



Integrated
Annual Report
2023

Capricorn Group

In June 2023, the Capricorn Group unveiled an internal and external three-month brand campaign to elevate brand awareness and build customer loyalty and affinity. Our brand journey has evolved from 2017 with “Positive Change”, to “I am Capricorn”, “We are Capricorn”, “Stronger Together” and “Together we Thrive”. Our brand statement for 2023 is “Make Change Positive”. This statement is a compelling call to action that encourages us and our stakeholders to participate in creating positive change in our daily lives. It conveys a forward-looking and proactive mindset and the belief that change can lead to positive outcomes.

The design of this report includes moments of change and transformation in nature. By showcasing natural phenomena like metamorphosis, growth, and seasonal transitions, the imagery is a powerful metaphor for the Group’s evolution and progress over the years.

#MakeChangePositive

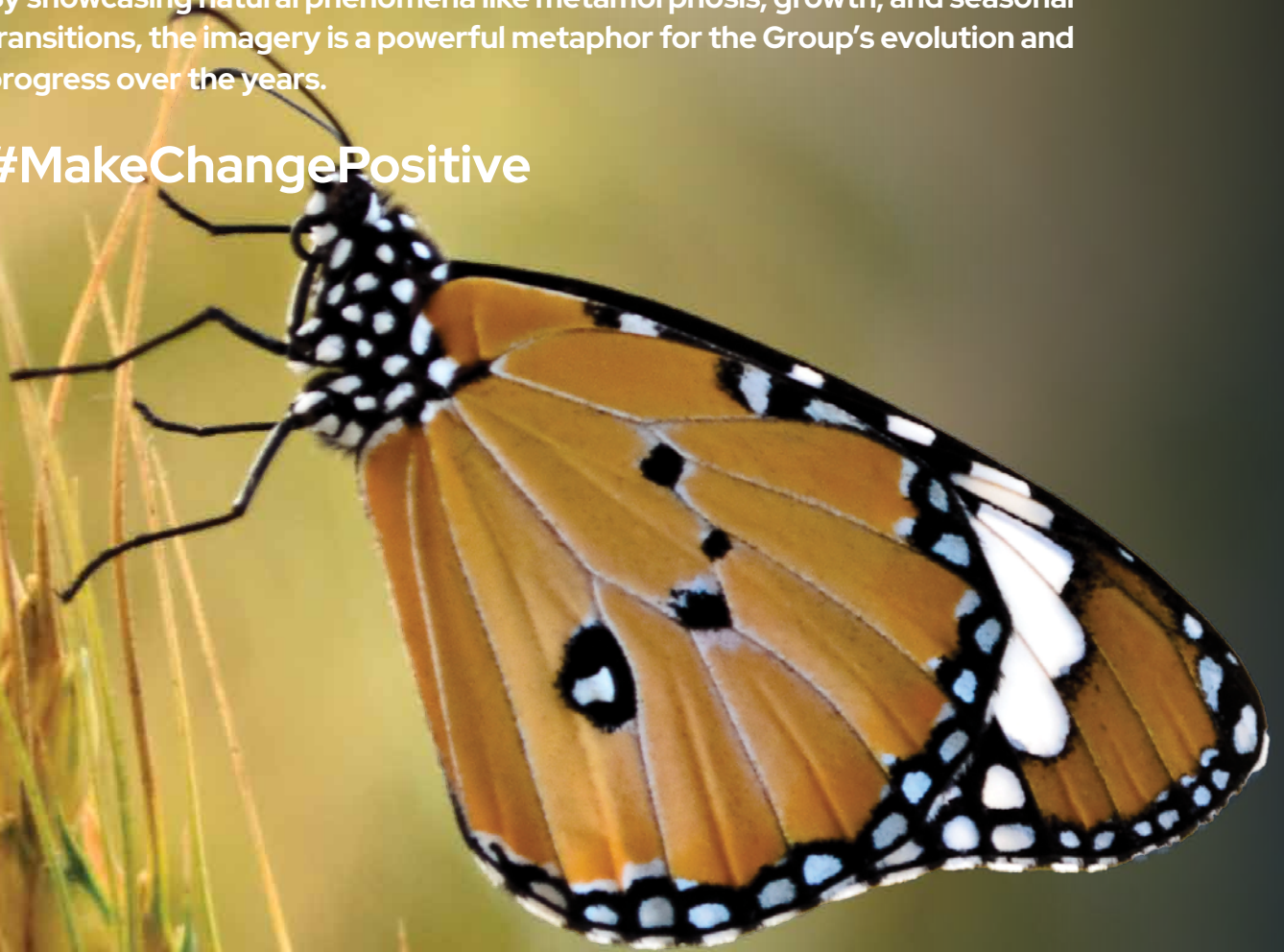


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As a listed entity, **we have enabled employees to share in our success over the years.**

This created a strong sense of accountability and ownership among our people.

#MakeChangePositive

Commemorating ten years as a listed group

Our 2023 integrated annual report celebrates the 10th anniversary of our listing on the Namibian Stock Exchange (“NSX”).

We listed as Bank Windhoek Holdings in June 2013, becoming one of the first Namibian banks to make a public offering. Our aim was to create prosperity for Namibians, contribute to the nation’s economic growth and unlock value for our employees.

Prior to the listing, the board of directors of Capricorn Group (Bank Windhoek Holdings at the time) approved a once-off gratuitous allocation of 700 ordinary shares to each Namibian employee at the time, as a token of appreciation for their hard work and in celebration of the listing. This ensured that all employees became shareholders.

Bank Windhoek Holdings also launched an employee share incentive scheme in 2000 to allow our employees to purchase shares.

As a listed entity, we have enabled employees to share in our success as they could participate in share trading and benefit from returns. They also had the option of selling their shares to bolster their retirement funds and build long-term wealth. This created a strong sense of accountability and ownership among employees.

Over the past ten years, we experienced the reputational benefits of being a listed business. It helped us build the Group’s profile in the media and among the public. Today, we are widely recognised as a transparent and responsible corporate citizen. Almost all our shareholders are Namibian, and in the decade since we listed, we have paid N\$3 billion in dividends to shareholders.

At the time of the listing, Bank Windhoek Holdings had a market capitalisation of N\$5 billion and was the second largest local counter on the exchange. The share price at the time of listing was N\$8.75. As at 12 September the share price was N\$15.81 resulting in a market capitalisation of N\$8.21 billion. Bank Windhoek Holdings was renamed Capricorn Investment Group Limited in 2016 and then Capricorn Group Limited in 2020. The Group has delivered strong growth, despite the decade’s economic headwinds. When the Group was listed it generated a revenue of N\$1.4 billion, compared to N\$4.6 billion for 2023. At the time of listing, we had total assets of N\$21 billion and net assets of N\$2.6 billion (including the proceeds from the public offer at the time of the listing: N\$355 million) compared to N\$63 billion total assets and N\$8.3 billion net assets in 2023. We have also grown our presence and brand in two countries, with our employee numbers increasing from 1,300 in 2013 to 1,625 today as a result of acquisitions during the period.

The value created for our employees through these 700 shares since the listing is depicted below:

For employees that received 700 shares:

Total dividends received to date (N\$):	4,151	Received in cash
Value of shares 10 years after listing (N\$)	10,255	Capital gain
Total returns on 10 year listing anniversary (N\$)	14,406	Total returns
Original value of 700 shares (N\$)	6,125	

The value created for shareholders since the listing is depicted below:

For individuals who bought shares on 20 June 2013 (date of listing)	1 share	1,000 shares	15,000 shares
Original investment (N\$)	8,75	8,750	131,250
Market value as at 30 June 2023 (N\$)	14,65	14,650	219,750
Total dividends received since listing (N\$)*	5,93	5,930	88,950
Unrealised capital gains since listing (N\$)	5,90	5,900	88,500
Cumulative return on investment	148,07%	148,07%	148,07%
Effective annual return on investment	9,51%	9,51%	9,51%

* Excludes dividend of 61 cents declared and to be paid in October 2023



About this report

We improve lives through leadership in financial services by being Connectors of Positive Change. This is our purpose and our North Star. We are committed to ensuring a sustainable future for Capricorn Group and our stakeholders while contributing to economic development in the countries where we operate.

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 2022 to 30 June 2023 ("the year"). The report is aimed primarily at providers of financial capital.

The financial and non-financial information contained in this report relates to the entities that constitute the Group, as set out on page 7.

The principle of materiality guided our selection of content for this report. Read more about our material matters on page 26.

The 2023 reporting suite consists of the following separate elements (including the frameworks and legislation to which they adhere and comply) and is available on our website at www.capricorn.com.na:

Integrated annual report with summarised annual financial statements	<ul style="list-style-type: none"> > The <IR> Framework, January 2021 > King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™") > Companies Act of Namibia, 28 of 2004 ("Companies Act of Namibia") > NSX Listing Requirements 	Risk report	> King IV™
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 	Governance report	<ul style="list-style-type: none"> > King IV™ > Companies Act of Namibia > NSX Listing Requirements
		Social value report	<ul style="list-style-type: none"> > Harambee Prosperity Plan II > United Nations Sustainable Development Goals ("SDGs")
		King IV™ index	> King IV™

For more information or feedback on this report or any other elements listed above, contact Marlize Horn at investors@capricorn.com.na or +264 (61) 299 1226.

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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.

How we compiled this report

The board authorised the release of this report and other elements of the reporting suite on 12 September 2023.

The board audit, risk and compliance committee and the Group board social and ethics committee ("BSEC") reviewed the report before submitting it 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 this report for release to our stakeholders. They concluded that the reporting suite is presented in accordance with the frameworks and regulatory requirements listed above.

Assurance of reporting content

The external auditor's opinion on the annual financial statements is set out on page 3 of the full annual financial statements available online. The auditor's report does not necessarily report on all the information contained in this report. 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>.

Capricorn Group's reporting roadmap to 2025

Stakeholders' information needs are changing, and regulators are responding to calls for more transparency, comparable and decision-useful information. Recognising these trends, the board approved a set of reporting principles guiding our approach up to 2025. As such, we considered our purpose and values and are committed to:

- > Meet regulatory requirements
- > Increased transparency and accountability
- > Stakeholder inclusivity and corporate citizenship
- > Shaping our narrative

We developed a roadmap for more extensive non-financial disclosures, considering, for example, the inaugural IFRS-S1 and S2 sustainability and climate-related standards and stakeholder engagement (read more on page 36), including information requests from analysts and rating agencies. Our roadmap identifies internal preparation and reporting as a prerequisite for external reporting.

Enhancements in this report include improvements in our remuneration report (read more from page 74).



“ We are proud to present our integrated annual report for 2023. This report is part of our annual reporting suite, **reflecting our ongoing commitment to transparent reporting and disclosure.** We are open to engaging with stakeholders on our common interest: the sustainability and success of Capricorn Group.
– Gerhard Fourie, Group chairperson

#MakeChangePositive



The Group at a glance

Capricorn Group profile

With our origins in banking in 1982, 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.

Our broad spectrum of customers includes individuals, large corporates and small and medium enterprises ("SMEs"). 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.

Capricorn Group employs 1,930 individuals who make up a diverse workforce. Our organisational culture encourages exceptional performance, supported by a strong sense of responsible behaviour. As a Group, we remain committed to the responsible economic growth of Namibia and Botswana.

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 our shared culture, as articulated in The Capricorn Way. It promotes these nine behaviours in unlocking the potential of each employee and as a collective:

1. **Wisdom** – Choose when to speak and act
2. **Responsiveness** – Be concise when you speak. Be silent when you listen
3. **Motivation** – Be an example of what is possible
4. **Resilience** – Navigate the ups and downs with perseverance
5. **Curiosity** – Ask in order to learn, improve and discover
6. **Initiative** – Do not wait to be told what to do
7. **Enjoyment** – Stop, be aware of the good things that are happening, big and small
8. **Impact** – Busy does not equal great results
9. **Engagement** – Be fully present when you are with others

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

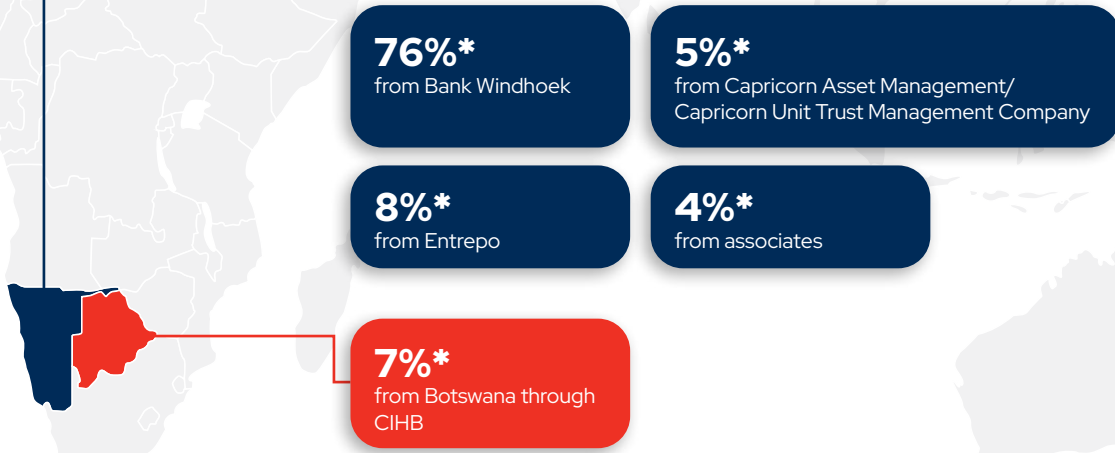
We learn from the best and share our knowledge openly.

Dedicated

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

Our footprint

93% of the Group's total profit attributable to shareholders derives from Namibia. The main contributors are:



* Based on profit attributable to shareholders.

Our five 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 intrapreneurial action in order to contribute to a sustainable organisation
- We will integrate sustainability in a manner that will create a business advantage whilst conserving the environment, increasing our social contribution and maintaining sound governance
- We embrace diversity, equity and inclusivity and embed these into the cultural DNA of the Capricorn Group
- We champion a purpose-driven culture that inspires leadership mindsets of curiosity, collaboration and growth, that leverages talent and embraces diversity, equity and inclusion ("DEI") to deliver a meaningful employee experience and sustainable business impact

Our material matters

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

Our stakeholders

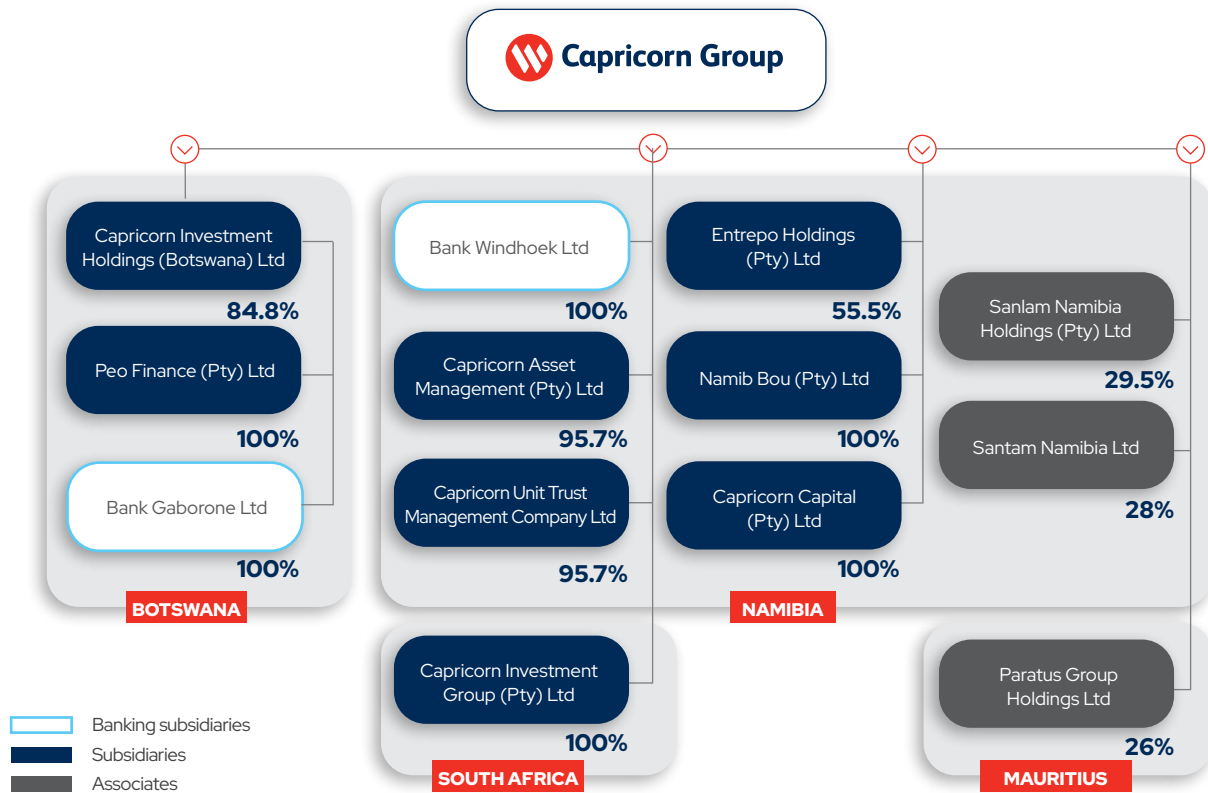
- Communities
- Regulators
- Customers
- Shareholders
- Employees
- Strategic alliance partners
- Government
- Suppliers
- Media
- Trade unions

Our principal risks

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



Capricorn Group operating subsidiaries and associates



- Banking subsidiaries
- Subsidiaries
- Associates



Bank Windhoek

Head office	Windhoek, Namibia
Managing Director	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. Bank Windhoek was established in 1982 and in April 2022, the Bank celebrated its 40th anniversary. 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, ATM footprint, and Cash Express ATMs installed at merchants countrywide, with 40 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 customers 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
70%
(2022: 67%)

Number of ATMs in Namibia
160
(2022: 150)

Number of permanent employees
1,505
(2022: 1,539)

Number of branches in Namibia
55
(2022: 54)



Bank Gaborone

Head office	Gaborone, Botswana
Managing Director	Olebile Makhupe
Date of establishment	2006

Bank Gaborone is a 17-year-old financial services provider in Botswana, established to create a bank for Botswana.

