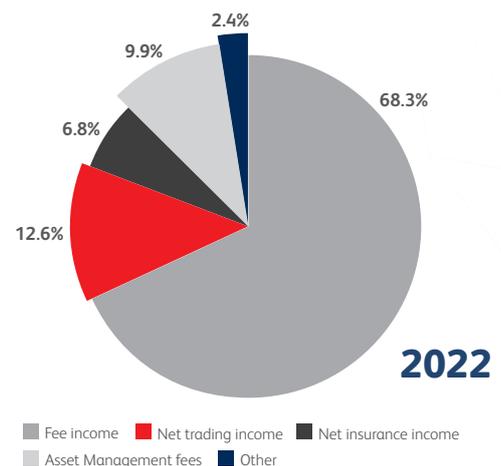
Bank Windhoek increased its non-interest income by 10.3%. The main contributors were an increase in transaction-based fee income due to improved transaction volumes and an increase in foreign exchange trading income on the back of higher transaction volumes, increased foreign exchange rate volatility and higher trading margins.

Bank Gaborone's non-interest income grew 33.3% to BWP106.2 million, largely due to a 34.7% increase in transaction-based fee income and an increase of 49.7% in foreign exchange trading income. The increases in both these revenue lines was a direct consequence of increased transaction volumes.

Non-interest income is supported by the Group's diversified income streams, including a contribution from CAM of asset management fee income of N\$164.6 million (2021: N\$158.7 million). Entrepo's net premium income decreased marginally from N\$163.3 million in 2021 to N\$161.3 million.

Diversification of non-interest income

%	2020	2021	2022
Fee income	62.1	67.9	68.3
Net trading income	13.9	6.7	12.6
Net insurance income	8.6	8.7	6.8
Asset management fees	9.5	10.8	9.9
Other	5.9	5.9	2.4



Ensuring efficient operations

Managing our operating expenses

We were able to keep our cost-to-income ratio at 51.1%, below our target of 52%. Over the past five years, the cost-to-income ratio has been weighed down by the acquisitions of Cavmont Bank in 2017 and the impact of COVID-19.

Increases in operating expense lines were mostly contained to below inflation rate. Notable exceptions were employee costs and operational banking expenses. Operating expenses increased by 6.7% compared to the prior year's 5.1% increase. The above-inflation increase in employee costs is largely due to increasing capacity in information technology and cyber security to deliver on our strategic objectives on data and digitisation and to manage our general IT and cyber security risk. Operational banking expenses increased by 23.4% as a result of increased transaction volumes. Containing cost to only essential and value-adding spend will remain a focus area for 2023.

Cost-to-income ratio*



* Aligning to industry practice, we have updated the way in which the cost-to-income ratio is calculated. When calculating the cost-to-income ratio, banking and related fee and commission expenses are treated as a reduction in non-interest income, rather than operating expenses. Prior period ratios have been restated to be consistent with this new approach.

N\$'000	2020	2021	2022	Comments
Employee costs	1,092,376	1,124,358	1,210,948	Employee costs increased by 7.7% (2021: 2.9%) due to filling vacancies, especially senior IT hires in addition to annual salary increases.
Property expenses (including depreciation)	216,211	249,857	246,258	Property related expenses were well contained within the current financial year.
Technology	138,145	155,520	147,347	Technology costs decreased by 5.3% (2021: 12.6% increase). We have steadily reduced our dependence on third-party technology providers by developing our own platforms.
Operational banking expenses	206,001	213,512	263,432	Operational banking expenses increased by 23.4% as transaction volumes increased significantly.
Other	248,144	253,688	263,138	Other expenses were contained at a below inflation increase of 3.7%.

We believe our continued investment in new skills, technology and infrastructure will yield positive returns in the long run and position our Group for sustainable growth.

An improved operating profit

Our operating profit increased 16.8% to N\$1.51 billion (2021: N\$1.29 billion).

N\$	2018	2019	2020	2021	2022
Operating profit	1,168,117	1,346,569	1,300,362	1,290,531	1,507,656
Share of profit from associates	84,384	76,332	66,528	103,613	67,697
Profit before income tax	1,252,501	1,422,901	1,366,890	1,394,144	1,575,353
Profit from continuing operations	934,435	1,035,151	1,012,095	1,024,301	1,145,881
Loss from discontinued operations	–	(19,852)	(155,683)	(41,274)	–
Profit after tax	934,435	1,015,299	856,412	983,027	1,145,881

Ensuring adequate capital depth

We balance protecting and preserving our capital, allocating funds for our growth ambitions and offering attractive shareholder returns.

The Group remains well capitalised, with a total risk-based capital adequacy ratio of 15.8% (2021: 15.0%). This is well above the minimum regulatory capital requirement of 10%. This strong capital position has supported the Group through the difficulties brought about by the pandemic.

Capital adequacy for the Group:

%	Tier 1 leverage ratio	Tier 1 risk-based capital ratio	Total risk-weighted capital ratio
Minimum requirement	6	7	10
Capricorn Group	12.7	14.8	15.8

At the end of the year, Bank Windhoek and Bank Gaborone's capital was in a strong position:

%	Required minimum ratio	Actual ratio at the end of the year
Bank Windhoek	10	15.7
Bank Gaborone	12.5	15.7

We anticipate that the Group will comfortably maintain its capital ratios and not require additional capital. Apart from the access to capital markets through our NSX listing, we have access to further capital support through our two shareholders of reference, the GIPF and CIH.

Contribution from associates

Combined income from all associates decreased by 34.7% overall (2021: 55.7% increase).

Sanlam Namibia delivered a strong performance with good new business inflows. However, the company paid out significant mortality claims during the third wave of COVID-19, impacting its profitability. Sanlam remained well capitalised and managed to reduce the impact of mortality losses via a release of reserves. Sanlam's contribution to Group profits decreased by 47.4%.

Santam Namibia's contribution declined by 17.8% in a low growth, competitive market.

Santam and Sanlam continue to execute their plans to digitise their processes further, work with strategic partners and deliver new products.

The Paratus Group's continues to evolve its products, including offering an uncapped satellite internet service, fibre-to-the-home services data centres and cloud services. The Group's contribution decreased 21.1% to N\$24.0 million mainly attributable to foreign currency fluctuations despite growth in local currencies.