The Bank was awarded a banking licence in February 2006 by the Bank of Botswana and commenced full retail banking business in September. Since its launch, the bank has grown to 12 branches and 23 ATMs across the country, of which 12 accept cash deposits. Through its talented staff, the bank provides great customer service through retail banking, SME banking, wholesale banking and treasury services among others.

Some of the products and services offered are transactional banking, savings and investments, foreign exchange services and other tailor-made financial services. Customers can access most of these banking services 24 hours per day, every day of the year, through smart, secure, and convenient electronic channels. These include online banking and mobile banking services, bulk payment services, ATMs and point-of-sale ("POS") devices.

The bank's market share in loans and advances is 7.5%.

Contribution to Group profit after tax
8%
(2022: 6%)

Number of ATMs in Botswana
23
(2022: 21)

Number of permanent employees
296
(2022: 300)

Number of branches in Botswana
12
(2022: 12)

Capricorn Asset Management

Head office	Windhoek, Namibia
Managing Director	Tertius Liebenberg
Date of establishment	CUTM 2000 and CAM 2006

Capricorn Asset Management ("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, insurance companies, and financial intermediaries. CAM is the largest asset manager in Namibia, with N\$38.6 billion of assets under management ("AUM").

CAM's key offerings are provided under different Namibia Financial Institutions Supervisory Authority ("NAMFISA") registered licences.

CAM was established in 2006 and provides segregated asset management services to institutional investors (which includes pension funds) and manages and administers the Capricorn Unit Trusts.

Capricorn Unit Trust Management Company ("CUTM") is a registered unit trust management company and was established in 2000 with the launch of the Capricorn Selekt Fund. CUTM's market share at 30 June 2023 was approximately 33.7%, with 14 unit trusts covering all major asset classes, including cash, bonds, property, equity and international equities.

Capricorn Investment Platform is provided under CAM as a registered linked investment service provider ("LISP"). It provides access to the full range of Capricorn Unit Trusts and selected funds from other third-party unit trust managers as well as direct access to Namibian Government bonds and Treasury Bills. In addition, it also provides easy access to Capricorn Online, the digital service platform to view and manage investment portfolios.

Caliber Capital Trust is an approved unlisted special purpose vehicle in terms of Part 8 of the Pension Funds Act, 24 of 1956, and is managed by CAM as the registered unlisted investment manager. The Fund has an independent board of trustees. The Fund provides exposure to unlisted debt for mainly Namibian pension funds. It invests in Namibian companies contributing to the Harambee Prosperity Plan II and Vision 2030, driving job creation, import replacement and industry and infrastructure development. Since its launch, the Fund has provided more than N\$400 million of aggregated funding.

Contribution to Group profit after tax
5%
(2022: 6%)

Value of AUM
N\$38.6 billion
(2022: N\$32.1 billion)

Number of permanent employees
58
(2022: 53)



Head office	Windhoek, Namibia
Chief Executive Officer	Leonard Louw
Date of establishment	2014

Entrepo 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 NAMFISA: Entrepo Finance, a registered microlender and Entrepo Life, 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
13%
(2022: 16%)

Number of permanent employees
46
(2022: 43)

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

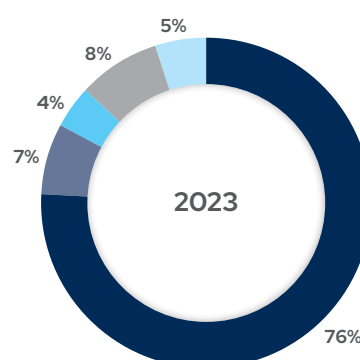
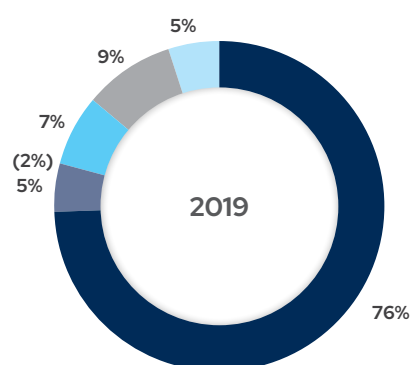


Five-year review

Statement of comprehensive income (N\$'000)	2023	2022	2021	2020	2019
Total income	4,605,598	4,006,082	3,731,214	3,505,610	3,492,357
Operating profit	1,926,049	1,507,656	1,290,531	1,300,362	1,325,772
Profit after tax	1,474,441	1,145,881	983,027	856,412	1,015,299
Total comprehensive income	1,511,880	1,129,445	877,445	926,827	1,023,901
Earnings per share (cents)	270.1	204.9	170.7	148.6	181.6
Headline earnings per share (cents)	278.5	205.4	173.4	157.2	181.5
Dividends per share (cents)	100	72	60	50	66
Statement of financial position					
Total assets	63,430,312	60,439,632	56,012,991	56,338,126	50,677,955
Total loans and advances to customers	45,396,558	43,226,296	40,829,687	40,078,622	38,049,583
Total deposits	45,784,775	43,647,452	40,179,699	39,323,264	36,984,725
Net asset value per share (cents)	1,632	1,427	1,294	1,232	1,136
Performance indicators (%)					
Return on average equity	17.6	15.0	13.5	12.6	16.3
Return on average assets	2.4	2.0	1.7	1.6	2.1
Impairment charges to average gross loans and advances	0.51	0.85	1.07	1.01	0.30
Non-interest income as % of operating income	43.2	45.9	44.9	44.5	40.2
Cost to income ratio	50.8	51.1	51.7	50.8	53.0
Closing share price (cents) at 30 June	1,465	1,330	1,300	1,399	1,600
Price to book ratio at closing price per share	0.9	0.9	1.0	1.1	1.4
Price earnings ratio at closing price per share	5.4	6.5	7.6	9.4	8.8
Capital adequacy (%)					
Total risk-based capital ratio	16.9	15.8	15.0	14.7	14.9

	2023	2022	2021	2020	2019
Number of employees	2,226	2,152	2,043	2,125	2,078
Number of branches	67	66	68	66	86
Assets under management (N\$ billion)	38.6	32.1	31.8	31.3	26.3

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





Investment case

Return on equity ("ROE")

17.6%

(2022: 15.0%)

Operating profit

N\$1.93 billion

(2022: N\$1.51 billion)

Profit after tax

N\$1.47 billion

(2022: N\$1.15 billion)

Cost to income ratio

50.8%

(2022: 51.1%)

Dividend per share

100 cents per share

(2022: 72 cents per share)

Net asset value per share

1,632 cents

(2022: 1,427 cents)

Earnings per share

270.1 cents

(2022: 204.9 cents)

Headline earnings per share

278.5 cents

(2022: 205.4 cents)

Price to book ratio*

0.9

(2022: 0.9)

Price earnings ratio*

5.4

(2022: 6.5)

Dividend yield*

6.8%

(2022: 5.4%)

Capital adequacy ratio

16.9%

(2022: 15.8%)

* Based on closing share price as at 30 June.

Capricorn Group is a **remarkable Namibian story about a successful business** built on **integrity, in entrepreneurship, relationships,** and, above all, **our people's commitment and hard work.**



Capricorn Group is well-positioned for future growth and quality earnings thanks to its strong capital and liquidity position, diversified operations, deep local knowledge and strong relationships.

A mature, diversified financial services group: We have exposure to banking, asset management, microlending, insurance and telecommunications. This broadens our revenue streams while reducing our risks. We have operations in two countries and plan to expand our activities in Botswana to grow our offering, gain market share and increase our ROE.

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

	2023	2022	2021	2020	2019
Bank Windhoek	76%	72%	67%	85%	76%
Cavmont Bank	–	–	(4%)	(18%)	(2%)
CIH (Botswana)	7%	6%	6%	6%	5%
Capricorn Asset Management and Capricorn Unit Trust Management Company	5%	6%	7%	6%	5%
Associates	4%	6%	11%	8%	7%
Entrepo	8%	10%	13%	13%	9%

A strategic and responsive investment approach: Our investment philosophy is responsible and responsive to operating conditions. We always diversify, never speculate and continuously monitor and evaluate actual performance. Every investment opportunity is unique, and we take time to understand the features of an investment and clearly define and quantify its risk factors.

Exiting the Zambian market in 2020 was wise, given the poor performance of the Zambian economy, rising inflation and low liquidity. The sale of Cavmont Bank ended the ongoing drain on human and financial resources in the Group.

Entrepo has outperformed its investment case since we acquired a 55.5% stake in 2018. Entrepo's microlending and insurance businesses are complementary to our financial services offering, with a well-established market position and experienced management.

Peo Finance, our microlending business in Botswana which was established as a greenfield operation in December 2021, continues to grow. We are actively exploring new ventures, partnerships, products and markets to increase the contribution from Botswana.

In 2018, we acquired a 18.3% stake in Nimbus Instructure, renamed Paratus Namibia Holdings. This was followed by a further 30% acquisition of Paratus Group Holdings Ltd in 2019. Our investment in this exciting infrastructure player provides diversification outside of financial services and exposure to the high-growth telecommunications sector.

High quality operations: Our subsidiaries are well-known and respected brands with loyal customer bases. All our subsidiaries had a successful financial year.

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 noteworthy accomplishment, given that the Capricorn Group brand was only five years old at the time.

Bank Windhoek continues to win awards for the quality of its business and leadership. In December 2022, London-based Global Finance magazine named Bank Windhoek the Best Foreign Exchange Bank in Namibia. In June 2023, Capricorn Private Wealth secured the Best Private Banking Brand accolade in Namibia for 2022 at the Global Brand Awards.

Bank Windhoek is a Southern African leader in sustainability finance and has won awards for issuing the region's first green and sustainability bonds.

A focus on improving customer experience: We are driving digital transformation to improve our customer experience. Our investment into the #gobeyond digital transformation programme has resulted in an enhanced customer experience and operational efficiencies for the Group. Our investment into future-fit IT architecture will allow our banks to be digitally enabled.

We are stable, reliable and well-capitalised: Capricorn Group has two shareholders of reference – the Government Institutions Pension Fund ("GIPF"), the largest institutional investor in Namibia, and Capricorn Investment Holdings ("CIH"), the founding holding company of Bank Windhoek. They ensure stability, liquidity and access to capital.

We have a strong ethical culture 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 or failure to abide by fundamental laws and regulations in the countries where we conduct business.

Credit ratings

In September 2022, 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 affirmed as A_(ZA) from A-_(ZA). The outlooks are stable.

Capricorn Group Limited's Namibian long and short-term issuer ratings have been affirmed at AA-_(NA)/A1+_(NA), with the outlook regarded as stable.

These ratings affirmations considered the Group's strong and entrenched position as a leading financial services provider in Namibia with good asset quality, against adequate funding and liquidity and below peer capitalisation.



Capricorn Group is a **mature and well-diversified financial services group** with **sustainable earnings** and **attractive growth** prospects.

#MakeChangePositive



“ In 2023, **we exceeded our financial targets** and completed our three-year strategic cycle. These achievements are attributable to our people focusing on the right things and **growing the business while creating value** for all our stakeholders in a responsible way.

Group chairperson's message

In May 2023, the World Health Organization finally ended the global emergency status for COVID-19, more than three years after its original declaration. This means we are back to business as usual. Thankfully, we weathered COVID-19 well, with new perspectives gained on the value of resilience, perseverance and agility. It was also important for employees to return to the office and resume normal operations, thus appreciating the value of interacting face-to-face again.

Growth is never by mere chance but rather the deliberate result of forces coming together. Everywhere in our Group, there is an undeniable sense of momentum. The Group delivered strong financial and operational results despite a low-growth environment with customers under severe financial pressure.

The 2023 operating context for banks

Our banks benefited from the interest rate hiking cycle, which started at the end of 2021. Higher interest rates boosted the Group's net interest income, while the banks also delivered growth in non-interest income.

This was supported by increased transaction volumes and lower cash handling costs, which are direct outcomes of our investment in the first phase of the #gobeyond digital transformation journey.

We also kept a strong handle on credit risk, funding and expenses. The liquidity shortage in Namibia has been alleviated thanks to increased investor interest and inflows into the country. This has lowered our cost of funding and improved our net interest margin. Importantly, increased liquidity should spur further economic development. Unfortunately, Botswana still faces liquidity challenges, which inhibits private sector expansion. Our cost to income ratio compares favourably to industry norms.

Social and environmental challenges

Unemployment is one of the most significant socio-economic challenges in Namibia. The youth constitute the biggest unemployed demographic group, which has potential ramifications for social stability. The repossession of houses also emerged as a challenge for banks in the past year.

From a broader perspective, a healthy and profitable banking sector is essential for economic growth. As we grow and develop, we have greater potential to be Connectors of Positive Change. This includes paying higher taxes, investing in empowerment and training, and paying decent salaries.

Bank Windhoek issued several statements to clarify the relevant processes and worked closely with customers to avoid repossessions. Further evidence of social contribution was evident in the Namibia Revenue Agency acknowledging Bank Windhoek as a diamond taxpayer for its contribution to the fiscus.

These kinds of challenges demand a strategic response from Capricorn Group. At the Board strategy day held in March 2023, we reviewed the Group's strategy and expanded the strategic choices from three to five. The first additional choice relates to an integrated leadership approach across the Group. Importantly, we added sustainability as a new strategic choice.

In 2023, we continued to build on our sustainability efforts, as spearheaded by our Group head of sustainability, appointed in July 2022. We take a holistic approach to environmental, social and governance ("ESG") factors, treating these with equal importance.

We also use the Capricorn Foundation ("the Foundation") to identify channels for economic enhancement and job creation. These include vocational training programmes and skills development initiatives that will improve the economic prospects of young people.

Read more about sustainability as a strategic choice in our strategy on page 36. Read more about our social contribution in the social value report available online.

Unlocking value for shareholders

At our 2022 Annual General Meeting ("AGM"), shareholders approved a special resolution authorising the company to buy back shares. This is subject to the provisions of section 89 of the Companies Act, Capricorn Group's articles of association and the NSX Listing requirements. The purpose of the share repurchase scheme is to improve the liquidity in the listed equity market and to create an opportunity for smaller shareholders to trade their shares and realise value. This will be a focus in the coming year.

In 2024, we will review our policies and practices regarding capital allocation and utilisation to serve our shareholders and drive growth for the business.

The benefit of a stable board and strong leadership

Capricorn Group is fortunate to have a stable board with no changes to the board composition or its committees in 2023. Our annual board evaluation confirmed that our terms of reference are relevant, with no gaps identified. In addition, our board packs and agenda address the major issues and are well executed.

We made two important appointments at Bank Gaborone, which added a new leadership dimension and dynamism to the bank.

In November 2022, Bank Gaborone's board appointed Bogolo Joy Kenewendo as the bank's first female and youngest chairperson. Bogolo is a global economist who served as the Minister of Investment, Trade and Industry and a member of parliament in Botswana. As the Africa director of the United Nations High Level Climate Champions Team, she advocates for climate action and finance as a catalyst for Africa's development. With these impressive credentials and experience, we are confident she is the right person to lead the bank's board.

In February 2023, the Group welcomed Olebile Makhupe as Bank Gaborone's managing director designate. She worked closely with Sybrand Coetzee, the outgoing managing director, and took over the reins as managing director on 1 July 2023. Olebile is an experienced executive with over 22 years in the corporate world, primarily in financial services. She has a proven track record in driving business growth and leading multidisciplinary teams. She is recognised as a Young Global Leader by the World Economic Forum. The board is confident that Olebile will add tremendous value and build on the strong foundation that Sybrand and his predecessors established.



We thank Sybrand for his tenure and for taking Bank Gaborone to the next level in its development. Sybrand will take up a new role as chief executive officer at Capricorn Investment Holdings (Botswana), the holding company for Bank Gaborone. His mandate is to drive the growth of the Group in Botswana by seeking new opportunities and collaborations.

Building a better tomorrow

As corporate leaders, we challenge our relevance to stakeholders and continuously re-evaluate how we make an impact. Since the inception of the Foundation in February 2020, it has been driving the Group's corporate social responsibility ("CSR") vision. The Foundation aims to positively impact communities through a portfolio of 32 projects and programmes, reaching all corners of Namibia. We are proud of the success of our first signature project, the Capricorn Foundation Food Waste Challenge, for raising awareness of food insecurity and how to address food waste.

Apart from our investment in the Foundation, the Group and its subsidiaries also invest in a wide range of CSR activities. This year, we invested N\$21.7 million (2022: N\$16.3 million) in the Foundation and other CSR efforts in Namibia and Botswana.

Our prospects

As a local player, we consider Namibia's challenges and potential as Namibians, which is a major competitive advantage. This gives us the opportunity to have an early mover advantage in several fields.

We expect further economic recovery and improved operating conditions in our region in the medium to long term. Namibia and Botswana have exciting prospects, some linked to our resources and others to developing several industries, including agriculture, logistics, manufacturing and tourism.

The Namibian Investment Promotion and Development Board ("NIPDB"), established in January 2021, is making good progress with marketing the country as an investment destination. Much behind-the-scenes collaboration is happening to create a more conducive environment for investments to achieve our national priorities.

Namibia's discovery of oil and gas is significant, with commercial quantities estimated in the billions of barrels. While this deposit is deep and may require higher production costs, the potential volumes and access to both fuel types make it highly attractive to investors.

Pleasingly, discussions around the find are moving forward and will likely be developed within the next five years. As a developing country grappling with high unemployment and inequality, we cannot ignore the potential of this find despite the global tide moving against fossil fuels. As a financial services group, we are paying attention to how we can participate in this opportunity.

Climate finance and renewable energy is also a focus area for the Group. We invest in renewable energy and sustainable development projects through our green and sustainability bonds and CAM's Caliber Capital Trust. We will focus on making renewable energy and sustainability investments more affordable to SMEs and individuals through Bank Windhoek's Sustainability Loan, launched in 2022.

In the short to medium term, Capricorn Group will also leverage the technological capabilities we have developed through the first phase of the #gobeyond digital transformation programme.