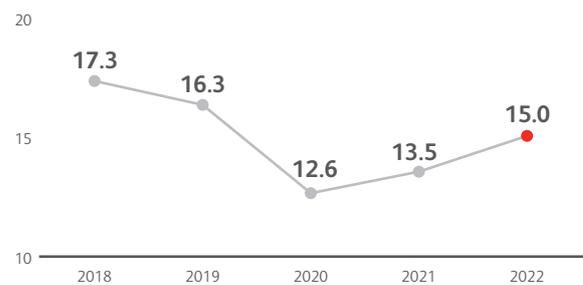
An improved ROE

Despite difficult conditions, Capricorn Group delivered strong shareholder returns. We will maintain this position by building on the strength of our diversified operations and revenue streams while investing in our digital customer experience.

According to the Bank of Namibia, the banking sector's profitability, as measured by ROE increased to 13.6% by the end of 2021, from 10.9% by the end of 2020. The Group delivered an ROE of 15.0% (2021: 13.5%). This improved ROE was mainly due to:

- > An improvement in non-interest income due to an increase in transaction volumes at Bank Windhoek and Bank Gaborone.
- > Lower impairment charges on the back of an improving operating environment.
- > Strong all-round performances by our banking subsidiaries.
- > No further losses incurred on discontinued operations in Zambia.

ROE (%)



A track record of consistent dividend payments

The Group declared a final dividend of 40 cents per ordinary share. Including the interim dividend of 32 cents per ordinary share, this represents a total dividend of 72 cents per ordinary share (2021: 60 cents). This is 20% higher than the total dividend per share for 2021. We believe that we offer an attractive dividend yield for shareholders while retaining capital to fund our future growth.

The Group has taken the following factors into account when determining the final dividend:

- > The current environment, the need to preserve capital and liquid asset positions, increasing inflation and uncertain economic outlook.
- > We need to offer our investors solid cash returns in difficult economic conditions where earnings and income are under pressure.

Dividend payment details

Last day to trade cum dividend: 7 October 2022
 First day to trade ex-dividend: 10 October 2022
 Record date: 14 October 2022
 Payment date: 26 October 2022

Johan Maass
 Group CFO



We support the principles of good corporate governance, including transparency, discipline, independence, accountability, responsibility, fairness and social conscience. By embracing these principles, we protect stakeholders' interests and our long-term sustainability."

– Gerhard Fourie, Group chairperson



Governance at a glance

Our approach to governance

We support the principles of good corporate governance, including transparency, discipline, independence, accountability, responsibility, fairness and social conscience. By embracing these principles, we protect stakeholders' interests and our long-term sustainability.

The board and its committees are the custodians of effective leadership and ethical practices and ensure that the application of corporate governance practices delivers the desired outcomes.

The board acknowledges its responsibility for setting the leadership tone. The board oversees management's work to embed The Capricorn Way and foster an ethical culture with behaviours based on a common set of values. We also encourage a strong Risk Culture that supports dynamic risk management.

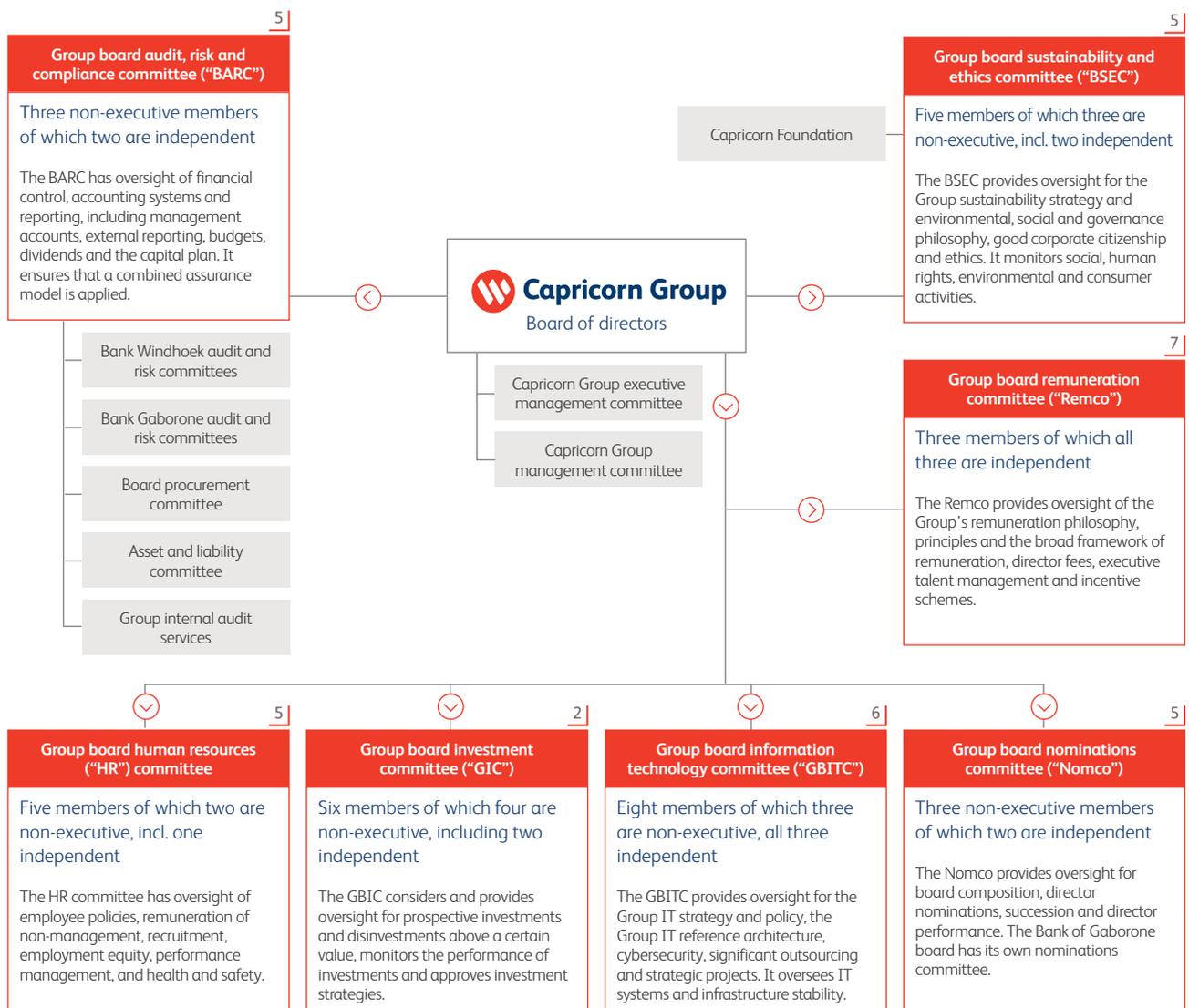
Our key board practices and activities focus on:

- > Open and rigorous discussion
- > Active participation
- > Consensus in decision-making
- > Independent thinking and varied perspectives
- > Reliable and timely information

Find more detail about our governance approach, structures and performance in the online governance report.