We expect more exciting opportunities for scale, new markets and revenue streams to open up. Digital transformation is a journey, and we look forward to the next phase of this programme.

Thank you

I thank our employees and management teams for delivering excellent financial results despite a difficult operating environment and significant technological hurdles. It is a privilege to lead the Group board and interact with directors who bring varied perspectives to our challenges and opportunities. I thank my fellow directors for their continued support in 2023. I would also like to acknowledge the boards of our various entities for the stewardship they provide to their management teams.

Our success is only possible with our loyal customers. You inspire us to create a better customer experience, contribute to Africa's economic development and play a more active role in our communities. Finally, as we mark the 10th anniversary of our listing on the NSX, I thank our shareholders for their continued support.

Gerhard Fourie
Group chairperson

Reflections from Sybrand Coetzee

Managing director of Bank Gaborone up to 30 June 2023

As I bid farewell to my role as the managing director of Bank Gaborone, I reflect on the milestones achieved since I joined the bank in 2008. Throughout this journey, our commitment to employees has been the driving force behind our success. I am proud of the following accomplishments:

Building an inclusive and equitable culture: We created an environment where employees feel valued, respected and empowered to bring their best selves to work. Our dedication to diversity and inclusion is reflected by the fact that over 70% of employees are women, and of this, 50% hold leadership positions. We are proud to appoint the first Motswana and female board chairperson and the first Motswana and female managing director. Through these key appointments, we inspire future generations to dream big and achieve greatness.

Empowering professional growth: We have invested in developing our people, recognising that their growth is intertwined with the growth of our organisation. Through comprehensive training programmes, mentorship initiatives and leadership development opportunities, we have equipped our employees with the skills to succeed.

Financial sustainability: Through our strategic initiatives, we have transformed the bank's financial performance and ensured its long-term viability and growth. Over the years, we improved profitability, with the bank's profit after tax reaching BWP79.8 million. This financial strength has secured our position in the market and enabled us to deliver sustainable value to our stakeholders.

Access to convenient banking services: Our commitment to enhancing the customer experience has driven us to embrace technology advancements to make banking more accessible. From introducing the first Card-2-Card instant payment service in Botswana to the roll-out of enhanced internet and mobile banking platforms, we have redefined convenience and transformed how our customers engage with us.

Lending for wealth creation: We contribute to economic growth and wealth creation through lending to businesses and individuals. We are active across various sectors, including agriculture, manufacturing, infrastructure and housing. By providing capital and financial expertise, we empower entrepreneurs to realise their aspirations, generate employment and contribute to Botswana's development.

Giving back to the community: We have created initiatives that align with our CSR policy, including the Diabetes Apple Project. This project has raised BWP500,000 and conducted over 5,000 diabetes tests nationwide since 2015. We have contributed to raising awareness of breast cancer and supporting those affected by Down Syndrome. In 2023, we signed a first-of-its-kind partnership with the Gaborone United Sporting Club for BWP3 million and launched the Gaborone United Supporters Membership Scheme.

I have the utmost confidence that the future of Bank Gaborone is secure under the capable leadership of Olebile Makhupe. Her commitment to delivering exceptional customer experiences and her visionary approach will propel the bank to new heights of success.



Connecting for Positive Change

We aim to build relationships on mutual trust and benefit. Listening to and understanding the views of our stakeholders helps us shape and improve our overall operations.

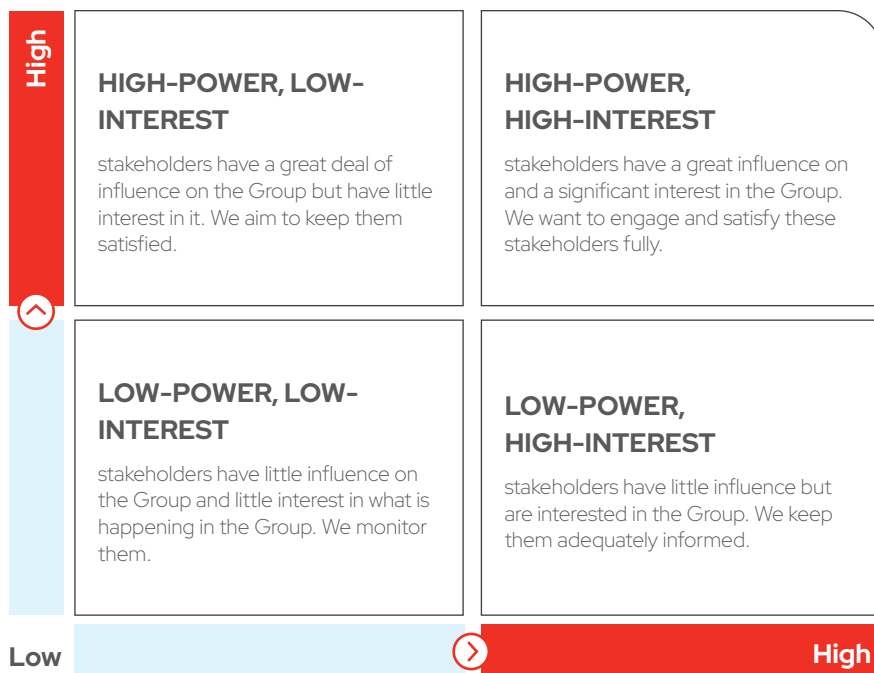
Our stakeholder-inclusive approach

Our stakeholders are those groups that are impacted by the Group's business activities and have an interest in our success. By understanding their issues and providing solutions, we gain internal and external support for our activities and growth plans, which create and preserve stakeholder value.

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

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. We use the matrix below to categorise our key stakeholders.



Relationship quality legend:

1

Strong relationship of trust and mutual understanding

2

Good-quality, value-adding relationship

3

Good relationship but needs to improve to add value

4

Functional, poor-quality relationship

5

Poor to no relationship

Shareholders



Our 3,841 shareholders hold shares in the entity listed on the NSX. We communicate with shareholders through stock exchange news, results and reports and our AGM, where they vote on resolutions and elect board members. Our shareholder analysis is on page 80.

2

Employees



Capricorn Group has 1,930 permanent employees who undertake specific work and have set responsibilities against agreed remuneration. 62% of employees belong to trade unions. Read more about our engagement with employees in the material matters section on page 30.

2

Customers



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 to facilitate transactions or provide 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.

3

Communities



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, Bank Windhoek and Capricorn Asset Management and Entrepo CSR initiatives and the Capricorn Foundation.

2

Suppliers



Our supplier base includes individuals or companies providing goods and services. These range from consumables used in branches to complex IT services in the banks. We ensure high service levels and confidentiality through service-level agreements and contracts.

3

Media



The media includes 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 workshops to build relationships and develop a deeper understanding of our Group.

2

Government



The governments of Namibia and Botswana 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 specific acts, for example, the Banking Act, 13 of 1995. Our main regulators are the Bank of Namibia, the Bank of Botswana and NAMFISA.

2

Strategic alliance partners



We partner 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 customers.

2



Nurturing our stakeholder relationships

The board is ultimately responsible for the Group's stakeholder relationship management and engagement strategy. The board delegates these responsibilities to the executive committee ("Exco") to execute the strategy and ensure operational integration through the Group. The BSEC is mandated by the board to 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 2023 governance report on page 64 and the latter in the BSEC report on page 71.

We also comply with 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 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 include specific activities, channels and desired outcomes and are submitted to the BSEC quarterly, which reviews and monitors stakeholder issues.

Key focus areas for 2023

In 2023, we focussed on:

- > Implementing the second employee engagement survey to gauge whether there has been an improvement in the holistic well-being, 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.
- > The Group Reputation Risk Framework was reviewed and enhanced.
- > Maintaining the Group's visibility in the media through a focused media strategy.

Focus areas for 2024

In 2024 we will focus on:

- > Aligning our stakeholder engagement plans with the outcome of the dipstick brand audit.
- > Validating the Group's strategic choices with key stakeholders.
- > Promote collaboration between the Group and its subsidiaries on various stakeholder engagements to maximise impact.

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

Our stakeholder activities for 2023

Stakeholders communicate their interests and needs in different formats and through various channels. Our engagements with employees are covered on page 30 while our collaborations with non-profits are covered on page 32.

In 2023, **1,792 employees** participated in the annual Mirror survey, a 93% response rate. The survey, which measures employee engagement, recorded an overall **engagement score of 86%** (2022: 86%), comprising **56% fully engaged** and **30% semi-engaged** employees. Our fully engaged score increased from 49% in 2022 to **56%**, a notable 7% jump.

In June 2023, the **Group hosted its first face-to-face employee onboarding session since COVID-19**. The session covered The Capricorn Way, the Employee Value Proposition and the strategy for various subsidiaries. New employees attended from across the country alongside Exco members, representation from the respective entity executive management team (“EMT”) members and human capital representatives.

The **MyCapricorn app** is a critical engagement platform for all entities. There are currently 1,819 registered users, 85% of all employees. Active users averaged 626 users per month. The app is both a communications channel and a source of learning material for employees. This includes wellness podcasts, leadership learnings and access to the Digital Academy. The app is accessible on laptops, tablets and smartphones. In Namibia, we offer a chargeback on data, so employees do not have to use their own data.

Capricorn Group, in collaboration with Cricket Namibia, sponsored the launch of the **Capricorn Eagles Quadrangular T20 International tournament** held in Windhoek in April and May 2023. The tournament featured teams from Hong Kong, the United Arab Emirates and Uganda, who competed against the Namibian national side. Our sponsorship of Cricket Namibia and our ongoing investment in the Capricorn Eagles is our contribution to developing women’s and girls’ cricket in Namibia.

Capricorn Group partnered with the Namibia University of Science and Technology (“NUST”) to host the **#CGNUSTHackaton2023**. The competition, which took place in February 2023, engaged teams for 48 hours, during which future software developers tested their skills to build a functional and innovative single-page application. The hackathon, a first for the Group, demonstrates a proactive approach to building employer brand awareness with potential future IT employees.

In June 2023, Capricorn Group hosted an investor relations event titled **“A Decade of Change for Namibian Investors.”** The event focused on the growing importance of ESG issues for listed entities. The well-attended event coincided with the 10th anniversary of the NSX listing of the Capricorn Group. The event was attended by NSX-listed companies, private firms and state-owned entities.

In October 2022, Capricorn Group, alongside Bank Windhoek and the **Namibia Investment Promotion and Development Board joined the COP27 delegation in Egypt**, to engage with like-minded international partners in enhancing an accelerating the implementation of climate change.

In March 2023, Capricorn Group partnered with the Namibia Institute of Corporate Governance (“NICG”) and over 100 corporates and officials, to host a two-day conference themed: **Mind Shift: Real Contextualised Sustainability for Namibia, in support of the progressions of corporate governance, ESG and sustainability**. This was followed by a partnership with NICG to carry out an annual online series on corporate governance titled, **Fireplace Conversations**.

In August 2022, Capricorn Group collaborated with CAM to host a public talk titled **Smart Money Moves** geared towards educating stakeholders, students and the general public on investment options and to showcase the centre of excellence that exists in the Group.

The Group’s employee volunteerism programme, known as the **Changemaker Programme**, brings employees together to address the challenges faced by the most vulnerable members of society by allowing employees to give back to the communities in which the Group operate. Between July 2022 and June 2023, over 300 employees participated in the respective Changemaker initiatives. More information on the programme can be seen in the social value report that is available online.



Our operating context

Economic review

Remarkably resilient. This is how global economic activity can be described in the face of many headwinds. Rising interest rates amidst stubborn inflation, heightened geopolitical tension, tightening fiscal policy, unpredictable effects of China dropping its COVID restrictions, stress in the USA banking sector, and cracks in residential property markets are but some of these headwinds. All the while, the world economy keeps on lurching from one shock to the next.

Therefore, it is puzzling to central banks and analysts alike that labour markets remain remarkably tight. Low unemployment rates in the developed markets and rising wages are keeping central banks awake to demand side inflation risks. Monetary policymakers have been diligently warning that their anti-inflationary campaign is not over. This means that more interest rate hikes are likely in some quarters, even though the Federal Reserve and others, such as the Reserve Bank of Australia, have paused.

Nevertheless, the end of the tightening campaign is in sight and will be reached in the coming reporting period. The Monetary Policy Committees of the USA Federal Reserve (+525bp), the South African Reserve Bank (+475bp), and the Bank of Namibia (+400bp) have increased rates quite sharply, whereas the Bank of Botswana (+151bp), in comparison, hardly moved.

This is predicated on the view that inflation has peaked. In the USA, consumer inflation reached 3.2% in July 2023, having peaked at 9.1% in June 2022. In the RSA, the decline had been less pronounced, reaching 5.4% in June 2023 after having peaked at 7.8% in July 2022. Similarly, in Namibia, it declined from a peak of 7.3% in August 2022 to 4.5% in July 2023. Botswana experienced a bigger inflation shock in the wake of the energy crisis, its consumer inflation rate rising to 14.6% in August 2022. Since then, it plummeted to 1.5% in July 2023. As these declines continue in line with expectations, significant real interest rates are being reached.

The full effect of the above-mentioned headwinds, and especially that of tightening policy, is still to be felt in the real economy. Even though, "remarkably resilient" is how we describe the current environment, forward-looking indicators are signifying trouble ahead. While actual, real GDP growth rates are holding up quite well, official leading indicators are deeply negative. In the USA and RSA, these are comparable to previous major slowdowns in conjunction with financial crises.

Furthermore, this mixed picture is also evident in the capital and money markets. Global financial conditions are tight, showing up in contracting money supply growth numbers in the face of firm demand for credit, whereas in Namibia, Botswana and South Africa, the reverse is true. In Namibia, the demand for credit remains remarkably weak, barely growing, while money supply is rising with double-digit growth rates. This makes for a liquid environment and downward pressure on interest rates, while uncertainty is high about how long this will last.

Similarly, in Botswana, growth in the money supply tended to exceed credit growth lately. However, this underwent a remarkable reversal late in the reporting period. Growth in loans and advances accelerated to nearly 11% year-on-year before slowing down again somewhat.

Consumers are still wrestling with the increased cost of living that is evident in transport, food and housing, amounting to roughly two-thirds of the expenses that households face. And it seems that high interest rates are starting to bite, especially in Namibia and South Africa, where it is negatively affecting consumers' ability and willingness to take up credit.

The volatility and cyclicity of the Namibian and Botswana economies have recently, again, come to the fore. For these, small, open economies, the importance of the mining and commodity cycles and its related industries cannot be overstated. Recently, activity in the mining sector has picked up significantly, which augurs well for headline GDP growth over the next several years, as long as the expected global economic down cycle is not too severe.

Floris Bergh

Chief economist

Capricorn Asset Management

Remarkably **resilient**. This is how global economic activity can be described in the face of many **headwinds**.

The future of financial services

The financial services industry has undergone a significant transformation with the introduction of digital technologies. With the rise in digital banking, customers can now access banking services anywhere and anytime, making the industry more efficient and convenient.

As part of our strategic review process, the Group strategy team keeps tabs on regional and local changes as well as banking trends. These are some of the major trends we have identified.

Read more about our strategy review process and strategic choices on page 34 and our #gobeyond digital transformation programme on page 29.

Digital transformation continues

Digital transformation in banking refers to integrating digital technologies and innovative strategies into the financial services sector to improve operational efficiency, enhance customer experiences, and adapt to the evolving market landscape. According to Gitnux, a digital research platform, the number of online banking users globally is expected to reach 3.6 billion by 2024. Customers increasingly demand more innovative and convenient banking services on their computers or apps, and banks that are slow to adopt these trends risk losing customers. Digital transformation includes automating back-office processes to analyse financial information, reduce human errors and save time and money.

Affordability remains key

The recent energy crisis has driven high levels of inflation, causing people worldwide to face higher living costs. This has created a real urgency for banks to digitalise their channels and deliver more affordable financial services. With customers facing financial pressure, banks are increasingly building customer engagement around financial wellness.

Ultrapersonalisation

Today's customers expect personalised engagement from all businesses they deal with. They have little patience for one-size-fits-all approaches and view generic messages as spam. Ultrapersonalisation is set to become the norm in the banking industry. Banks increasingly analyse customer data using artificial intelligence and machine learning algorithms to process customer activities, allowing them to provide services based on individual preferences and behaviours. This will allow them to provide customised services and advice, boosting customer satisfaction and loyalty.

Growth in the payments space

COVID-19 radically reshaped the payments landscape, increasing demand for contactless payments and new solutions. With the rise of e-commerce and mobile payment apps, customers expect a consistent digital payments experience across all their devices and platforms. This includes frictionless payment methods, real-time payments, digital wallets, open banking, mobile banking and cryptocurrencies.

Financial services firms as planetary guardians

All large and influential institutions will be expected to take a position on climate change and other sustainability issues. Here banks have a role in addressing the interconnected sustainability crisis we face. Banks will be pressured to divert finance from carbon-intensive businesses towards financing more sustainable activities. They will also move towards monitoring their customers' and suppliers' environmental impact more closely. Demand for sustainable and transition finance continues to grow at a pace, and while most activity is concentrated in advanced economies, emerging markets are beginning to attract investment.

Digital currencies on the horizon

From China to the United States, Jamaica to Japan, dozens of central banks worldwide are exploring or have already introduced digital currencies. Regulators are aware of the long-term value of digital currencies and the idea of decentralised finance. To integrate elements of digital money into the global financial system, banking institutions and regulators will likely share more information and ideas in the future.

Our regulatory environment

We mitigate our regulatory and compliance risk through corporate citizenship, sound market conduct and adherence to applicable laws, regulations, supervisory requirements and applicable international standards. As a financial services group, our licences to conduct business in Namibia and Botswana are conditional upon compliance with stringent requirements supervised by regulators.

The compliance function manages a compliance management programme which involves identifying, evaluating, advising on, monitoring, and reporting on the Group's and its subsidiaries' compliance with core legislation. The programme includes assessments of our readiness to comply with proposed legislation.