Our governance system

Number of meetings per annum



The board follows a structured approach to meetings, supported by a timely flow of documents to ensure that the oversight responsibilities of the boards of subsidiaries and the Group board and its committees are carried out effectively.

Board and committee members as at 30 June 2022 and their attendance at these committees' meetings during the year are as follows:

Director	Category	Board	BARC	Group board HR committee	Group board Remco	Group board Nomco	Group board investment committee	BSEC	GBITC
	Meetings held	9	5	5	7	5	2	5	6
D G Fourie*	Independent non-executive chairperson	9*			7	5	2		
J C Brandt	Non-executive	8				4	2		
E Fahl**	Independent non-executive	7		3					
H M Gaomab II	Non-executive	8					1*	5	
D T Kali**	Lead Independent non-executive	6						2	
G Menetté	Independent non-executive	9	5	5*					
G Nakazibwe-Sekandi	Independent non-executive	9			7*			5*	
M J Prinsloo	Group CEO	9		5			2	5	5
D J Reyneke	Independent non-executive	8	5*						6
E Solomon	Independent non-executive	9							6*
J J Swanepoel	Independent non-executive	9	3		7	5*	2		

* Chairperson.

** Appointed to the board in September 2021.

Board leadership, composition and diversity

Capricorn Group has a unitary board with an appropriate mix of executive, non-executive and independent directors. The size of the board is dictated by the company's articles of association, which require a minimum of five and a maximum of 12 directors.



The Nomco, assessed the independence of the non-executive directors classified as independent and confirmed their continued classification as independent. Johan Swanepoel, Gida Sekandi and Koos Brandt have all served more than nine years. Koos Brandt is not classified as independent. The independent classification for Johan Swanepoel and Gida Sekandi was reassessed and confirmed.



The board charter specifies a retirement age of 60 years of age for executive directors. Non-executive directors are required to retire at the AGM following their 70th birthday. Exceptions may be approved by the board. Koos Brandt is 79, and his continuation as a non-executive director was approved by the board. Gida Sekandi is 69, and Nomco recommended her continuation as an independent non-executive director.



The board aims for a PDI ratio of 50%.



The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence but keeps an eye on enhancing the appropriate mix.

Summary board member profiles

Full board member profiles are available in the governance report.



Daniel Gerhardus Fourie (64)

BCom (Hons), CA(SA), CA(Nam)

Independent non-executive chairperson

- > Member of the Group board remuneration committee (Remco)
- > Member of the Group board nominations committee (Nomco)
- > Member of the Group board investment committee (GIC)

Appointed to the board in 2015

Appointed as board chairperson with effect from 1 January 2022



Daniel Teodor Kali (53)

BA, MPhil

Lead independent non-executive Director

- > Member of the Group board sustainability and ethics committee (BSEC)

Appointed to the board in 2021



Marthinus Johannes Prinsloo (51)

BCompt (Hons), CA(SA), Cert.Dir. (SA)

Group CEO and executive director

- > Member of the Group board human resources committee (HR)
- > Member of the Group board investment committee (GIC)
- > Member of the Group board sustainability and ethics committee (BSEC)
- > Member of the Group board IT committee (GBITC)

Appointed to the board in 2013



Gida Nakazibwe-Sekandi (69)

LLB, Accredited Public Relations Practitioner (APR)

Independent non-executive director

- > Chairperson of the Group board sustainability and ethics committee (BSEC)
- > Chairperson of the Group board remuneration committee (Remco)

Appointed to the board in 2004



Elizabeth Fahl (62)

Certificates in Human Resources Management, Management Development Programme

Independent non-executive director

- > Member of the Group board human resources committee (HR)

Appointed to the board in 2021



Jacobus Christiaan Brandt (79)

BA LLB

Non-executive director

- > Member of the Group board investment committee (GIC)
- > Member of the Group board nominations committee (Nomco)

Appointed to the board in 1996



Goms Menetté (55)

MBA, PGDip in Management Studies, NDip in Business Administration

Non-executive director

- > Chairperson of the Group board human resources committee (HR)
- > Member of the Board audit, risk and compliance committee (BARC)

Appointed to the board in 2018



Johannes Jacobus Swanepoel (62)

BCom (Hons) (Accounting), CA(SA), CA(Nam)

Independent non-executive director

- > Chairperson of the Group board nominations committee (Nomco)
- > Member of the Group board remuneration committee (Remco)
- > Member of the Board audit, risk and compliance committee (BARC)
- > Member of the Group board investment committee (GIC)

Appointed to the board in 1999



Erna Solomon (60)

BSc (Ed), BSc (Hons), MSc, Global Executive Development Programme

Independent non-executive director

> Chairperson of the Group board IT committee (GBITC)

Appointed to the board in 2019



Heinrich Mihe Gaomab II (52)

BCom (Hons), PGDip in Quantitative Development Economics, MSc Quantitative Development Economics

Non-executive director

> Chairperson of the Group board investment committee (GIC)

> Member of the Group board sustainability and ethics committee (BSEC)

Appointed to the board in 2018



Dirk Johannes Reyneke (60)

BCom, BCompt (Hons), CA(SA), NDip in Advanced Banking

Independent non-executive director

> Chairperson of the Board audit, risk and compliance committee (BARC)

> Member of the Group board IT committee (GBITC)

Appointed to the board in 2017

Board social and ethics committee report

As a BSEC, we are responsible for elevating the ethics and sustainability agenda throughout the Group. In 2022, we raised awareness of key ESG matters and sourced expert opinion to guide the development of our Group sustainability strategy.

In 2022, we conducted a BSEC workshop with senior management and board members to demystify sustainability and ESG. The workshop raised awareness of key sustainability matters among management and the board while garnering support for greater strategic focus on these matters. This year we also conducted a Group-wide assessment of our internal sustainability reporting with a view to standardise indicators. Each subsidiary received a tailored recommendation for key performance indicator definitions for measurement and reporting.

In 2023, we plan to deepen our sustainability competency and capacity, through an updated sustainability strategy, led by the Group head of sustainability. This will include enhancements to our reporting and disclosure on sustainability.

The Group's sustainability initiatives

Bank Windhoek is leading several initiatives in the sustainability finance domain in Namibia. These include the green bond and sustainability bond, and sustainability loans. Bank Windhoek is also a member of the Nasdaq Sustainable Bond Network. In August 2021, the bank assessed its current and future focus areas in this domain and formulated an ESG roadmap, which was approved by the bank's board. The next step is to incorporate the ESG strategic priorities into the bank's strategy and translate these into tangible business decisions. Bank Windhoek was invited to join the Namibian delegation at COP26 in November 2021. This provided an invaluable chance to build networks in the sustainability space and gain a deeper understanding of climate change's risks and opportunities. Read more in the Group CEO's report on page 44.

Bank Gaborone is supporting the development of the SME sector through supplier development programmes. Read more in the Group CEO's report on page 44.

CAM also invests in key sustainable development projects through its Caliber Capital Trust. Read more in the Group CEO's report on page 44.

In May 2022, the Capricorn Group was represented as part of the Namibian delegation at the World Economic Forum in Davos, to position Namibia for international investment. Read more in the Group CEO's report on page 44.

The Capricorn Foundation

The Capricorn Foundation, the Group's vehicle for corporate social responsibility initiatives, now in its second year of operation, has established itself as a thought leader in corporate social responsibility in Namibia.

The Foundation is well funded with a 0.75% net profit after tax contribution from our subsidiaries in 2022 while subsidiaries apply 0.15% to their own signature CSR activities. In 2022 our subsidiaries contributed more than N\$7,737,500 to the Foundation. In September 2022, we published the first Social Value report of the Group, highlighting the Foundation's activities and other subsidiary CSR initiatives. Read more about the Foundation in the material matters section on page 35.

Promoting a strong ethical culture

Embedding an ethical culture is a continuous focus for the Group. Our Ethics strategy and plan is firmly entrenched in the Group through Ethics Champions (the Group CEO and subsidiary managing directors) and coordinators who lead the implementation of tailored subsidiary action plans and the BSEC which oversees the progress with execution at quarterly intervals.

We have a confidential ethics hotline with all incidents reported at the BSEC committee meetings. During the reporting period we observed an increased level of reports as confidence in this reporting channel grew. We also encouraged trust in this channel through targeted actions focusing on aspects which promote trust such as feedback to incident reporters and creating enterprise-wide awareness of action taken when incidents are reported.

We publicly demonstrated our commitment to encouraging dialogue around business ethics in November 2021, when the Group sponsored the Baobab Award Breakfast at the 20th annual Business Ethics Network of Africa's Conference. At this breakfast, Johannes Stefansson, the fishrot whistleblower, received the Order of the Baobab award and we presented our Group's approach to ethics and culture management. Read more about our approach to ethics in our material matters section on page 27.

COVID-19 impact

COVID-19 has continued to shape our operating environment and workplace dynamics. We implemented work-from-home arrangements as far as possible. We responded rapidly to changing COVID-19 risk levels to manage the safety risk to our staff and customers, scaling our measures up or down as the pandemic evolved through cycles of intensity and impact. Our reliance on technology to enable remote working has resulted in less travel. We also continued to enable access to information and services related to COVID-19, including vaccinations, counselling and testing.

Changes to the committee

In 2022, we welcomed Daniel Kali to the committee. As the resident director for De Beers Namibia, Daniel has deep insights into sustainability from the mining industry.

BSEC focus areas for 2022

- > Conducted a stakeholder audit and shared these findings and recommendations with senior executives and the board. Read more on page 22.
- > Created awareness amongst board members and executives of sustainability and climate change imperatives and the capacity and infrastructure required to respond to it with the support of external consultants.
- > Developed partnerships in CSR interventions.
- > Participated and contributed to government's Business Rescue Task Force. Read more on page 45.
- > Implemented subsidiary ethics activity plans.
- > Understanding suppliers' status, influence and impact in terms of ethics and human rights. This included completing the Group-wide supplier due diligence project to ensure a standardised and embedded process for all vendors to sign the Suppliers' Code of Conduct upon onboarding and registration.

Focus areas for 2023

- > A revision of the Group's sustainability framework.
- > Conducting a gap assessment to identify key focus areas and gaps in our implementation of the sustainability framework and formulating a roadmap and plan to close the gaps.
- > Conducting an independent procurement ethics risk assessment of our Namibian supply chain.
- > Continue to enhance reporting and disclosure around sustainability and CSR, including the work of the Foundation, impact reporting, measurement and assessment.

Summary of the Group's contribution per CSR category

During the period under review, the Capricorn Group and its subsidiaries in Namibia and Botswana, including the Capricorn Foundation, invested N\$15.4 million in corporate social responsibility initiatives, representing 1.3% of profit after tax (2021: N\$12.1 million), in line with the Group's CSR policy guideline of 1% of profit after tax.

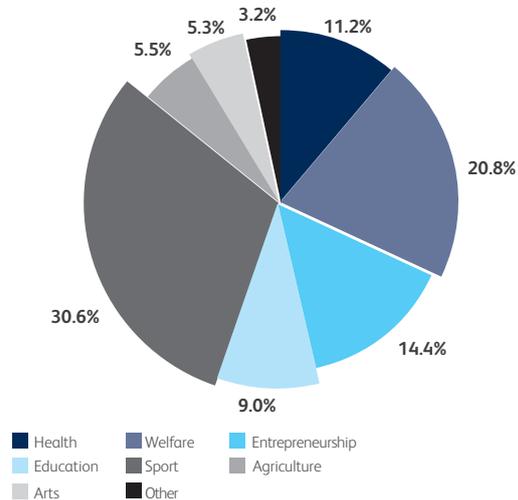
This is a consolidated view of the CSR activities of the Capricorn Foundation, Capricorn Group, Bank Windhoek, Bank Gaborone, CAM and Entrepo. Each entity has specific CSI focus areas, but all contribute to the Foundation (excluding Bank Gaborone). For a more in-depth view on our CSR activities, view our Social Value report, which is available on our website.