In September 2022, Namibia underwent its second peer review mutual evaluation by the Eastern Southern African Anti-Money Laundering Group ("ESAAMLG") and the Financial Action Task Force ("FATF"). This evaluation focused on 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"). The outcome of the evaluation found that Namibia made substantial progress since its first FATF mutual evaluation in 2005 regarding technical compliance. Still, there remains significant room for improvement, especially in the overall effectiveness of the national policy in a legislative regime. The country was given a year to resolve all findings to avoid a targeted FATF review and a potential greylisting. Greylisting means a country is under increased monitoring due to a lack of policies and procedures to deal with AML, CFT and CPF.



Namibia was tasked to address 13 laws by October 2023 to strengthen its legal systems to fight financial crimes and avoid being greylisted. The Virtual Asset Act commenced on 25 July 2023 and aims to strengthen the Namibian legal system regarding regulating virtual assets, including cryptocurrency. The Act aims to provide for the licensing and regulation of virtual asset service providers; to designate a regulatory authority to regulate and supervise virtual asset service providers and related activities to ensure consumer protection, prevent market abuse and or mitigate the risk of money laundering and terrorist financing.

In Namibia, the Financial Institutions Market Act ("FIMA"), 2021, is a significant piece of pending legislation that aims to consolidate and harmonise the laws regulating non-banking financial institutions, financial intermediaries and financial markets. FIMA was gazetted to come into effect on 1 October 2022, but the Minister of Finance has delayed its implementation until further communication.

In Botswana, the Virtual Assets Act, 2022, came into effect in February 2022 and regulates the sale and trade of virtual assets, including cryptocurrency, and the licensing of virtual asset service providers. Botswana's Data Protection Act, 2018, aims to regulate the protection of personal data and ensure that individuals' privacy in relation to their data is maintained. The Data Protection Act, 2018, had an intended enforcement date of 15 October 2022, when the grace period ended. However, this grace period was extended for another year to allow the Data Commissioner sufficient time to set up its office to enforce the act.

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

As a financial services group, our licences to conduct business in Namibia and Botswana are conditional upon compliance with stringent requirements supervised by regulators.



Over the past few years, the financial services industry has demonstrated its ability to successfully navigate unprecedented levels of uncertainty. As a Group, **we must listen and respond to our customers' changing needs** to remain relevant and sustainable.

#MakeChangePositive



Our material matters

When considering what is material for Capricorn Group, we take a stakeholder-inclusive view of risks and opportunities related to our business activities, resources and relationships. Our most material matters have the greatest potential to impact the Group's ability to create and preserve value for all stakeholders.

Defining our material matters culminates in the board assessing and approving a final list. The board approved the material matters, on the recommendation of the BARCC, in June 2023. These material matters are then integrated into our governance reporting. Each action emanating from material matters is assigned to an executive, and board governance oversight is confirmed.

























On a high level, our material matters for this report remained similar to those reported last year.

Our approach to materiality

For this integrated annual report, we retained our 2022 material matters, with the exception of the material matter related to ensuring a responsible COVID-19 response. These matters were confirmed in 2023 through an assessment that included research, peer benchmarking and external stakeholder input.

We recognise that materiality is dynamic and that shifts in stakeholder perspectives and priority issues can arise suddenly and present unexpected business risks or opportunities. We have initiated a review of our material matters to determine the changes that may be required.

Our material matters consider the requirements of the <IR> Framework and aim to communicate the full range of factors that materially affect Capricorn Group's ability to create value over time. We monitor developments with regards to the new IFRS S1 and S2 standards and the relevance to our context and materiality process.

Rank	Material matter	Related principal risk and Group principal risk owner ("GPRO") oversight	Board committee oversight	Time frame
1	 Conducting business the right way	 People  Compliance  Reputation  Operations  Technology	BARCC, BSEC	Short, medium and long term
2	 Managing risks effectively	 Credit  Capital  Liquidity  Market  Finance and tax	BARCC	Short, medium and long term
3	 Embedding a customer-centric service culture	 People  Technology  Reputation  Operations	BSEC, GBITC	Short and medium term
4	 Building agile and high-performing teams	 People  Strategic  Operations	HR Committee, Remco	Short and medium term
5	 Making a positive impact in society	 People  Reputation	BSEC	Short, medium and long term



Conducting business the right way

We take great pride in upholding high ethical standards and acting with integrity in our stakeholder interactions. We aspire to be a role model for ethical behaviour and cultivate ethical leadership in the countries where we operate.

We recognise that ethical conduct provides the platform for growth and sustainability. Our shareholders expect ethical conduct and effective controls to avoid reputational issues and safeguard their investment. Employees expect management to lead by example and to ensure the fair and consistent application of disciplinary procedures and policies. We foster a culture of openness and safety at work so that challenging conversations can occur, and diverse viewpoints can flourish.

We promote ethical business conduct and institutionalise ethical behaviour. Our Group Code of Ethics and Conduct Policy and the behaviours outlined in The Capricorn Way (see page 6) offer practical guidance on what it means to do business the right way. Lawful behaviour and organisational integrity are underpinned by several policies and procedures which provide direction and guardrails that are aligned with sound practices. The Group periodically conducts an independent ethics risk assessment to identify areas for improvement which forms the basis for an enterprise-wide ethics strategy and programme. An "Ask Us" line is provided for employees to seek further information on ethics. 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 available to report ethics, fraud and alleged unlawful conduct.

In its qualitative risk appetite statement, our board has formally stated 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.

Activities concluded during this reporting period

The Group maintained its Ethics Framework and processes throughout 2023 through a formal Group-wide ethics programme which included the following activities:

- > A series of corporate theatre videos were created and are supported by a communications plan to educate employees on what it means to conduct business the right way.
- > Commissioned an independent ethics risk assessment by the Ethics Institute of South Africa of all Group subsidiaries.
- > Conducted an ethics risks assessment of our supply chain to understand our suppliers' views of us regarding ethics.
- > Conducted a Group-wide online ethics training and a board ethics training event.
- > Initiated various ethics awareness activities including deliberate messaging by senior leadership around ethics as part of leadership communications.

Stakeholders that have an interest in this matter



Shareholders



Employees



Government and regulators



Customers

Strategic choice related to this matter



Data and digital



Sustainability

Enabling themes



Stakeholder engagement and communication

Related principal risks



Compliance



Operations



Reputation



Strategic

Expected outlook

By embedding ethical behaviours and acting with integrity, the Group earns the trust and respect of employees, customers and other stakeholders. This ethical foundation provides the platform for continued growth and sustainability over the long term.



Managing risks effectively

Our long-term sustainability depends on rigorous risk management. We think about risk holistically and systemically, concentrating on "what must go right" to produce the intended results.

Our risk management focus is shaped by our business objectives and formal risk capacity, appetite and tolerance statements. Our practices are informed by standards and sound practices and minimum regulatory requirements according to each risk type. We have a forward-looking approach and use technology, data and insights to embed controls into our process. Risk management enables us to make 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 as second and third lines in a three lines model and as part of a combined assurance framework.

The Group's main risk categories are referred to as "principal risks". Each principal risk is managed according to a risk management framework which is overseen by a Group principal risk owner ("GPRO"), an executive with relevant experience and seniority within the Group.

Read more about our risk governance and principal risks in the risk report available online.

Embedding a Risk Culture

Each employee is responsible for understanding the hazards associated with their role and managing those risks as part of their daily responsibilities. Employee performance assessments are required to include an evaluation of the exhibited behaviours.

The Group offers all employees a Capricorn Group Risk 101 training programme as an e-learning course. The programme covers basic risk management skills to equip employees to make risk-informed decisions in strategy execution. More than 60% of employees have completed this programme. The Group also offers a voluntary certification programme in Risk Culture building, a "train the trainer" type of programme, which aims to create decentralised capacity for risk culture development. In 2023, 64 participants from Namibia and Botswana enrolled in the Risk Culture Builder programme.

Oversight and accountability

The board is responsible for governing risk in a way that helps the Group set and meet its goals. The Group delegates the responsibility for overseeing and governing risk management to the BARCC. The Group CEO is the senior executive responsible for implementing an effective Risk and Compliance Management Framework. The Group's combined assurance model identifies instances of non-compliance to be rectified through a formal remediation process. The combined assurance model includes the monitoring of compliance through a formal, rolling three-year compliance monitoring plan. This plan is delivered by a Group compliance monitoring function, which has completed its second year of operation. In 2023, we refined and embedded our compliance monitoring process and procedures.

Stakeholders that have an interest in this matter



Employees



Shareholders



Customers



Government and regulators



Suppliers

Strategic choice related to this matter



Intrapreneurial action

Enabling theme



Risk and compliance

Related principal risks



Compliance



Credit



Finance and tax



Financial crime



Investment management



Legal



Liquidity



Market



Operations



People



Reputation



Strategic



Technology

Expected outlook

Our effective risk management processes analyse new risks and mitigate known threats to prevent value erosion and ensure resilience and sustainability.

Embedding a customer-centric service culture

Customers demand increased agility and responsiveness from financial services firms. They anticipate a seamless and intuitive experience across all channels, including better guidance. Branches are still crucial, but their function and emphasis are shifting. We prioritise investing in digital channels and maintaining a customer-centric mindset to grow despite a challenging operating environment.

Our customers come from all ages and income brackets, various industries, and two separate nations. To better understand our customers' unique needs and expectations, we segment our customer base. We provide unique customer value propositions with focused solutions for particular demographics like high-income earners or small businesses. Our customer engagement strategy varies depending on the market category we are serving. Customers need safe, dependable, and convenient financial services and their needs are changing.

Our digital transformation programme

We have maintained the momentum created by the COVID-19 pandemic which accelerated the Group's digitalisation drive as customers increasingly sought low-contact channels. In the region and internationally, banks provide an increasing range of services on multiple digital channels. To remain relevant and customer-centric, #gobeyond, our digital transformation programme, has been successful in streamlining operational processes and enhancing customer value through digital platforms. The programme intends to migrate high-volume, low-value transactions onto 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

Capricorn Group has based its digital channels on modern technology architectures that use application programming interfaces ("APIs"). This digital core allows for effective and faster roll-outs of additional features across all channels which benefit customers. The Group plans to leverage its data assets by introducing a modern data platform and the use of artificial intelligence and machine learning to better understand and serve our customers' needs. Our customer experience metrics, as measured by the annual Determinants of Service Quality ("DSQ") surveys, have maintained excellent scores for Bank Windhoek and Bank Gaborone.

The overall key metrics that are assessed as part of the Bank Windhoek annual DSQ maintained excellent scores during 2023 across all our key business units. Our Net Promoter Score in particular showed significant improvement from 39% in 2022 to 45% in 2023. This is deemed as a good rating in terms of the Net Promoter Score benchmark. The skills, expertise and relationships that our employees foster with customers are seen as the biggest strengths of the bank.

For Bank Gaborone, the 2023 DSQ survey showed that the customer effort score stands at 84.5%, which was mainly attributed to excellent service from employees and the ability to troubleshoot queries. The customer satisfaction score was 82.1% due to the professionalism of the employees, being treated as valued customers and staff being readily available. The Net Promoter Score attained 33.5% because of the limited digital platforms, ATM footprint, and real-time account balance tracking.


Progress in 2023


We executed the first year of our data strategy roadmap, approved in May 2022, to help us derive value from our data assets.


In 2023, Bank Windhoek's customer contact centre reduced call abandonment rates from double to single digits while maintaining a Net Promoter Score of +50, considered an exceptional customer experience metric globally.


Digital transformation, and its usefulness to better serve our customers and create value for shareholders, is an ongoing journey that is constantly evolving due to the rapid advancement of computing power and artificial intelligence. Our operating context on page 22 describes banking trends, including the growing focus on digital transformation initiatives. Read more about the #gobeyond achievements for 2023 in the CEO's report on page 45.

Stakeholders that have an interest in this matter


Employees


Customers


Shareholders


Strategic alliance partners

Strategic choice related to this matter


Data and digital

Enabling themes



Stakeholder engagement and communication



Business development



Operating model and collaboration



Data and analytics


Related principal risks


Reputation


Strategic


Operations


Technology


People

Expected outlook

We can attract new customers and expand our market share by providing better customer service and enhancing our offering. In comparison to Namibia, Botswana has a stronger chance of increasing its market share.



Building agile and high-performing teams

Retaining and developing adaptable and highly skilled people is essential to our value creation and sustainability.

Capricorn Group requires an appropriately skilled workforce to execute our strategy and create long-term competitive advantage. Employee upskilling or reskilling results in more inclusive and sustainable societies that better match people’s skills and the market economy.

We invest in talent to give employees the best exposure, opportunity, and training to realise their full potential. This commitment is supported by The Capricorn Way, which aims to unlock potential in individuals and the collective.

At Capricorn Group, we focus on the following four people practice areas:

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

Progress in 2023

In 2021, the Group approved a people development and learning strategy to develop core competencies aligned with the challenges and opportunities of the Fourth Industrial Revolution. The strategy recognised the need to transition from a formal learning environment to one that encourages social and experiential learning. We are looking into trends, such as using artificial intelligence to create personalised learning paths, mobile-first learning environments, and internal and external experts to create learning materials and conduct training. In 2023, we evaluated the most effective methods and channels to reach employees, create scale, and reduce learning costs through more online, mobile and regional training.

In 2023, we made 18 new courses available on the Digital Academy (created in 2022 to improve digital skills in the Group). These courses cover a wide range of exponential technologies, for example, artificial intelligence, virtual reality, machine learning, drones and the metaverse.

We also created a conversation platform to discuss human-centric leadership and what this means for the Group. We have begun peer coaching circles, where leaders from different business areas debate issues related to human-centric leadership. An online library of coaching material related to the topic was created.

The first cohort of 38 employees completed the Harvard ManageMentor Leadership Programme. The online programme provides self-directed leadership and management training and is recognised for boosting leadership effectiveness, encouraging personal growth, and aligning with future skill requirements.

Read more about our DEI programme in our strategy section on page 34.

Talent attraction

An enhanced recruitment strategy aims to improve our ability to attract talent. We are creating talent pipelines through partnerships with tertiary organisations, specialised recruitment organisations and various programmes under the Young Talent Programme.

We are also partnering with NUST and other external partners to address key talent shortages in IT, financial risk and data management. Our annual graduate development programme recruits and trains high-potential graduates. We also track high-performance talent through our alumni as part of succession planning. Our hybrid working model enables the Group to attract talent seeking greater workplace flexibility.

Succession planning and talent planning

We use a holistic succession planning approach which aims to create a diversified portfolio of leaders. Exco and entity executive management team talent assessments were completed, and executives received feedback on their areas of strength and development. A coaching panel was assembled and deployed where needed.

Employee engagement

Engaged employees are more productive, which lifts business performance. Since implementing the Mirror survey, our employee engagement survey, we have experienced improvements in employee engagement. In 2023, we achieved a 93% participation rate, and for the second year in a row, we reported an engagement score of 86%, which is significantly above benchmark scores. In 2023 our survey results showed that 56% of employees (49% in 2022) are fully engaged, and 30% are semi-engaged with the remainder being unengaged. This exceeds benchmarks, however, we continue to strive towards greater levels of fully engaged employees.

Employee wellness

The Group focuses on an integrated wellness approach, including emotional and physical well-being. Webinars, articles, and facilitated sessions were embedded as part of the approach. We will enhance this element of the human capital strategy as there is a direct link to employee engagement and, in turn, business performance.

- > Continue embedding DEI in the organisation, with a specific focus on inclusivity and belonging.
- > Explore a leadership framework fostering mindsets that align with the strategy of the organisation.
- > Continue to embed The Capricorn Way as our cultural foundation for the Group.

Planned projects for 2024

The following projects are in development and will be rolled out in 2024:

- > Developing alternative recruitment strategies to overcome talent shortages. This includes exploring potential offshore structures to recruit and manage key IT skills to deliver on our digital transformation projects.
- > Continue to drive wellness as a key theme for 2024 with a focus on holistic wellness.

Group workforce profile

We monitor our workforce profile as we work towards our diversity goals. Our voluntary and involuntary turnover rate for employees is 8.56%. We continue to promote and emphasise diversity in terms of race and gender in our recruitment strategy and we have a strategy to accelerate the appointment of differently abled employees. The Group employees fifteen differently abled employees.

Capricorn Group employee profile	Permanent employees	% male	% female	% permanent of total employees	% contract	Total 2023	Total 2022	Total 2021
Namibia	1,625	37	63	86	13	1,883	1,807	1,702
Botswana	296	36	64	89	11	334	320	310
South Africa	9	44	56	100	0	9	25	21
Total and average %	1,930	37	63	87	13	2,226	2,152	2,043

Group indicator	2023*	2022*	2021*
Female permanent employees	63%	64%	64%
Racially disadvantaged permanent employees	78%	78%	78%
Women in senior management	38%	34%	32%
Women in middle management	59%	61%	60%
Racially disadvantaged employees in senior management	33%	34%	35%
Racially disadvantaged employees in middle management	71%	67%	65%
Non-Namibian workforce**	2%	2%	2%
New employees aged < 24	5%	14%	6%
New employees aged 25 – 35	67%	61%	74%
New employees aged 36 – 45	20%	25%	12%
New employees aged 46 – 55	8%	0%	8%
Employee turnover annualised	7%	7%	4%
Training hours Bank Windhoek, CAM and Namib Bou (hours)***	132,089	27,408	10,392
Training hours Bank Gaborone (hours)	12,127	2,762	1,964
Total investment in training (N\$'million)	14.9	76	3.9
Diversity score from the Namibia Preferential Procurement Corporation (%)	98.8	98.7	98.9

* Cavmont Bank is excluded from the 2021, 2022 and 2023 statistics.

** Namibia only indicator (including domicile holders and permanent residents).

*** Training hours increased due to added online training hours, new ways of tracking and improving data analytics.

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



Sustainability



Diversity, equity and inclusion



Integrated leadership

Enabling themes



Stakeholder engagement and communication



Operating model and collaboration

Expected outlook

Despite fierce competition for scarce skills, we are succeeding in attracting, developing and retaining top talent. We recognise that our competitiveness hinges on our ability to attract and retain adaptable and skilled people. We expect the competition for talent to increase, which necessitates ongoing investment in our talent management capability which includes leadership development as a key element.



Making a positive impact in society

We are a socially responsible Group that is strongly obligated to its stakeholders. In keeping with our brand promise of being Connectors of Positive Change, we take great pride in our contributions to a better society.

Supporting Namibia’s economic development

In March 2021, the Namibian government launched the Harambee Prosperity Plan II for 2021 to 2025. We support the plan through our ethics initiatives, governance structures, commercial offerings and growth plans, community investment, renewable infrastructure and sustainable financing.

Bank Windhoek participates in the Brand Namibia Committee in partnership with the Ministry of Information, Communication and Technology, the Ministry of Environment, Forestry and Tourism and the NIPDB. Brand Namibia is an initiative that markets the country globally while supporting 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 a proposal for the case for a Namibian business rescue process.

In November 2022, representatives from Bank Windhoek joined the Namibia government delegation to COP27 in Egypt. We represented the country at the Namibian pavilion and made presentations on our green and sustainability bonds.

Contributing to Botswana’s economic progress

Bank Gaborone prides itself on playing a crucial role in providing relevant financial services that positively impact Botswana.

Botswana is known for its thriving diamond industry, which relies heavily on exports. Over the past two years, the Bank has pledged BWP300 million to Citizen Economic Empowerment Programmes (“CEEP”) at Debswana Diamond Company and Morupule Coal Mine, aimed at funding citizen-owned companies to assist the government with job creation and building sustainable businesses. Since the inception of the programme, Bank Gaborone provided loans to the value of BWP220 million to citizen-owned companies.

The bank aims to see more citizen-owned companies assisted to create an ecosystem where jobs are created, local suppliers grow and most importantly help boost the economy. Our approach to citizen empowerment is very deliberate and is in line with our commitment towards realising the Economic Inclusion Act of 2021.

Bank Gaborone participated in the government’s loan guarantee scheme for businesses impacted by COVID-19 and has advanced loans amounting to BWP20 million to these companies.

Overall, the bank’s commitment to inclusivity and sustainable wealth building will have a significant impact on the country’s success, as it will create a more engaged and productive workforce, and a loyal customer base that supports business growth.

The Capricorn Foundation

The Foundation was established in February 2020 as a non-profit association incorporated under Section 21 of the Company’s Act in

Namibia. The Foundation has made great strides in executing its mandate over the past three years as the main vehicle of the Group’s CSR and is regarded as a thought leader in the non-profit space. It is governed by a board of five directors and chaired by Gerhard Fourie, the Group’s chairperson. The Foundation’s management committee comprises representatives from Capricorn Group, Bank Windhoek and CAM. The Foundation is led by an executive head supported by a coordinator.

The Foundation aspires to be a Connector of Positive Change by being accountable to ourselves and our stakeholders. Over the past three years, the Foundation has built strong networks and promoted collaboration with other non-profits and the government. In July 2022, the Foundation launched its first signature project, the Capricorn Foundation Food Waste Challenge seeking innovative solutions from the public to reduce food waste in Namibia.

In addition to the Foundation’s efforts, the Capricorn Group and its affiliates engage in CSR initiatives that benefit the community. The Group’s Changemaker programme has also been effectively used to involve our employees in the vulnerability programmes supported by the Foundation.

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	Shareholders

Strategic choice related to this matter

Intrapreneurial action	Sustainability

Enabling theme

Stakeholder engagement and communication

Related principal risks

Reputation

Expected outlook

Our Group’s sustainability depends on a healthy social and economic environment. We contribute to the economic development of both Namibia and Botswana.



As a **leading financial services provider in Namibia and Botswana**, we pride ourselves in creating value for our communities. Our social responsibility efforts reflect our commitment to being **responsible corporate citizens and an accountable organisation** to our various stakeholders.

#MakeChangePositive



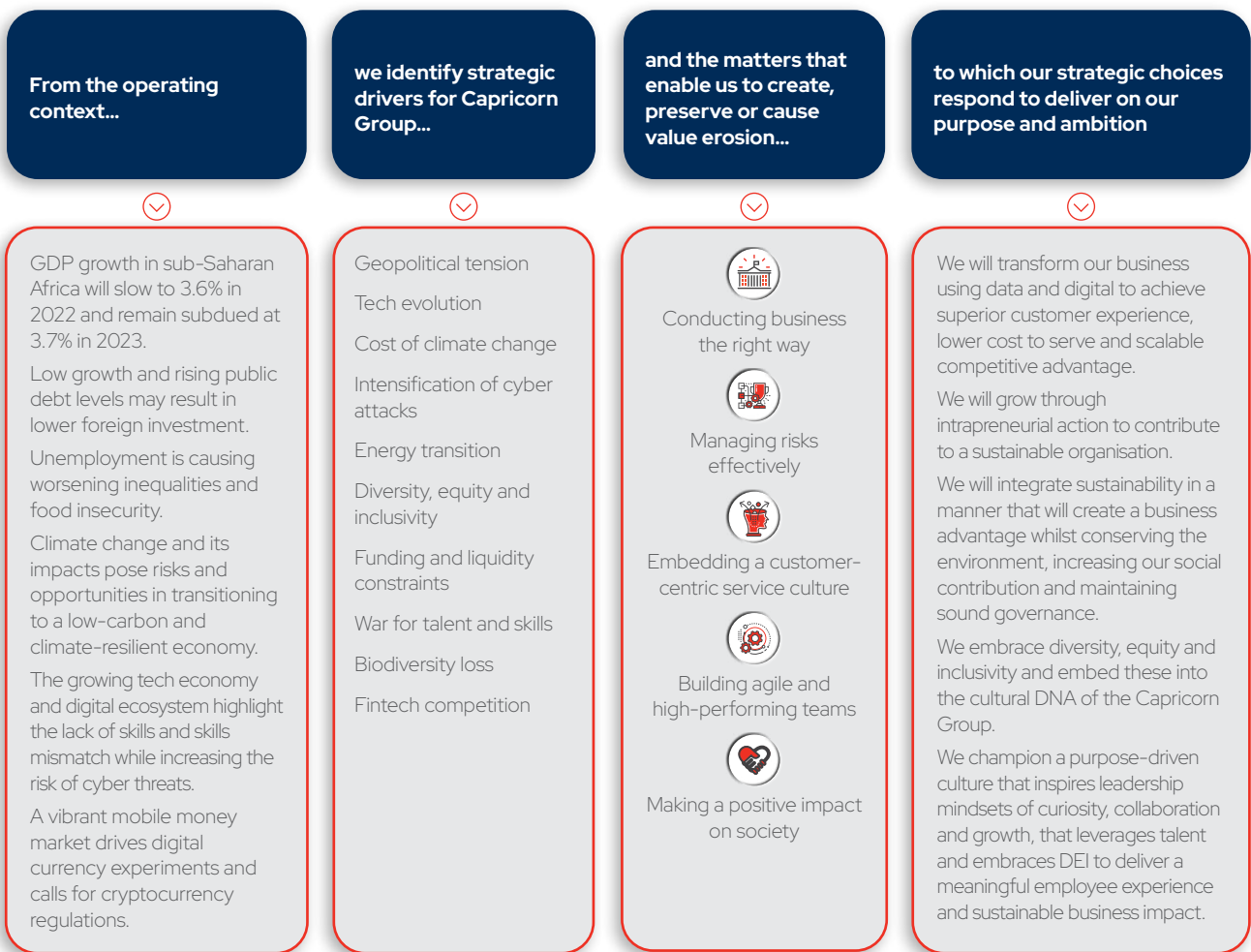
Our strategy

We remain committed to the strategic intent captured in the AsOne 2030 Leadership Philosophy. This philosophy asks employees to consider customers and the Group’s objectives and to act AsOne.

In its annual strategy review, the board reflected on the progress made with the strategy execution. It confirmed that existing initiatives relating to the three strategic choices remain a work in progress. At the board strategy session in March 2023, the board approved the addition of two further strategic choices.

Strategy development approach

In our annual strategic review, we used an integrated approach that considered our operating context (read more on page 22) and our material matters (read more on page 26). Our annual strategic analysis was discussed at the Exco and board strategy sessions held in January and March 2023 respectively, where we confirmed key strategic drivers and approved the strategic choices for 2024.



We monitor strategic drivers and **construct scenarios to explore potential futures** which pose unique opportunities and risks, which require optimised responses from Capricorn Group.

Our focus



Customers

We differentiate ourselves through our unique service offering and our customer experiences, which will be driven by a customer-centric strategy and culture.



Employees

Success depends on good leadership, the right culture and the skills and support of our people and on the hand-shake between company and employees in achieving superior performance.



Sustainability

We turn sustainability integration into a business advantage whilst creating environmental and social surpluses.



Data & Digital

We use Data and Digital to transform our business and customer experience, implementing new technologies and data capabilities such as Microservices (API's), Artificial Intelligence and Machine Learning .



Value Creation

To create real value for all stakeholders our brand, culture and distribution channels contributes to a strong value network which enables us to build and focus on value-adding initiatives. The result is that our strategies are chosen based on the highest value and cascaded through the Group.



Brand Management

We leverage a single unified brand to realise our ambition.

Our enabling themes

We have identified enablers which support our strategy. We define an enabling theme as the conditions that need to be in place for our strategy to succeed.



Risk and compliance



Stakeholder engagement and communication



Business development



Capital and portfolio focus



Operating model and collaboration



Data and analytics

Implementing our strategic choices

Our new strategy is intended 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.

All entities have approved strategy plans and execution scorecards that support implementing strategic choices through their businesses' activities and resource allocation. Scorecards are submitted quarterly for board oversight and monitoring.

This year we enhanced our strategy process by shortening our review cycle to annual with a rolling three year planning window and opening our process for external advice through our Strategy Advisory Council which had its inaugural meeting in October 2022.

We have distilled our strategy into five distinct strategic choices.



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



Key initiatives:

- > Rolled out 57 self-service cash-accepting devices across Namibia and Botswana.
- > 30% increase in value transacted via our digital channels (Mobile app, online and USSD).
- > Revamped in-branch customer onboarding for high-volume transactional accounts which resulted in a far more seamless experience with added benefits of biometrics enrolment and e-signatures.
- > A host of new services made available that were previously only available in-branch (tax payments, scheduled payments, account confirmation letters and various value-added services).

Key performance indicator: N\$362 million investment in #gobeyond over the three-year period, with N\$58 million in benefits (cost savings and revenue uplift thus far), exceeding business case projections. Other key indicators achieved include a 56% migration of all cash deposits to self-service devices and 49,000 customers actively using the mobile app every month.



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

We prioritise new revenue streams, execute deals and invest in new opportunities to positively impact ROE. We also support entities with their growth strategies and explore synergies between entities to unlock opportunities.

Key initiatives: In 2023, we grew our range of customer offerings at Bank Windhoek and Bank Gaborone. We continued to scale Peo Finance in Botswana. In addition, we developed and implemented a process to structure and formalise the ongoing assessment of opportunities through a business development opportunity pipeline.

Key performance indicators: We measure growth in our customer base, assets and liabilities, assets under management and ROE.

Read more in our Group's CEO's report on page 45.



We will integrate sustainability in a manner that will create a business advantage whilst conserving the environment, increasing our social contribution and maintaining sound governance.

We are cognisant of the growing emphasis on sustainability and changing key stakeholder beliefs and values relating to the purpose of organisations. Sustainability, including ESG practices, is important to the Group. We know the sustainability world view has changed dramatically, and our key stakeholder's views, beliefs, and decisions are evolving. Our actions have an impact and a dependency that creates risks and opportunities. We must prepare for the risks and opportunities that the Group and our stakeholders will face. We have a responsibility to understand our stakeholders' key issues and priorities and to respond to them in a balanced way.

ESG is used as a "lens" through which investors evaluate the sustainability performance of the Group. Therefore, we aim to balance the triple bottom line (people, profit and the planet) through everything we do. Conserving the environment and promoting social well-being is imperative for long-term economic growth and stability. Our intent and approach to sustainable development for our customers and communities is to integrate ESG considerations into our strategy, operations, and daily decision-making. We facilitate investments that prioritise environmental conservation and social upliftment, drive the adoption of renewable energy and ensure the prudent use of resources.

Sustainability is not just about how we spend our profits, but also how we generate them. We made a deliberate choice to embark on a journey to lead authentically and responsibly.

Key initiatives: In 2023, we focused on the following:

- > A Group head of sustainability was appointed.
- > A Group-wide sustainability gap analysis was completed which informed a Group sustainability integration programme.
- > The Exco appointed a sustainability Steerco with executive management team representatives from subsidiaries to lead the execution of the Group sustainability integration programme.
- > Conducted detailed scoping and planning for the programme and initiated operating unit level engagement for buy-in.
- > Participated in local and international sustainability forums, such as COP27, to build on our presence, knowledge and networks in the field of sustainability.
- > Reviewed our sustainability framework.

Key performance indicators: At this stage in our sustainability journey, we have set the following key performance indicators:

- > Establishment of a formal enterprise-wide programme and embedding the practices.
- > Sustainability opportunities identified and harnessed.
- > Ability to identify and manage environmental risks.
- > Adherence to internationally recognised standards for reporting and disclosure.

In 2023, we commenced with the execution of the Group sustainability integration programme. The board emphasised the need to focus on strategic execution and clear definitions of success, performance measures and accountability.

An integrated sustainability strategy

Capricorn Group has been on a sustainability journey since identifying sustainability as a key strategic theme and growth enabler in 2014. In the past year, we accelerated our commitment and confirmed a strategic Group choice for sustainability. We appointed a group head of sustainability, launched a formal, Group-wide sustainability integration programme and established a sustainability steering committee and working group.

We have a three-phased approach:

Phase 1: Building a solid foundation and integrating sustainability into the existing businesses

Phase 2: Embedding sustainability foundation and enhancing reporting and disclosure

Phase 3: Optimising the sustainability integration programme based on lessons learnt

Our sustainability integration programme has four broad focus areas:

Sustainability risk management: Identifying, measuring and managing environmental risks and incorporating the management of these risks in the Risk Management Framework.

Sustainability opportunities: Setting a deliberate focus on identifying and pursuing potential opportunities arising from climate adaptation, mitigation, transitioning to a green economy and other sustainability areas.

Decarbonisation: As required by external forces such as regulation and industry standards in our operating context, support the achievement of global climate change objectives through lending and investment portfolio decisions by adopting relevant practices and making the required disclosures.

Own environmental footprint: Living our values in relation to sustainability and cultivating a sustainability-oriented culture through formal internal programmes aimed at reducing our environmental impact by limiting our dependency on natural resources through focussing on reduce, reuse and recycle initiatives.

We are building on strong social impact through the Foundation and other CSR initiatives and provide evidence of our mature governance system and structures in our governance report (available online). We strive to align our future sustainability reporting and disclosure to evolving industry and national standards, frameworks and guidelines. In addition, we will focus on six priority United Nations Sustainable Development Goals ("SDGs") featured in the social value report.

We are committed to transparent reporting on our ESG performance and have adopted and aligned with reporting standards like the Global Reporting Initiative ("GRI"), the Task Force on Climate-related Financial Disclosures ("TCFD") and strive to align with the recent IFRS-S1 and S2, sustainability and climate-related reporting and disclosure standards.



We embrace DEI and embed these into the cultural DNA of the Capricorn Group.

We are committed to a workplace that mirrors the communities we serve and appreciate that diversity opens up new possibilities. Top performers are drawn to inclusive workplaces and diverse cultures have a wider appeal to different audiences, which leads to competitive advantage. Inclusive organisations have higher levels of awareness and empathy for others. This results in greater collaboration and happier working relationships. We must establish a welcoming, safe, and inclusive workplace environment where employees feel they belong.

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.

For several years, the Group has prioritised transformation targets, and we drive these as part of our recruitment process. DEI refers to not only race and gender but also diversity in age, perspectives and being differently abled.

Key initiatives: The Capricorn Group Leadership Summit held in September 2023 provided a good base for the next phase of our Group-wide DEI programme, with the programme's official launch and several unconscious bias sessions. Bank Windhoek conducted various DEI interventions, including a review of processes, procedures and policies that may be creating exclusion practices. A grievance survey among employees was conducted with feedback incorporated into policy and process amendments. A train-the-trainer for unconscious bias awareness roadshow was concluded nationwide.

Key performance indicators: We monitor our diversity targets and the response rate on the diversity and inclusion survey.



We champion a purpose-driven culture that inspires leadership mindsets of curiosity, collaboration and growth, that leverages talent and embraces DE&I to deliver a meaningful employee experience and sustainable business impact.

We recognise the power of the collective mindset and seek to create platforms to collaborate throughout the Group.

Key initiatives: Build understanding around the concept of mindsets and how mindsets contribute to effective strategy execution and leadership. A focus on understanding underlying assumptions and behaviour and how this aligns with The Capricorn Way and our DEI programme. Whilst overarching principles and practices will guide and govern the initiatives, operating units, through their participation, will help to ensure that outcomes are locally relevant and supportive of entity goals.

Key performance indicators: The design of the DEI programme and charter has been completed and adopted by the Group. The programme focuses on all three concepts namely diversity, equity and inclusivity. From an inclusivity perspective, the unconscious bias sessions that commenced at the Exco level were implemented across all entities to at least the senior leadership level. Human capital crafted an inclusion circle programme that was






piloted for adoption in the next strategic cycle. We called for employee nominations to be part of an early adopter programme. Early adopters will assist us with design and implementation work as we roll out the programme.

From an equity perspective, several policies were changed to accommodate more equitable treatment. This was expanded to how we conduct performance reviews, reward practices and learning and development spent.

From a diversity perspective, we have met the targets as set by the equity employment commissioner. As an organisation, we have committed to stretch targets with a focus on disability, women in senior management and previously disadvantaged individuals in senior management. We partnered with a number of external stakeholders, a disability awareness programme was launched, and we are focusing on recruitment, especially of young talent. Our expanded talent mapping process focuses on the setting of targets that embed diversity in our succession planning.

Risk management supports strategy execution

The Group Risk, Internal Control and Assurance Framework (“GRICAF”), which is at the core of enterprise risk management, is directed by our strategic choices. These choices guide us in terms of risk management infrastructure, key skills and risk management capabilities. The implications of the strategic choices, shown below, inform the strategic focus areas for risk and compliance management in the Group.