	2022
*Capricorn Foundation	7,737,000
Capricorn Group	1,622,385
Bank Windhoek	5,277,514
Bank Gaborone	153,818
Capricorn Asset Management	210,749
Entrepo	394,250
TOTAL	15,395,716

* The Capricorn Foundation is funded by the Group's Namibian subsidiaries Bank Windhoek, Capricorn Asset Management and Entrepo.

In addition to the Capricorn Foundation activities focusing on key areas such as Education, Economic Advancement and Vulnerability Programmes, Capricorn Group and its subsidiaries invested in the following sectors of the community:

Summary of the Group's contribution per CSR category



Our support of the United Nations Global Compact ("UNGC")

The Capricorn Group is a signatory of the UNGC and submits an annual Communication on Progress. We uphold the ten principles and integrate these into our strategy, culture and daily operations. Our approach is listed below:

Human rights

Human rights are enshrined in the constitutions of Namibia and Botswana. We are committed to upholding human rights and operating within the bounds of the associated laws in the countries where we operate. Our internal policies and procedures protect employees' human rights and detect and remedy violations. The Group's Suppliers' Code of Conduct is enforced by procurement departments that also do supplier due diligence on human rights, labour and ethics.

Labour

The Group does not use child labour, migrant workers or forced labour. Internal policies and labour laws that regulate employment in all jurisdictions protect workers' rights. The risk of violating the rights of workers is low. Workers have a right to organise themselves through labour unions, as protected by law.

The HR committee has oversight of labour-related matters, including the policy framework. New employees are made aware of policies through an induction programme, and policy changes are communicated to all employees as and when they occur. A formal grievance procedure protects employee rights.

The Remuneration Policy outlines the Group's remuneration principles and is the guiding document regarding fair and equitable remuneration.

Environment

Bank Windhoek’s engagement in green and sustainability bonds stands out as an area of action due to the scale of funding involved, integration into the bank’s core business.

The Group’s own operations have a limited direct environmental impact; however, lending activities can indirectly impact society and the environment if not managed. Bank Windhoek manages environmental and social impact through the Environmental and Social Management System (“ESMS”) Policy and Procedure.

No changes have been made to the Bank Windhoek exclusion list, which is used to assess clients against activities that are not permitted due to unacceptable environmental and social impacts.

No applications were declined on account of high risk, the exclusion list or any other environmental or social related reasons. No loans were turned down on account of the ESMS, and there are no clients at risk of material breaches of environmental laws and regulations or unacceptable social and environmental impacts.

Anti-corruption

Capricorn Group is determined to maintain a culture of high ethical and moral standards, honesty, and opposition to fraud and corruption. As a listed entity, Capricorn Group complies with King IV™, which requires a statement by the board confirming compliance with all applicable laws. This includes the Namibian Anti-Corruption Act, 8 of 2003, which criminalises corrupt conduct and practices.

The BSEC oversees ethics reporting, and it is our first material matter. The Group’s various policies aim to prevent corruption internally and externally, including the Group Code of Ethics and Conduct Policy, Group Procurement Policy, Group Whistleblower Policy, the Bank Windhoek Forensic Policy and the Group Financial Crime Risk Framework.

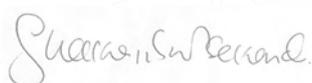
The Group Procurement Policy includes a Suppliers’ Code of Conduct which requires suppliers to adhere to standards of good conduct towards employees and the environment and concerning anti-bribery, anti-corruption, reporting and disclosure.

We create awareness of anti-corruption through induction training, internal communication and annual conferences held for branch administrators covering anti-corruption.

No cases of corruption or bribery were reported or investigated within or against the Group.

Guidance on where to find more information relating to BSEC oversight themes

The Foundation	Our stakeholder section from page 20 Material matters: Making a positive impact in society from page 35
Ethics and anti-corruption	Our stakeholder section from page 20 Material matters: Conducting business in the right way from page 27 BSEC report: UNCG section
Equality and the prevention of unfair discrimination	Our strategic choices: Choice three from page 38
Social and economic development activities	Our stakeholder section from page 20 Material matters: Making a positive impact in society from page 35
Health and public safety activities, including COVID-19	Our stakeholder section from page 20 Material matters: Ensuring a responsible COVID-19 response from page 33
Consumer relationships and public relations	Our stakeholder section from page 20 Material matters: Embedding a customer-centric service culture from page 30
Compliance with human rights conventions	BSEC report: UNCG section



Gida Nakazibwe-Sekandi

BSEC chairperson

“The Capricorn Foundation, the Group’s vehicle for corporate social responsibility initiatives, now in its second year of operation, has established itself as a thought leader in CSR in Namibia.”

Gida Sekandi, BSEC chairperson

Remuneration report

Part one: background statement

Introduction

Capricorn Group's approach to remuneration complies with the principles of King IV™ and the imperative to create sustainable long-term value. We also consider the economic, social, and environmental context in which the Group operates to determine fair and responsible remuneration and associated practices. These aim to:

- > Attract, motivate, reward, and retain human capital
- > Promote the achievement of strategic objectives within our risk appetite
- > Promote sustainable business performance outcomes
- > Promote an ethical culture and responsible corporate citizenship

As good corporate citizens, we continue maturing our practices and enhancing disclosure. We made progress with the following during 2022:

1. Driving a robust performance culture where the strategic choices are unpacked in detail and linked to performance objectives.
2. Adopting the principles and implementing corrective actions following a race and gender pay fairness analysis.
3. Making a step-change towards holistic remuneration following the introduction of a pay progression model in 2021. The model considers the full people value chain and the dynamic interaction between reward, performance and talent according to business-specific needs, including:
 - > Encouraging and rewarding desired employee performance standards.
 - > Building in a fairness mechanism based on three dimensions opposed to just one.
 - > Maintaining salary competitiveness while controlling payroll costs within set parameters (including affordability).
 - > Providing a fair and transparent process by which individual increases are determined.
 - > Retaining talent by considering this in the total reward approach.