Our five strategic choices	How enterprise risk management supports successful execution
 We will transform our business using data and digital to achieve superior customer experience, lower cost to serve and scalable competitive advantage	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 testing, to make better decisions. We evolve our analytics capabilities towards prediction and prescription.
 We will grow through intrapreneurial action in order to contribute to a sustainable organisation	We do a risk assessment of new ventures, ensure the vigilance of cyber risk measures and develop new skill sets. Our capabilities are built to achieve scale quickly and easily.
 We will transform sustainability integration into a business advantage, while reducing environmental impact, increasing our social contribution and maintaining sound governance	Developing our capability to identify, assess and mitigate environmental risks.
 We embrace DEI and embed these into the cultural DNA of the Capricorn Group	We contribute to diversity and capacity building through ethics and Risk Culture programmes which promote openness and transparency in the way we lead and conduct ourselves and rigour and agility in our decision-making when it comes to risk management.
 We champion a purpose-driven culture that inspires leadership mindsets of curiosity, collaboration and growth, that leverages talent and embraces DEI to deliver a meaningful employee experience and sustainable business impact	

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



The Group's objective has always been to **deliver sustainable long-term value to its stakeholders by growing responsibly.** This year, the Group adopted sustainability as one of our five strategic choices.

As Connectors of Positive Change, we will focus on embedding and integrating sustainability across the organisation.

#MakeChangePositive



Our business model

Our dynamic business model creates and preserves value while staying true to our purpose.

Inputs



Social and relationship capital

We have long-standing and new customers across diversified 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 35.2% market share, and Bank Gaborone has a 7.5% market share in loans and advances

The Foundation and Changemaker initiatives contribute to communities in need

The Capricorn brand is recognised in the region



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

We progressed our sustainability strategy and developed a multi-year sustainability integration programme to be rolled out across the Group.



Human capital

1,930 permanent employees

N\$14,9 million training investment to upskill employees



Financial risk, IT and data skills will be difficult to fill and expensive in the short to medium term.



Intellectual capital

Over 240 years collective board member experience

We have a Risk Culture and 16 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 completed phase 1 of the #gobeyond programme and are planning the next stage of our digital transformation roadmap.

We have maintained our investments in cyber resilience.



Financial capital

Retained income of N\$7.5 billion (2022: N\$6.5 billion)

Total assets of N\$63.4 billion (2022: N\$60.4 billion)

Total loans and advances of N\$45.4 billion (2022: N\$43.2 billion)

Total deposits of N\$45.8 billion (2022: N\$43.6 billion)

CAM AUM of N\$38.6 billion (2022: N\$32.1 billion)



Liquidity in Namibia has improved considerably in 2023, supporting the availability of capital for growth projects. Liquidity in Botswana will remain constrained in the short to medium term.



Manufactured capital

67 branches/agencies, 183 ATMs (including self-service ATMs), 4,285 merchants and 5,590 POS devices

24-hour customer contact centre

IT systems and business continuity facilities

Digital banking, apps and other platforms



We are rolling out a new branch design to create a 'branch of the future' network.



Natural capital

Environmental and Social Management System

Water, energy and paper



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.

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

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

Shifts in outcomes expected over medium term as we implement our strategy

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-lending

Insurance

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 increased to 45%
 Bank Windhoek received more awards



Human capital

Employee turnover annualised at 8.56%
 Absenteeism at 3.02%
 Mirror survey results include a 93% participation rate, an engagement score of 86% and a fully engaged score of 56%
 1,690 employees received training
 90 new jobs created



Intellectual capital

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



Financial capital

Value created for all stakeholders (see value added statement) and dividends paid
 Cost to income ratio down to 50.8%
 Return on equity of 17.6% (2022: 15.0%)
 Capricorn Group remains well capitalised
 Business development plans are progressing



Manufactured capital

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



Natural capital

We deployed N\$182 million in funding for sustainable development projects and renewable energy through the Bank Windhoek sustainability bond

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 customers and better customer experiences

More competitive offerings

New customers in new markets/segments

New partnerships across banking and digital

Shifts in priorities and CSR based on stakeholder feedback and responses

Higher skills levels in data and digital

One team culture across subsidiaries

More diversified, inclusive and equity-representative teams

Improved employee engagement based on the Mirror survey

More customer data available for analysis and insights

We invest in digital transformation to create the bank of future

King IV™ is fully embedded in all subsidiaries

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

Expanded digital footprint and capabilities

Scalable digital offerings/platforms

Operational efficiency will optimise resource use

Bank Windhoek will remain a leader in sustainable financing

Read more about our operating context on page 26, our opportunities and risks in the online risk report, governance on page 64, performance on page 45 and outlook on page 48.



Our trade-off decisions in 2023

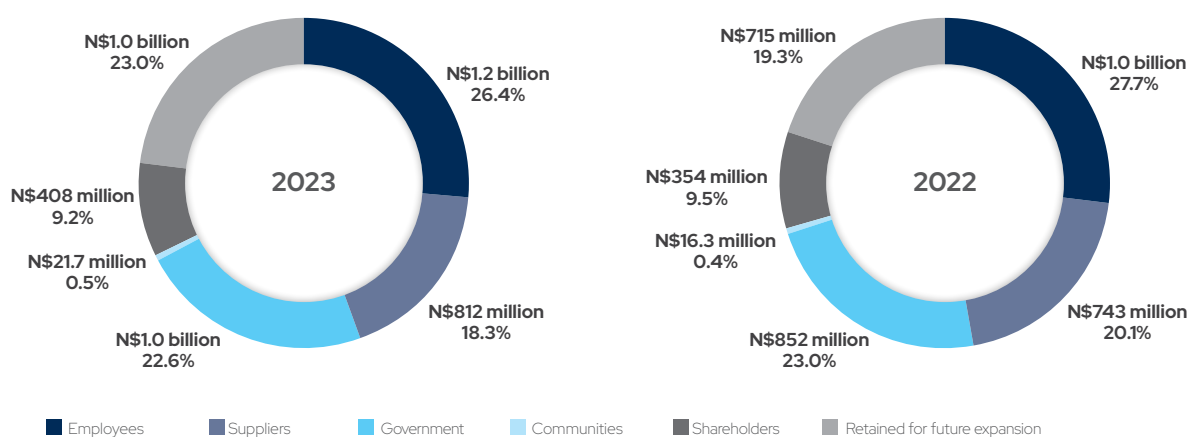
The Group makes trade-off decisions informed by our purpose, strategic choices and desired business model outcomes. The examples below illustrate our trade-offs in 2023:

- > In most business decisions, we took the impact on liquidity into account and favoured capital allocation strategies that optimise the allocation of resources.
- > To enable digital transformation, we needed to trade off short-term projects for long-term initiatives that will help build out our digital core.

Shared financial value as an outcome

	Value and ratio 2023	Value and ratio 2022	% 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 26.4%	N\$1.0 billion 27.7%	14.0%
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\$812 million 18.3%	N\$743 million 20.1%	9.2%
Government The Group pays direct and indirect taxes in the territories where we operate which supports the government in maintaining a stable, trustworthy and well-functioning financial system.	N\$1.0 billion 22.6%	N\$852 million 23.0%	17.7%
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 own CSR initiatives. The Group also runs a #Changemaker employee volunteer programme to support vulnerable communities. The 2023 contribution to the communities by the Group, as reflected, includes funds contributed to the Foundation by the subsidiaries by 30 June 2023 but not expensed in full.	N\$21.7 million 0.5%	N\$ 16.3 million 0.4%	33.1%
Shareholders Shareholders receive dividends and benefit from funds retained for future growth opportunities.	N\$408 million 9.2%	N\$354 million 9.5%	15.6%
Retained for future expansion	N\$1.0 billion 23.0%	N\$715 million 19.3%	42.7%

Stakeholders sharing in financial and other value created





Capricorn Group is **proud to contribute** to the economic development and future prosperity of the countries where we operate.

#MakeChangePositive



“As we mark the culmination of another fruitful year, **we reflect on our journey and milestones achieved in 2023.** Together, as a Group, we have successfully navigated a challenging operating environment thanks to our agility and resilience.

Our performance: Group CEO's report

I reflect on 2023 with much appreciation and gratitude as we experienced positive momentum, with revenue growth now exceeding pre-pandemic levels. This indicates that we have moved from recovery to an optimistic phase as we consider opportunities in Namibia and the region.

As we survey our landscape, we recognise that Namibia has upside opportunities and several threats. Over the long term, Namibia has the chance for reinvention as an energy champion thanks to its recently discovered rich oil and gas deposits and potential for green hydrogen production. The country has an incredible untapped promise in developing downstream opportunities, including manufacturing, industrialisation, transport and agriculture. As a nation, we must focus on growing our exports and becoming less dependent on imports.

Our profit after tax increased by 28.7% to N\$1.48 billion (2022: N\$1.15 billion), while our annualised ROE also increased to 176%. Both Bank Windhoek and Bank Gaborone reported marked improvements in their results. It was also a good year for execution against strategy as we concluded the third year of the first phase of our digital transformation programme.

We actively participate in Africa's high-potential communications infrastructure sector through our stake in Paratus. In June 2023, Paratus activated the Namibian branch of the Google Equiano Subsea Cable. The cable will bring significant opportunities to the region, and the sizeable jump in available capacity will allow Paratus to export this capacity to the rest of the region, fostering connectivity and progress. For Namibia specifically, the cable is expected to increase internet penetration by 75% by 2025. Providing widespread and affordable internet drives social and economic development, including access to greater information and social networks. For the Group, this could mean tapping into an improved local skills base over the long term.

There are several downside risks related to Namibia's close connection to South Africa. The existing and emerging risks associated with the situation in South Africa continues to cause uncertainty. These include a failing state, systemic failure of public infrastructure, a national power grid failure and the collapse of social security systems. Eskom's unstable energy supply has raised energy risks for power off-takers in the region. In addition, Namibia is negatively affected by South Africa's greylisting, currency risk and flight of foreign capital.

The other significant risks to the Namibian economy are predominately in the form of further monetary policy tightening globally and increased inflationary pressures. The depreciation of the Namibian dollar may result in higher import prices and a more challenging economic environment for consumers, given our heavy reliance on imports.

Despite the Botswana economy growing faster than the Namibian economy, the cost of funding remained a challenge in Botswana. We remain bullish on the prospects in Botswana, thanks to a continued recovery in economic activity and tourism and increased government spending on infrastructure.

Bank Windhoek

Overall, Bank Windhoek's financial performance indicates positive trends, with increased profitability, reduced impairment charges, and growth in non-interest income. The bank's focus on maintaining a solid balance sheet and strategic investments has played a significant role in its success.

Bank Windhoek's profit after tax increased 34.1% year-on-year to N\$1.09 billion (2022: N\$813.2 million). This improvement in profitability is mainly due to an increase in net interest income due to the bank's strong balance sheet. The bank sustained its balance sheet during the pandemic and benefited as interest rates normalised. The bank improved its funding mix and continued to grow transactional balances at a faster rate than other sources of funding. Despite the complex economic cycle, the quality of its lending book and the impairment charge decreased for 2023. This is due to improved credit management procedures. Although this impairment charge was lower, the bank's impairment coverage ratio reflects adequate provisioning. Non-interest income increased significantly, driven by higher transactional volumes, particularly on electronic channels, which justified the investment in that space.

To safeguard the one-to-one link between the Namibian dollar and the South African rand, the Bank of Namibia increased the repo rate by 300 basis points in 2023. This is below the 350 basis points the South African Reserve Bank approved. The 50 basis points differential hurts the bank's net interest margin as a portion of the bank's funding is raised in South Africa. The bank has responded by growing local funding sources, including transactional deposits and debt funding, while not increasing foreign funding sources.

The bank enjoyed a strong performance across all its divisions with above-expectation growth in specialist finance, commercial division, gold and platinum customer segments and Capricorn Private Wealth. BW Finance and Bancassurance experienced moderate growth.

Key initiatives for 2023 included:

- > Corporate and Institutional Banking ("CIB") delivered impressive profits by focusing on sectors and products with sustainable returns, including deals in the power and infrastructure sector and project financing.
- > Implementing and monitoring a diversity plan, which includes specific targets and milestones. This plan focuses on women in senior leadership and differently abled persons.
- > Bank Windhoek, in partnership with the NIPDB, hosted a pilot Micro, Small and Medium Enterprises ("MSME") Finance Symposium intending to simplify the process of obtaining financing for this market segment.
- > The bank disbursed N\$120 million to support the government's SME Economic Recovery Loan Scheme since the launch in February 2023.



- > The customer contact centre focused on reducing abandoned call rates and maintaining a Net Promoter Score of above 50, considered exceptional from a worldwide customer experience standard.
- > The Cancer Apple Project raised N\$33.9 million for the Cancer Association of Namibia since the project was established 23 years ago.

Bank Windhoek is regarded as a market leader in sustainable finance, demonstrated by our track record in the country's first green and sustainability bonds. The proceeds of these bonds are earmarked for environmental and social projects to enhance Namibia's sustainable development. The bank leverages key relationships in the sustainability niche and explores solutions matching Namibia's unique needs. The bank is currently seeking accreditation with the Green Climate Fund to further improve the bank's capacity to access favourable funding to implement climate-friendly interventions and build Namibia's climate resilience.

Outlook and expectation

According to the Bank of Namibia's Economic Outlook for March 2023, the domestic economy is projected to grow by 3% in 2023 and 2.9% in 2024. True to its entrepreneurial ethos, the bank is positioning itself to make the most of Namibia's growth opportunities.

Bank Windhoek is expected to continue to benefit from the positive endowment effect of higher interest rates. However, an anticipated impairment increase will partially offset this as customers experience financial hardship. Strong growth is also expected for non-interest income, but not at the levels experienced in the current or previous financial year, as transactional volumes have normalised.

Bank Gaborone

Bank Gaborone's profit after tax improved by 21% to BWP79.5 million (2022: BWP65.0 million). The bank benefited from interest rate increases which lifted net interest income. Inflation in Botswana remained higher than the Bank of Botswana's target range of between 3% and 6% for the greater part of the current financial year, reaching 14.6% in August 2022. Inflation has however seen a slowdown and closed on 30 June 2023 at 4.6%.

The impairment charge remained steady though active management of close monitoring of stage 2 and stage 3 loan exposure.

The bank steadily increased its market share for loans and advances, with growth in commercial loans, personal loans and overdrafts. NPLs also increased, mainly in commercial loans and overdrafts. The bank increased its rates on its call accounts to attract new deposits resulting in a strong increase in saving accounts and on-demand deposits.

The bank's non-interest income grew strongly, driven by an increase in foreign exchange trading, transaction-based fee income from cards and digital channels and an increase in the number of POS devices and transaction volumes.

Key initiatives for 2023 included:

- > Introduced new products, including a competitive and flexible savings account.
- > Introduced a Selekt Gold banking offering that includes competitive value-added services such as travel insurance, certain free transactions and funeral cover.
- > Introduced a scheme loans offering and focused on scheme lending as the primary driver of new-to-bank transactional customers.
- > Launched a new contactless ATM feature that allows customers to tap their cards at the ATM instead of inserting them into the machine. The feature will combat fraud and card theft as the card does not leave the customer's hands.
- > Focused on the digital onboarding of customers to improve the customer experience and entrench self-service behaviour.

- > Announced the three-year sponsorship agreement with the Gaborone United Sporting Club. The bank also launched an affordable funeral cover scheme in partnership with the club.

Outlook and expectation

Botswana's real GDP increased by 5.8% in 2022, lower than 11.9% in 2021. The Ministry of Finance expects GDP to grow by 4% and 5.1% in 2023 and 2024, respectively. The slowdown in economic activities and higher inflation will place consumers under further pressure and may result in higher levels of NPLs. Bank Gaborone will focus on growing its retail customer base by using scheme lending as the primary driver of new-to-bank transactional customers. To lower the cost of funding, the bank aims to increase savings, investments and current account balances. Promoting its digital channels and self-service banking options remains a priority. In 2023, the bank will convert the lion's share of its branch network into new format branches, offering greater efficiencies, supported by new technologies and processes.

Peo Finance

Peo Finance, our microlending business in Botswana, experienced rapid growth in its second year of operation. Peo Finance caters to central government employees and government pensioners. Over time, Peo Finance will expand its customer base to include local government and parastatal employees.

Peo Finance is a young organisation with a mandate to finance Botswana and be an inclusive financier that ensures an indirect impact on the country's economy. In September 2022, Peo Finance moved closer to fulfilling this mandate by announcing its partnership with the International Finance Corporate ("IFC"). The IFC will lend up to \$40 million (approximately BWP400 million) to Peo Finance and provide support to help the company digitise its lending operations and implement internationally recognised responsible lending practices.

Outlook and expectation

Botswana offers a significant market opportunity for microlending. Peo Finance aims to grow responsibly and sustainably to ensure that the quality of the loan book remains high. With the completed investment in technology, Peo Finance's ability to process loans, including conducting the pre-assessment and due diligence, will provide growth opportunities in the market.

Capricorn Asset Management

Capricorn Asset Management ("CAM")'s net profit after tax improved by 11.3% to N\$75.8 million (2022: N\$67.6 million), driven by a growth of 20.2% in AUM and a strong performance from its wealth management business. The firm achieved the highest ever AUM of N\$38.6 billion. CAM is well positioned as Namibia's leading fixed-income house and has benefited from the resurgence in the popularity of Namibian Government bonds. In 2023, CAM's total bonds under administration exceeded the N\$3 billion mark. CUTM's market share in the money market and fixed-income asset classes now exceeds 45%. The interest rate increases experienced in 2023 have driven the appetite for money market and fixed-income investments. CAM remains a cost-efficient business, despite a significant increase in compliance-related costs.

Key initiatives and focus areas for 2023 included:

- > In February 2023, CAM launched the Capricorn Corporate Income Fund to increase the investment offerings for its corporate customer segment. Here, customers forego some liquidity to gain exposure to higher-return income investment products.
- > Enhancing its Namibian Government bond offering to make this investment option more accessible to customers.



- > CAM continued to build its digital capabilities, including driving online channel sales and processing more than 90% of all customer transactions through digital platforms.
- > Implementing digital marketing campaigns to generate new leads and understand the online behaviour of potential customers.
- > In collaboration with Capricorn Private Wealth, CAM hosted 'Invest Sensibly' events in Windhoek and Swakopmund for key customers.
- > CAM's executive management team enrolled in a six-months senior management leadership programme that will be concluded by August 2023.

The ESG investment trend is accelerating and simultaneously becoming more complex. CAM has a Sustainability Framework and is bolstering its overall commitment to sustainability. In 2023, CAM established a Sustainability forum to address ESG opportunities and align with best practices and standards. Through the Caliber Capital Trust, CAM prioritises investments in financially sustainable companies that deliver a substantive positive social and environmental impact. This includes investments in renewable energy, agriculture and water infrastructure.

Outlook and expectation

CAM will continue to grow its customer base and AUM by leveraging its strong brand and market presence. Its performance will be affected by Namibia's economic outlook, which includes both downside risks and upside opportunities. CAM's priorities for the coming year are to transform the business using data and technology, enhance its customer channels and market its wealth creation and preservation solutions to a wider audience. This includes expanding its wealth offerings under the Capricorn Private Wealth brand.

Entrepo

Entrepo achieved good results across all its key performance indicators, despite difficult operating conditions. The 22.1% ROE was backed by profit after tax of N\$200.2 million (2022: N\$199.2 million). Good new business inflows were experienced, with net premium income at Entrepo Life increasing by 11.3% to N\$179.5 million and the value of new loans granted at Entrepo Finance increasing by 24% year-on-year. The loan book of Entrepo Finance increased by 8.2% to N\$1.53 billion, but the net interest margin continued to come under pressure. Operating expenses at Entrepo remained tightly controlled and the expense to income ratio of 22.7% remains unparalleled in the market.

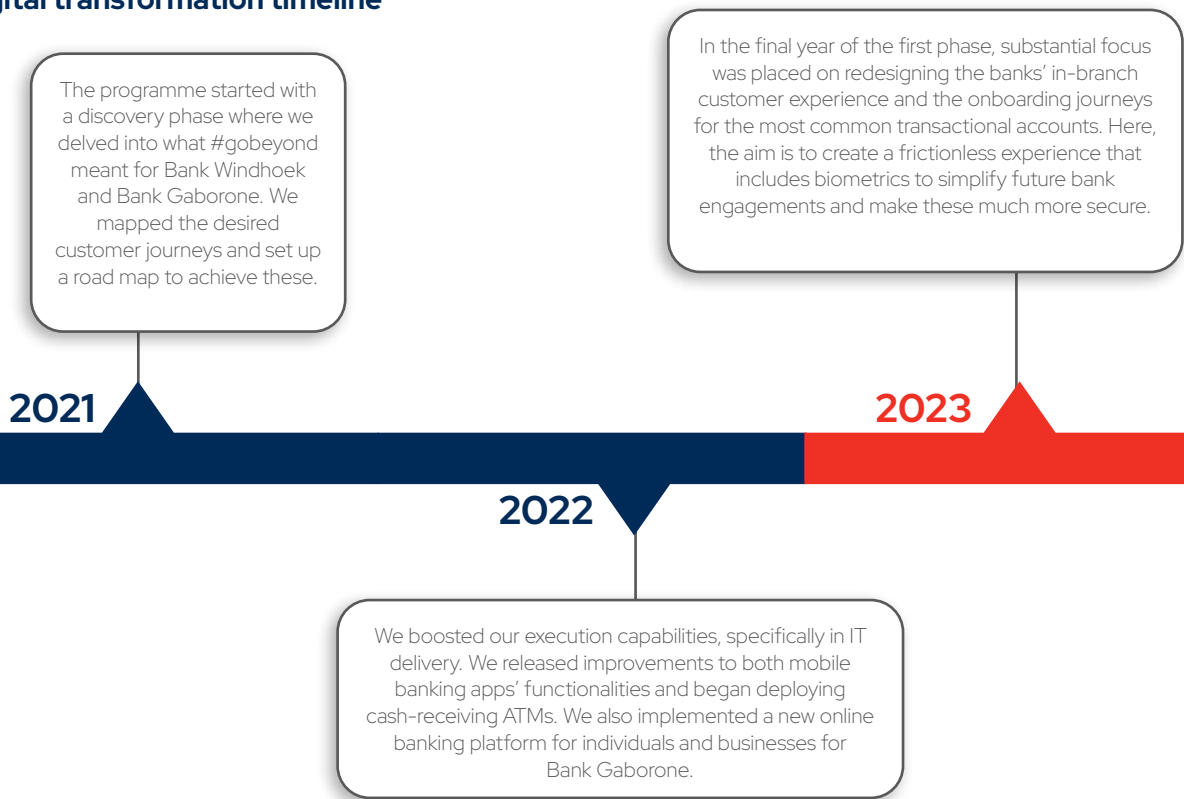
Outlook and expectation

Entrepo will continue to focus on its simple, effective business model and deliver a sustainable ROE of at least 20%. The business is well-positioned to capitalise on further growth opportunities when the opportunity arises.

Signing off on phase one of #gobeyond

The first phase of the #gobeyond programme, launched in October 2020, was a three-year programme to transform our banks' physical and digital channels. This phase aimed to achieve a lower cost-to-serve and enhanced customer experience. Over time, low-value, high-volume interactions will migrate to digital self-service channels, while physical channels will be used primarily for high-value, low-volume interactions like sales, advice, coaching and digital support.

Our digital transformation timeline





In 2023, we achieved several significant milestones:

- > Completed the deployment of 40 cash-accepting ATMs across Namibia. Today, almost half of the total cash deposits at branches are processed through these devices. 61% of cash deposits at cash-accepting devices are completed outside of normal banking hours, evidence that these devices meet a critical customer need.
- > Implemented the first two non-cash self-service kiosks at two Bank Windhoek branches. These offer advanced services, including sending bank statements and confirmation letters and allowing for PIN and card limit changes.
- > Implemented new Bank Windhoek in-branch customer onboarding journeys for the high-volume transactional and loan products. Some new onboarding features include biometric enrolment, document scanning with intelligent capture and e-signatures, creating the foundation to deliver a seamless, paperless banking experience.
- > Launched several new Bank Windhoek and Bank Gaborone mobile app features, including scheduled payments, mobile top-ups, tax payments, giving notice of deposits, bank confirmation letters and prepaid water payments.
- > Implemented a new treasury solution for Bank Windhoek, which allows for automated reporting and an international payment automation solution.
- > Three newly revamped Bank Windhoek branches were opened in Windhoek and Rehoboth. These new branches were designed to automate and digitise many low-value customer interactions and amplify human interactions through technology to create a place where customer relationships can be strengthened. Valuable learnings will be used to inform the roll-out of subsequent branches.
- > Bank Gaborone implemented an enterprise content management system, a new document capture solution that provides real-time document capturing, enhancing the bank's administrative efficiencies.

We have experienced strong customer adoption and usage of enhanced channels. Importantly, even during these transformational changes, our customer experience metrics have maintained excellent scores for both banks as measured by the annual Determinants of Service Quality surveys. Our business transition team supported employees in adapting to change and getting customers ready, aware and able to embrace the enhanced channels.

Digital transformation is a lengthy journey. While the first phase of the #gobeyond programme ended in June 2023, this does not mean the end of digital transformation, channel revolution or business optimisation. We are unpacking what this next phase of the journey means in the context of our new strategic cycle. This includes leveraging the digital core that we have established and further exploiting new technologies. Artificial intelligence capabilities will form a large part of this new phase of the journey.

As a financial services group with digital channels and a digitised and connected environment, cybercrime and the risk of cyber attacks on critical infrastructure is inherently high. We continue strengthening our capabilities to avoid, detect and mitigate cyber risk.

Competing for talent

In today's volatile world, companies must quickly react to the external challenges that impact engagement and in turn business performance. This requires agility, curiosity and collaboration to foster the right capabilities in order to navigate the business through difficult times. It is important that talent investment is viewed across the employee lifecycle, and we have integrated this model as part of our talent philosophy and framework.

In 2023, we spent significant time on the challenges of operating in skills-scarce countries. In a post-COVID-19 world where remote working is commonplace, talented people can easily secure work from outside country borders and the workplace has become more open and fluid. As an organisation, we reviewed how we attract, develop and retain talent, while keeping the employee experience in mind. Our culture remains the anchor and north star that guides all people practices and remains aligned with our purpose and strategy.

We have investigated alternative recruitment strategies and partnering opportunities to provide sustainable solutions to overcome this challenge. We are also developing internal talent and encouraging mobility. This is a key focus area as we need to understand our internal capabilities and how we grow and develop talent and build for succession.

As the threat of COVID-19 subsided, we put away our screens and experimented with different ways of working to enhance the employee experience. The Group has adopted a hybrid working model where we make provision for employees to operate flexibly. However, we noticed the negative impacts of working remotely only, therefore, face-to-face engagement is encouraged to support healthy team dynamics.

We launched our DEI programme in September 2022. While still in the early stages, the conversations around DEI have gained traction and there is a deliberate strategic choice that drives this initiative across the Group.

At the heart of employee engagement is our culture and leadership. Leadership mindsets are becoming more critical given the global and local challenges. Leaders will need to focus on their part in owning the culture, talent and engagement of the organisation by harnessing the right mindsets and behaviours.

Looking forward

Together, we will draw strength from our collective abilities, remain future-focused and work diligently towards a sustainable future for the Group and our stakeholders. We are unstoppable when we combine our efforts and work AsOne.

The past few years have taught us the importance of preparedness and anticipating the unexpected. We have learned, grown and adapted to a rapidly changing world, as we are now more aware of the significance of adaptability in business.

In 2024, we will continue focusing on our purpose and executing our strategy, which remain critical differentiators. When we stay true to our purpose, our priorities gain traction, leading to increased focus, better execution and overall success for the Group. Our new strategic cycle, which kicked off in July 2023, will allow us to refine and refocus our efforts.

We must remain realistic about the challenges our economies and customers will face in the months ahead. The impact of rising inflation and interest rates will persist for the foreseeable future, affecting our operating conditions.

Thank you

I thank our dedicated employees for staying with the Group throughout the pandemic and through a period of accelerated digital transformation. I am grateful to my committed Exco team for delivering on the strategy we set for ourselves three years ago. Reflecting on the strategic milestones achieved, I acknowledge how our agility and resilience have guided us through a challenging operating environment.

Our success depends on healthy and mutually beneficial relationships with our stakeholders. I acknowledge the support from our board of directors, loyal customers, partners and suppliers. As always, we remain committed to improving lives through leadership in financial services by being Connectors of Positive Change.



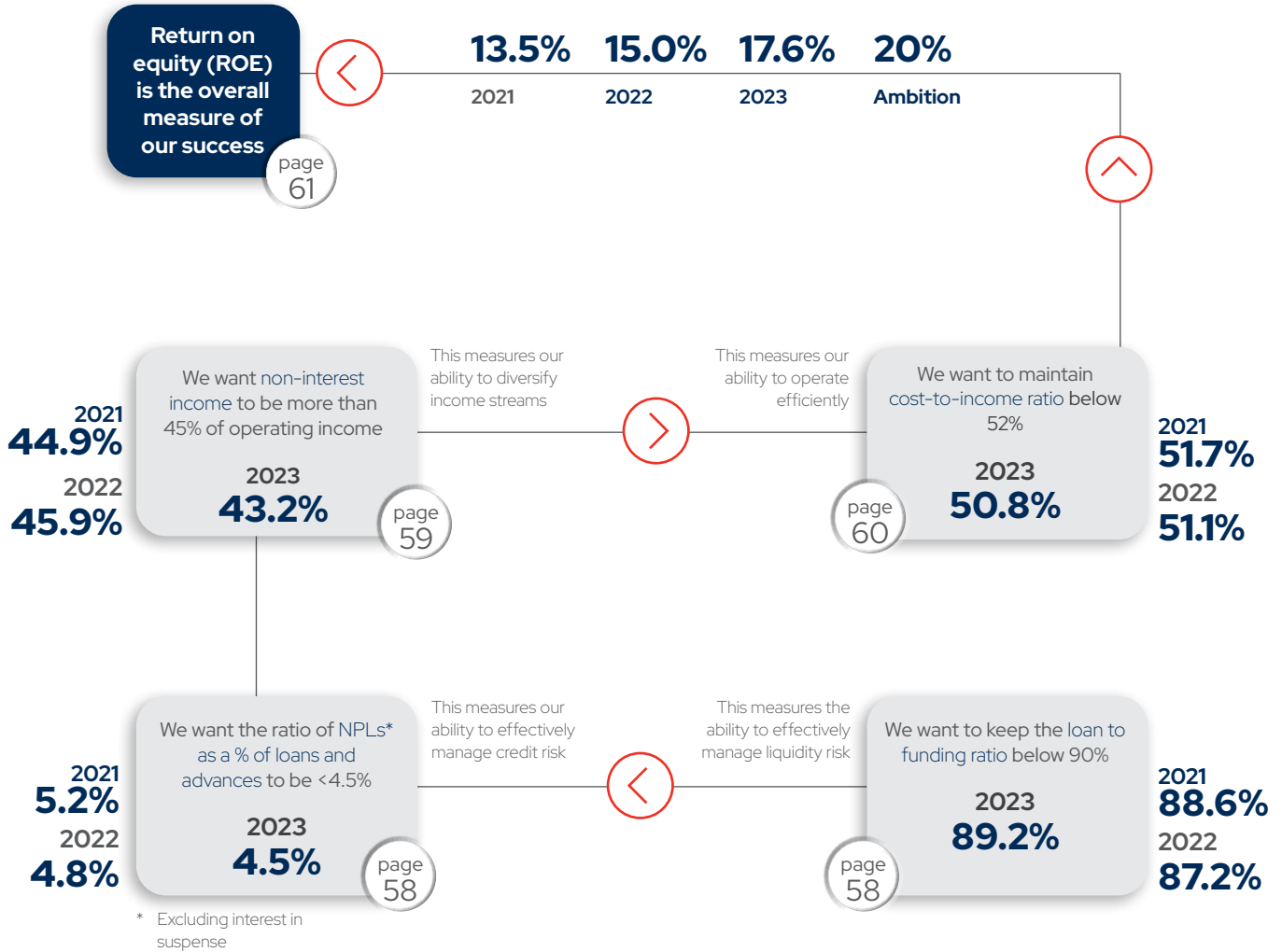
Thinus Prinsloo
Group CEO

In today's volatile world, companies must quickly react to the external challenges that impact engagement and in turn business performance. This requires **agility, curiosity and collaboration** to ensure that the right capabilities are fostered in order to navigate the business through difficult times.



“ The Group delivered solid results, with profit after tax increasing 28.7% to N\$1.47 billion, translating to a ROE of 17.6%. The banking sector continued its recovery post-COVID-19, and the banking subsidiaries’ results show pleasing growth. **The Group is profitable, well-capitalised and focused on growth.**”

Our performance: Financial review



Key indicator trends

	2023	2022	2021	2020
Return on equity (%)	17.6	15.0	13.5	12.6
Earnings per share year-on-year growth (%)	31.8	20.0	14.9	(18.1)
Headline earnings per share year-on-year growth (%)	35.6	18.5	10.3	(13.4)
Net asset value per share year-on-year growth (%)	14.4	10.3	5.0	8.5
Cost to income ratio (%)*	50.8	51.1	51.7	50.8
Operating profit year-on-year growth (%)	27.8	16.8	(0.8)	(3.4)
Profit after tax year-on-year growth (%)	28.7	16.6	14.8	(15.6)
Total risk-weighted capital ratio (%)	16.9	15.8	15.0	14.7
Dividend per share (cents)	100	72	60	50

* Aligning to industry practice, in our cost to income ratio calculation, banking and related fee and commission expenses are treated as a reduction in non-interest income rather than operating expenses.



Financial highlights

- > ROE increased to 17.6% (2022:15.0%), the highest level since 2017.
- > Group profit after tax increased by 28.7% to N\$1.47 billion (2022: N\$1.15 billion), a solid increase over the prior period.
- > Earnings per share increased by 31.8% to 270.1 cents (2022: 204.9 cents).
- > Impairment charges decreased by 35.9% to N\$235.6 million (2022: N\$367.3 million) due to improved operating conditions and pro-active management of key credit risk indicators, lowering the level of required provisions.
- > The Group's NPL ratio (excluding interest in suspense) ended the financial year at 4.5%, attributable to our deliberate focus on mitigating credit risk.
- > Net interest income increased by 16.3% to N\$2.72 billion (2022: N\$2.34 billion), largely due to the endowment effect of higher interest rates, a growing loan book and prudent cost of funding management.
- > Non-interest income increased by 13.1% to N\$1.89 billion (2022: N\$1.67 billion) due to increased transaction volumes and improved economic conditions in the region. The #gobeyond digitisation project also contributed to increased transactions volumes.
- > Bank Windhoek improved on its dominant market share of loans and advances at 35.2% (2022: 34.8%).
- > Peo Finance, our microlending business established in December 2021, continued to experience strong demand and growth and recorded a profit of BWP79 million in its first full year of operations.
- > CAM and CUTM performed strongly to deliver a net profit after tax growth of 11.4% (2022: 3.4%). CAM remained the largest asset manager in Namibia and ended the financial year with its highest ever AUM of N\$38.6 billion.
- > Despite a difficult operating environment in a saturated market, Entrepo increased the number of new loans granted by 24.0% year-on-year resulting in an 8.2% increase in net loans and advances to N\$1.53 billion.
- > Net asset value per share increased by 14.4% to 1,632 cents (2022: 1,427 cents).

Financial lowlights

- > Operating expenses increased due to high inflation and a weaker Namibian dollar to US dollar exchange rate.
- > In Botswana, inflation remained high for the majority of the financial year before returning to normal levels by June 2023, while the central bank in Botswana has not increased interest rates as aggressively as in Namibia or South Africa. This has put pressure on Bank Gaborone's net interest margin, as depositors demand higher rates in a market with limited and volatile liquidity.
- > Bank Gaborone's NPLs increased by 14.3% to BWP391.9 million (2022: BWP342.9 million) as customers faced financial strain due to high inflation rates.
- > Persistently high inflation and interest rate increases mean customers have less income to service their loans. Despite a healthy NPL ratio in 2023, we will continue to manage our credit risk prudently to offset this risk.