Our approach

This report sets out the Capricorn Group Remuneration Philosophy and Policy ("the policy") and its application during the 2022 financial year.

The three-part report aims to provide stakeholders with the appropriate information to understand how our policy translates into actual outcomes for executives and senior management.

To ensure that our remuneration practices and policy adhere to regional practices and stakeholder interests, we use Bowmans, an external remuneration consultancy firm operating across Africa. Remco considers them to be independent and objective in their annual reviews and advisory services to Capricorn Group.

We obtained benchmark data and amended short-term incentive ("STI") and long-term incentive ("LTI") guidelines to reflect market movements. We are confident that the targets we have set for the performance conditions will stretch leadership to focus on sustainable performance to unlock rewards for participants. Remco also considers the qualitative measures associated with successful implementation of the entities' strategic plans as part of the overall performance conditions.

Remco is comfortable that the policy as well as the operating guidelines achieved its objectives as mentioned above.

We create value for employees through personal development and upskilling, which positions them for better performance and increased remuneration in future. Examples of these investments include:

- > An online learning platform, Captivate, which specifically focused on developing soft skills.
- > A Digital Academy to improve our employees' digital skillsets.
- > Leadership development through the Harvard ManageMentor online programme, a leadership coaching programme dedicated to change management training.

Read more about talent, learning and development in the section on material matters from page 26.

Remuneration governance

Remuneration is governed by Remco. The committee's roles and responsibilities are disclosed in the governance report from page 62. Executive directors attend committee meetings by invitation but are requested to recuse themselves when matters concerning them are discussed.

The Remco confirms that it has discharged these functions and complied with its terms of reference for the year ended 30 June 2022.

The key activities and recommendations of the Remco regarding remuneration during 2022 included:

- > Reviewing the remuneration policy including the STI and LTI operating guidelines that support the manner in which awards are allocated. Benchmark data was obtained to inform the amendments.
- > Setting guidelines and approving the annual remuneration framework and associated mandates, taking into account fixed and variable remuneration benchmark data to ensure alignment with the Group's strategy, shareholder and other stakeholder interests. This included:
 - Reviewing all executive leadership job descriptions and grading of these roles according to the Paterson model.
 - Completing a detailed and externally facilitated benchmarking process of these roles relative to both Namibian and South African markets. The benchmark is conducted by Bowmans using Remchannel as a benchmarking framework and covers both financial and non-financial elements used across the region. Additional data from PwC is used for the non-executive director benchmark.
 - Finalising executive directors' and executive management's performance reviews and remuneration elements.

The committee further adopted a revised talent investment approach with an enhanced focus on succession management. This is underpinned by the Group's strategic choice to prioritise diversity, equity and inclusivity focusing on race and gender to represent the demographics in our chosen markets, including future-fit leadership, as a catalyst for growth.

Shareholders' non-binding advisory vote

At the annual general meeting ("AGM") on 27 October 2021, shareholders had the opportunity to cast a non-binding advisory vote on the Remuneration Policy and the remuneration of the NEDs for the next financial year.

100% of issued shares that voted, approved non-executive remuneration for the next financial year

100% of issued shares that voted, approved the Remuneration Policy

The voting results clearly show support for the Remuneration Policy. Accordingly, no substantive changes were made to the policy. The policy implementation results for the financial year are reflected in part three of this report, allowing shareholders to observe the way the Group's stated policies translate into actual outcomes for senior management and executives. As in previous years, shareholders will be requested to cast a non-binding advisory vote at the forthcoming AGM on the Remuneration Policy contained in part two and the report on the implementation of the policy contained in part three of this report.

Part two: overview of the Group Remuneration Policy

The Group's Remuneration Philosophy aims to ensure that all employees are rewarded fairly and appropriately for their contribution. In setting remuneration levels, the Group board Remco and human resources committee take appropriate market benchmarks into account, while ensuring that sufficient emphasis is placed on pay for performance. The Group board human resources committee is responsible for the remuneration of general employees while the focus of Remco is on executive management, executive and non-executive directors.

Our remuneration approach helps to attract, engage, retain and motivate key employees while ensuring that their behaviour remains consistent with Capricorn Group's values as articulated in The Capricorn Way. The Group's guiding principles for managing remuneration are captured in the policy as follows:

- 1. Total reward:** Reward is viewed in a holistic manner and comprises a range of monetary (fixed and variable) and non-monetary components.
- 2. Pay for performance:** Fair pay as it relates to performance is the cornerstone of the Remuneration Philosophy. On this basis, all remuneration practices are structured to provide clear differentiation between individuals with regard to performance. It is important that there is a visible link between Capricorn Group's strategic choices and individual performance. Performance measures are the outcome of an inclusive and collaborative process that focuses on both the "what" and the "how". The "what" is measured using an approach that focuses on the 5Cs: Company, Colleague, Citizenship, Conduct and Customer. The "how" is measured in terms of The Capricorn Way and how the employee lives the behaviours.
- 3. Line leader accountability:** Accountability and ownership of the reward process is established with line management by enabling them to link the total reward process to their business objectives. They have to manage this in a fair and equitable way, ensuring a balance between affordability and quality of life for employees.
- 4. Variable pay:** The variable pay component of total reward increases with seniority (organisational level) as the ability to impact business results increases. This is reflected in the quantum of opportunities offered by short- and long-term incentives for more senior levels compared to junior employees.
- 5. Risk culture:** Being aware of risks is an important role that each employee needs to own. Having a risk culture is key to sustainability and therefore measured as part of each employee's performance contract. The reward philosophy encourages optimising risk management within the risk appetite set by the board and in line with approved policies and procedures.
- 6. Consistency and fairness:** The reward philosophy strives to provide a framework that encourages consistency, but allows for differentiation where it is fair, rational and explainable. Benchmarking is performed annually using consistent and recognised methodologies. Differentiation in terms of market comparison for specific skills groups or roles as well as differentiation for performance are imperatives. The differential market value of various skill groups and roles is reflected in pay practices.
- 7. Attraction and retention:** A key objective of the remuneration philosophy is that remuneration packages should enable the Group and its businesses to attract and retain employees of the highest quality to ensure sustainability. Diversity, equity, and inclusivity are inherent in one of our strategic choices, and is embraced as part of our Human Capital practices. To this end we review potential gaps as it relates to race and gender on an annual basis.
- 8. Communication and transparency:** The remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels, are transparent and communicated effectively to all employees. In this process, the link between remuneration and the Group's strategic choices is clarified for all employees.
- 9. Malus and clawback:** Where defined events take place, provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). Malus and clawback provisions and the application thereof are captured in the Group remuneration policy and executed by Remco.

Elements of pay

The table below sets out an overview of the elements of pay applicable to Capricorn Group employees:

Fixed remuneration and benefits		Variable remuneration	
Element		Element	
Basic salary	Benefits	STI plan	LTI's
Detail		Detail	
<p>The fixed element of remuneration is referred to as basic salary or Total Guaranteed Pay ("TGP"). This component is reviewed annually based on performance against contracted output, market surveys and recently we also included talent position. The Group aims to pay between 80% and 120% of the compensation ratio which is calculated on the midpoint of the pay range per job level. The employee can structure a portion of their basic pay to suit their personal circumstances.</p>	<p>Benefits include membership of a pension fund, Group life fund and medical aid. Contributions are made by the employee and the employer for pension fund and Group life benefits. On medical aid the company contributes 100% of the benefit for non-managerial employees. Benefits may also include mortgage bond interest subsidies and housing, car, entertainment, or other allowances, depending on the job level of the employee. Company contributions are calculated as part of the employee's TGP.</p>	<p>The annual STI is a cash-based bonus scheme in which all employees are eligible to participate. The bonus pool is funded from the consolidated Group operating profit and is varied according to the Group's performance during the year, as is explained in the STI section below. The policy further makes provision for the inclusion of both Group as well as business unit performance as a factor to determine payout.</p> <p>Further alignment was done to ensure that the quantum of payouts per job level is benchmarked. The allocation of individual payouts is based on different levels and predetermined performance hurdles for the Group, each business unit and individual. A detail model governs the payout thresholds per job level. Remco can decide to apply certain deferral principles. The design and quantum of the annual performance bonus is regularly reviewed against market and best practice.</p>	<p>A key element of talent retention is the LTI awards. These take the form of share appreciation rights, conditional shares, or a combination of both. Most awards are subject to vesting conditions relating to Group performance, measured over a three-year performance period. In instances where retention is required, conditional shares are awarded, which are subject to a vesting condition of continued tenure within the Group.</p> <p>In addition, employees from a specified grade level may participate in the Group's share purchase scheme to purchase Capricorn Group shares at the volume-weighted average price over the previous 12 months with the option of an interest-free loan repayable over nine years. Full ownership of these shares vests after three to five years.</p>

Annual remuneration adjustments are effective on 1 September every year and a rigorous process is applied to determine the quantum of individual increases. During this process, remuneration structures and pay ranges are evaluated and adjusted where necessary relative to movements in the market. With the introduction of the pay progression model in 2021, refinements were made to the elements that are factored in when considering remuneration adjustments. The following aspects are considered:

1. Employee's performance review
2. Formal salary survey conducted to determine local and regional pay practices
3. Talent position of the employee
4. Adjustment of salary scales to reflect any market movement

The pay progression model is only applied to executive and senior managerial employees.

Short-term incentives

The purpose of the STI plan is to align the performance of employees with the Group strategy and to motivate and reward employees who outperform against the agreed performance measures. The aim of the STI is to create a high-performance culture through a cash bonus in relation to performance against predetermined outputs.

The bonus pool, from which all STIs are paid, is calculated based on consolidated Group profit. The percentage of profit which forms the pool is modified according to Group performance during the year, relative to profit before tax and return on equity targets, which are set yearly in advance. Where company performance is below the threshold level, no bonus pool will accrue for senior management and executives.

An external review was conducted to ensure that the model used and the allocations per job levels are still market relevant. Adjustments were made to the STI operating guidelines where needed to align to market practices. This aligns the focus of the individual to the Group's strategic choices.

Each individual's STI is calculated based on Group performance, business performance and individual performance as well as job grade, informed by the total pool. Where an employee's performance is assessed to be below expectation, that employee will not qualify for any STI payment during the year.

Remco approves the individual performance ratings as well as the STI payout for the executive management teams of the different entities.

Employees' maximum performance incentive remuneration is capped and aligned to industry benchmarks. This has been updated in the STI operating guidelines.

Long-term incentives

An external review was conducted to ensure that allocations per job level are still market relevant. Adjustments were made to the LTI operating guidelines where needed to align to market practices.

Share appreciation rights (“SAR”) plan

Terms	Detail
Purpose	To attract, retain and reward selected employees who can contribute to the future Group strategy and to stimulate the personal involvement of these employees, encouraging their continued service. The SAR plan serves as a leveraged incentive to employees to promote and align their interests with the shareholders of the company.
Operation	Participants receive conditional SARs which vest after three years, subject to the satisfaction of the performance condition and continued employment of the participant. After vesting, the SARs may be exercised up to five years after the award date.
Participants	Executive directors, executive managers and selected members of senior and middle management.
Performance period	Three years.
Plan limits	An aggregate limit applies between the SAR plan, the conditional share plan (“CSP”) and the share purchase scheme, being 7.5 % of the issued shares of the company. An individual participant may not receive awards in excess of 10 % of the overall company limit at any one time.
Performance conditions	The performance condition applicable to all awards is achievement of budgeted cumulative profit after tax (“PAT”) and return on equity (“ROE”) over the performance period. The budget, in turn, reflects the expected outcome of the strategic plans and actions. The vesting period is three years.

Conditional share plan (“CSP”)

Terms	Detail
Purpose	To attract, retain and reward selected employees who can contribute to the future of the Group and to stimulate the personal involvement of these employees, encouraging their continued service. Under the CSP, participants receive conditional shares that vest after three years, subject to the satisfaction of the performance conditions over the performance period.
Operation	In certain cases, where a retention risk exists, conditional shares that vest after three years and are subject to the continued employment of the participant but not subject to performance conditions, may be awarded.
Participants	Executive directors, executive managers and selected members of senior and middle management.
Performance period	Three years.
Plan limits	An aggregate limit applies between the SAR plan, the CSP and the share purchase scheme, being 7.5 % of the issued shares of the company. An individual participant may not receive awards in excess of 10 % of the overall company limit at any one time.
Performance conditions	The performance condition applicable to all awards is achievement of budgeted cumulative PAT and ROE over the performance period. The budget, in turn, reflects the expected outcome of the strategic plans and actions.

Non-executive directors’ fees

The NEDs do not participate in any short- or long-term incentives and do not have contracts of employment with the Group. Their fees are reviewed and submitted to shareholders for approval on an annual basis.

NED fees reflect the directors’ roles and membership of the board and its committees. The independent non-executive chairperson’s fees have been benchmarked against the average of the median and upper quartile of medium-cap financial services companies listed on the JSE.

The resolution relating to NED fees for the 2023 financial year can be found in the notice of the AGM, available online.

Part three: implementation report

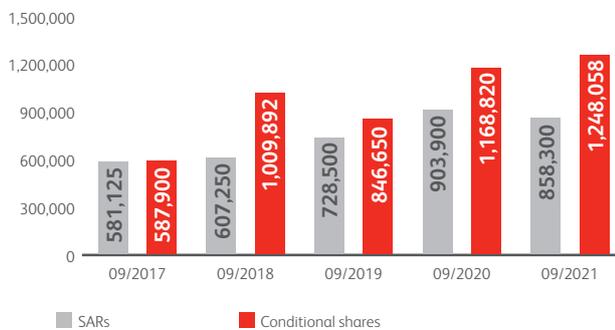
Remco believes that the policy principles have been consistently applied by all Group entities and adopted for country-specific elements. We believe that we are applying leading Human Capital practices in terms of remuneration across the region.

Remco is satisfied that the Remuneration Policy was applied during the year with no deviations and the policy achieved its objectives.

Remuneration paid

Compensation paid to executive management, including remuneration and other employee benefits, is disclosed in the annual financial statements. The executive directors did not receive any other fees for services as directors or any emoluments other than those disclosed.

Remuneration paid



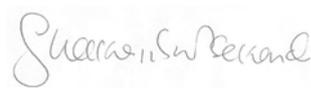
Number of shares acquired under the share purchase scheme

The number of shares acquired by employees in the Group’s share purchase scheme in September 2021 was 433,217 to the value of N\$5,558,174 (September 2020: 392,043 shares to the value of N\$5,120,082).

Dividends paid under the share benefit scheme

Employees at non-managerial job levels below supervisory level are beneficiaries of the Capricorn Group Employee Share Benefit Trust. Dividends earned on the shares held by the trust have been distributed every year since its establishment in 2005.

Dividends to the value of N\$2,049,480 were paid to 389 employees in September 2021 (September 2020: N\$1,734,320 was paid to 415 employees).



Gida Sekandi

Chairperson: Group remuneration committee

“Our remuneration approach helps to attract, engage, retain and motivate key employees while ensuring that their behaviour remains consistent with Capricorn Group’s values as articulated in The Capricorn Way.”

Gida Sekandi, Group remuneration committee chairperson

Appendices

Glossary of terms

AGM	Annual general meeting
AML	Anti-money laundering
ATM	Automatic teller machine
AUM	Assets under management
BARC	Board audit, risk and compliance committee
Board	Board of directors
BSEC	Group board sustainability and ethics committee
CAM	Capricorn Asset Management
CEO	Chief executive officer
Companies Act of Namibia	The Companies Act of Namibia, 28 of 2004
CSP	Conditional share plan
CSR	Corporate social responsibility
CUTM	Capricorn Unit Trust Management Company
DSQ	Determinants of Service Quality
EMT	Executive management team
ESMS	Environmental and Social Management System
Foundation	The Capricorn Foundation
GBITC	Group board information technology committee
GDP	Gross domestic product
GPRO	Group principal risk officer
HR	Human resources
IFRS	International Financial Reporting Standards
<IR> Framework	The IFRS Foundation's International <IR> Framework
IT	Information technology
King IV™	The King IV Report on Corporate Governance™ for South Africa, 2016
LISP	Linked investment service provider
LTI	Long-term incentive
MD	Managing director
NAMFISA	Namibia Financial Institutions Supervisory Authority
Nasdaq	National Association of Securities Dealers Automated Quotations
NED	Non-executive director
NGO	Non-governmental organisation
Nomco	Group board nominations committee
NPL	Non-performing loan
NSX	The Namibian Stock Exchange
POS	Point-of-sale
Remco	Group board remuneration committee
ROE	Return on equity
SAR	Share appreciation right
SDGs	United Nations Sustainable Development Goals
SME	Small and medium-sized enterprise
STI	Short-term incentive
TGP	Total Guaranteed Pay
UNGC	United Nations Global Compact

Group shareholding

Analysis of shareholders on 30 June 2022

Distribution of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 99	13	0.3	753	0.0
100 – 499	157	4.0	37,212	0.0
500 – 999	1,120	28.3	649,539	0.1
1,000 – 1,999	732	18.5	867,602	0.2
2,000 – 2,999	368	9.3	841,459	0.2
3,000 – 3,999	151	3.8	496,769	0.1
4,000 – 4,999	101	2.6	433,829	0.1
5,000 – 9,999	474	12.0	2,911,710	0.5
10,000 and above	837	21.2	512,945,526	98.8
Total shareholders	3,953	100.0	519,184,399	100.0
Namibian residents	3,894	98.5	515,942,139	99.4
Non-resident of Namibia	59	1.5	3,242,260	0.6
Category				
Corporate bodies	84	2.1	276,429,409	53.2
Private individuals	3,706	93.8	43,432,564	8.4
Pension funds and medical aid societies	24	0.6	34,220,596	6.6
Nominees and trusts	139	3.5	165,101,830	31.8

Beneficial shareholding of 5% or more

Capricorn Investment Holdings Ltd	44.4%
Including the effective shareholding of Mr JC Brandt	18.4%
Government Institutions Pension Fund	26.8%
Nam-mic Financial Services holdings (Pty) Ltd	8.0%

Shareholder structure	Number of shareholders	% shareholding
Shares held by the public	3,924	25.1
Directors' direct and indirect shareholding	8	21.0
Directors of subsidiaries and executive management's direct and indirect shareholding	17	0.9
Shareholders holding 10% and more, excluding held by directors	2	50.9
Capricorn Group Employee Share Ownership Trust, excluding held by directors and executive management	1	1.4
Capricorn Group Employee Share Benefit Trust	1	0.7
Total	3,953	100.0



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