Salient performance of our main subsidiaries

Bank Windhoek

17.8%

growth in net interest income
(2022: 7.4%)

38.7%

decrease in impairment charges
(2022: 13.0% decrease)

12.5%

growth in non-interest income
(2022: 10.3%)

9.3%

increase in liquid assets
(2022: 9.1%)

32.8%

increase in operating profit
(2022: 21.9%)

4.0%

decrease in NPLs (including interest in suspense)
(2022: 4.5% decrease)

35.2%

market share in loans and advances
(2022: 34.8%)

Net interest margin of

5.06%
(2022: 4.37%)



Bank Gaborone

12.0%growth in net interest income
(2022: 7.6% decrease)**58.1%**decrease in impairment charge
(2022: 58.2% decrease)**14.3%**growth in non-interest income
(2022: 33.3%)**11.6%**decrease in liquid assets
(2022: 27.2% increase)**22.5%**increase in operating profit
(2022: 23.9%)**14.3%**increase in NPLs
(2022: 7.2%)**7.4%**market share in loans and advances
(2022: 7.5%)

Net interest margin of

3.81%

(2022: 2.91%)

Capricorn Asset Management and Capricorn Unit Trust Management Company

N\$38.6 billionAUM
(2022: N\$32.1 billion)**20.3%**growth in AUM
(2022: 1.6%)**9.8%**increase in operating profit
(2022: 4.7%)

Entrepo Finance

Loan book increased by 8.2% to

N\$1.53 billion

(2022: N\$1.42 billion)

Net interest income decreased by 9.3% to

N\$155.2 million

(2022: N\$180.3 million)

Credit losses and impairments decreased by

15.4% to N\$14.7 million

(2022: N\$17.4 million)

External funding as a percentage of the total

loan book remained flat year-on-year at

30.8%

Entrepo Life

Net premium income increased by 11.0% to

N\$179.1 million

(2022: N\$161.3 million)

Claims paid increased by 4.8% to

N\$50.7 million

(2022: N\$48.4 million)



Moving from recovery to growth

The Group delivered a solid set of results for 2023 with notable improvements in ROE and profit after tax. The Group's strong performance is due to an improved operating environment and steady execution against strategy. COVID-19 was reclassified as endemic and economic activity in Namibia and Botswana continued to recover. The economic fall-out from the Russia/Ukraine war lessened, and global supply chains normalised. Nevertheless, operating conditions continue to be challenging, with customers facing significant pressures from increased energy and food costs, high inflation and high interest rates.

Both banking subsidiaries achieved financial performances ahead of expectations with pleasing increases in net interest and non-interest income and a reduction in impairment charges. The banks benefitted from the endowment effect of higher interest rates across an expanding interest-earning asset base. The Group's gross loans and advances increased by N\$2.3 billion, mainly driven by term loan growth of N\$1.44 billion, article finance growth of N\$407 million, and mortgage loan growth of N\$335 million. While the impairment charges have reduced by 35.9% year-on-year, they are still above pre-pandemic levels. The outlook for credit risk remains concerning, and the Group continues to hold prudent provisions for expected credit losses.

In Namibia, there are some promising signs of business confidence and investment in the local economy. Private sector demand for credit recovered strongly, with credit uptake surpassing the N\$100 billion mark¹. Analysts have reported that credit growth in 2022 exceeded expectations, reaching N\$118 billion with an average growth rate of 3.6%, compared to a predicted 3.4%. The Bank of Namibia reported that non-resident debt, including foreign individuals and firms, saw a 1,927% year-on-year increase from December 2021 to December 2022. This increase is attributed to a rise in foreign direct investment, including investments in the energy and mining sectors.

Non-interest income also increased by 13.1%, mainly attributable to a 13.2% increase in transaction-based fees, driven by increased transaction volumes, specifically using digital channels, particularly EasyWallet, digital fund transfers, ATM withdrawals and POS transactions.

Operating expenses, increased by 14.7% from a low base, mainly driven by filling vacancies and annual increases. As COVID-19 restrictions fell away, travel, training and marketing expenses increased.

Asset management fees from CAM increased by 13.8% in line with expectations. Entrepo experienced another difficult year, with profit after tax remaining flat year-on-year, despite achieving a respectable ROE of 22.1%.

Income from associates decreased by 4.2% year-on-year. The reduction relates to a loss of N\$38.2 million incurred by the Group as a result of diluting its investment in Paratus from 30% to 26%. Per the original sale-of-shares agreement concluded in 2019, Capricorn Group would remit to the founding shareholders of Paratus Group up to a maximum of 4% of shareholding if the original business case for EBITDA targets is exceeded over a three-year period ended 30 June 2022. Paratus Group far exceeded the business case and thus a loss of N\$38.2 million was recognised on 28 June 2023 when these shares were transferred to the founding shareholders of Paratus Group. This was a once-off arrangement stipulated in the contract and no risk of further dilution without compensation exists.

Excluding the loss on dilution, income from associates would have increased by 52.2% year-on-year. This includes a higher contribution from Sanlam Life following a significant reduction in the volume and value of life insurance claims compared to 2022, which was impacted by the COVID-19 third wave in July and August 2021.

Consolidated income statement

	2023 N\$'000	2022 N\$'000	% increase/ decrease
Interest and similar income	5,626,476	4,187,290	34.4
Interest and similar expenses	(2,908,262)	(1,850,174)	57.2
Net interest income	2,718,214	2,337,116	16.3
Credit impairment losses	235,610	(367,303)	-35.9
Net interest income after credit impairment losses	2,482,604	1,969,813	26.0
Non-interest income	1,887,384	1,668,966	13.1
Operating income	4,369,988	3,638,779	20.1
Operating expenses	(2,443,939)	(2,131,123)	14.7
Operating profit	1,926,049	1,507,656	27.8
Share of associates' results after tax	64,864	67,697	-4.2
Profit before income tax	1,990,913	1,575,353	26.4
Income tax expense	(516,472)	(429,472)	20.3
Profit for the period	1,474,441	1,145,881	28.7

¹ <https://furtherafrica.com/2023/02/22/namibia-private-sector-credit-uptake-crosses-n100-billion-mark/#:~:text=The%20credit%20growth%20in%20Namibia,the%203.4%20per%20cent%20predictions.>



Managing our balance sheet for sufficient liquidity

We always prioritise ensuring adequate liquidity over profit maximisation. The board and management manage this critical trade-off in their decision-making.

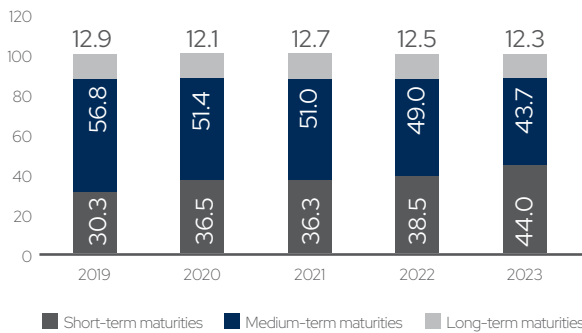
In 2023, the overall market liquidity improved in Namibia on the back of a significant special dividend declared by Namibia Breweries following the Heineken transaction. Despite higher interest rates in South Africa, higher levels of capital tended to stay within Namibia, presumably over the perceived investment risk in South Africa. Botswana still faces challenges due to lower and volatile liquidity as the lack of foreign exchange controls enables investors to transfer money offshore effortlessly.

Actively managing the cost of funding

The Group has diverse funding sources and manages its dependence on large depositors on a proactive basis. The Group’s loan-to-funding ratio is one of our main liquidity drivers. A high ratio improves our 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 declined from 87.2% in 2022 to 89.2%, as advances growth outpaced funding growth.

Our net interest margins are directly impacted by the cost of funding. In Namibia, the high interest rate and high liquidity environment have contributed to an improved net interest margin. In Botswana, our net interest margin has remained under pressure due to fewer interest rate increases and low market liquidity.

Funding maturity profile (%)



Overall, funding increased by 3.3%, largely driven by growth in current and savings accounts. We balance shorter-term with longer-term maturities to allow for sustainable liquidity and to manage funding costs. The Group continually explores other funding sources to support asset growth, including targeting high-deposit sectors and rolling out POS devices to attract current account deposits.

Bank Windhoek increased funding by 0.7% to N\$40.7 billion (2022: N\$40.4 billion). Despite a 300 basis point increase in the repo rate and a 350 basis point increase in the three-month JIBAR rate, the average cost of funding increased by just 203 basis points thanks to the bank’s focus on obtaining less expensive funding. The additional funding was deployed to meet the 2.1% growth in demand for loans and advances (2022: 4.7%).

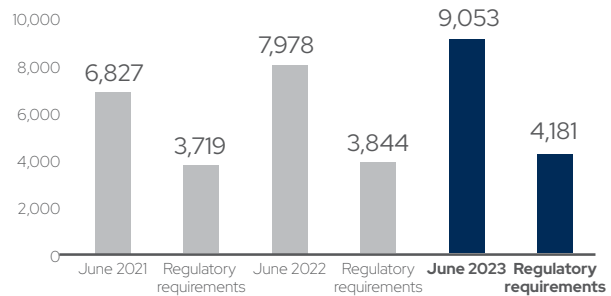
Bank Gaborone’s funding increased 4.4% to BWP6.80 billion (2022: BWP6.51 billion). The funding growth can be attributed to growth in demand deposits and savings accounts. The bank’s loan-to-funding ratio declined from 80.5% to 86.3% year-on-year but remains within risk appetite. The cost of funding increased by 141 basis points year-on-year due to fierce competition for deposits in a low liquidity environment.

Preserving high liquid asset levels

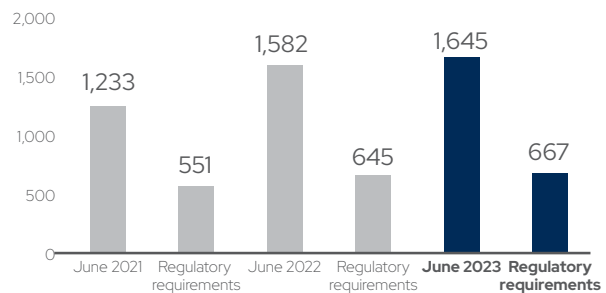
The Group maintained a strong liquidity position, with liquid assets rising to N\$15.6 billion (2022: N\$15.0 billion). In Namibia and Botswana, liquid assets surpassed regulatory requirements by 116% and 147%, respectively.

Bank Windhoek increased qualifying regulatory liquid assets by 13.4% and Bank Gaborone by 4.0%.

Bank Windhoek liquid assets (N\$’million)



Bank Gaborone liquid assets (BWP’million)





	Bank Windhoek N\$'million	Bank Gaborone N\$'million
Regulatory requirements	4,181	667
Surplus liquid assets	3,637	978
Surplus liquid assets including buffer portfolio	4,872	978
Absolute liquidity surplus including committed facilities	5,973	1,194

The Group has N\$1.0 billion in liquid assets in South Africa, in addition to the liquidity buffers the banks have in place. On the strength of these liquid assets, we issued committed facilities to our two banks. Bank Windhoek and Bank Gaborone have available liquidity buffers of N\$800 million and N\$300 million when these committed facilities are considered. This improves the surplus above the minimum requirements to 143% and 179% respectively.

Mitigating our credit risk

The Group has well-developed capabilities in protecting asset quality. As the Namibian economy continued to recover in 2023, we experienced lower level of NPLs. However, we expect our credit risk to remain high due to a high inflationary environment and interest rate increases.

Loans and advances

Gross loans and advances increased by 5.2% to N\$47.2 billion this year, above the Namibian private sector credit extension growth of 3.0%. This growth can be attributed to growth in term loans, residential mortgages and article finance.

	2023	2022	2021	2020	2019	Comments
Bank Windhoek (N\$'million)	37,325	36,549	34,899	33,561	31,893	Bank Windhoek's gross loans and advances increased by 2.1% from a large base. The most significant increases were in residential mortgages and article finance.
Bank Gaborone (BWP'million)	5,868	5,317	4,967	4,739	4,238	Bank Gaborone grew its gross loans and advances by 10.4% with increases mainly in fixed term loans and overdrafts.
Entrepo (N\$'million)	1,532	1,416	1,428	1,232	1,035	Entrepo increased its loan book by 8.2% year-on-year in a difficult operating environment and saturated market.
Peo Finance (BWP'million)	391	180	-	-	-	Peo Finance grew its loan book to BWP391.2 million in its first full year of operations.

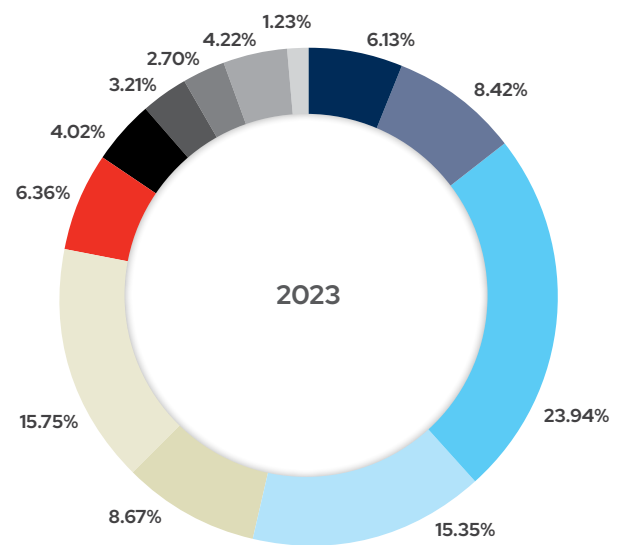
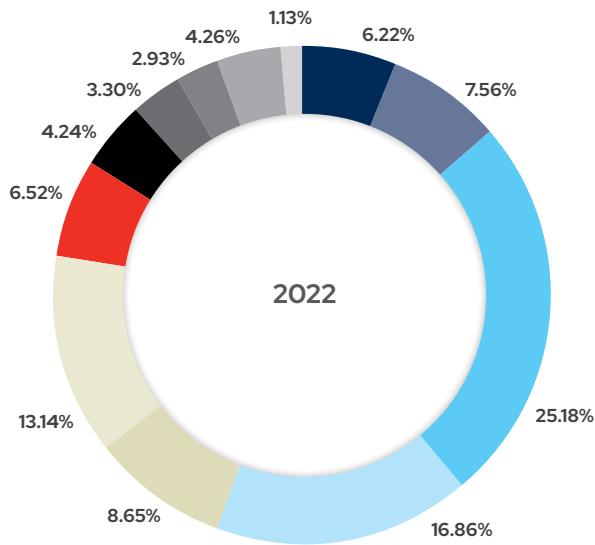
Bank Windhoek is the market leader in loans and advances in Namibia, ending the year at a 35.2% share of the total market. As the bank has crossed the 35% mark, it is now considered a dominant player in the Namibian banking industry. While this will limit the bank's growth opportunities for loans and advances, we have plans to maintain market share.

Bank Gaborone's market share in terms of loans and advances is 7.4%.

Bank Windhoek's loan book is well-diversified across various sectors to spread credit risk. Bank Gaborone's diversification across sectors continued to improve in 2023.

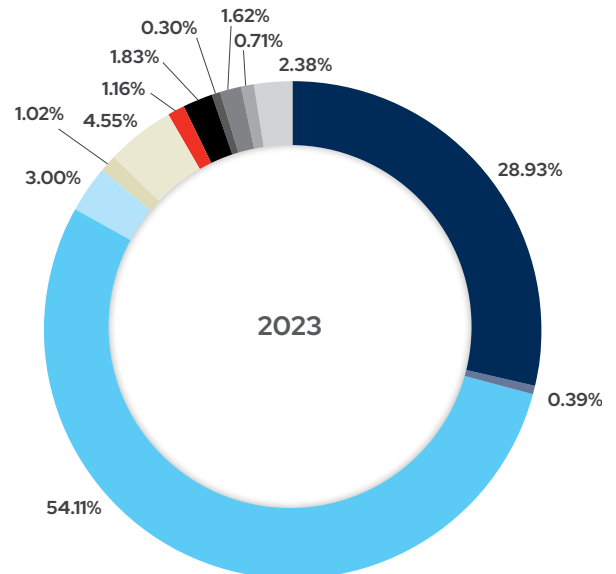
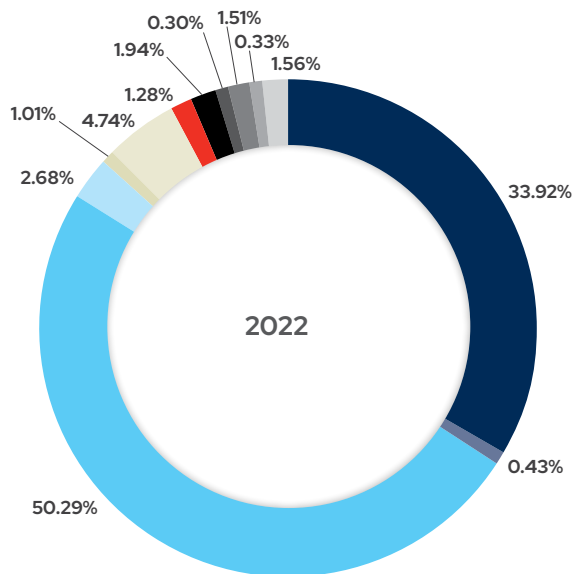


Bank Windhoek loan portfolio per sector:



- Individuals
- Government
- Real estate services
- Trade and accommodation
- Finance and insurance
- Agriculture and forestry
- Building and construction
- Transport and communication
- Mining
- Manufacturing
- Water, gas and Electricity
- Other

Bank Gaborone's loan portfolio per sector:



- Individuals
- Government
- Real estate services
- Trade and accommodation
- Finance and insurance
- Agriculture and forestry
- Building and construction
- Transport and communication
- Mining
- Manufacturing
- Water, gas and Electricity
- Other

Proactively managing NPLs

The Group has a key focus on maintaining asset quality. In 2023, the Group's NPLs excluding interest in suspense decreased to N\$2.10 billion (2022: N\$2.13 billion). This resulted in the NPL ratio, excluding interest in suspense, decreasing to 4.5% (2022: 4.8%). This ratio is below Namibia's industry average and reflective of our prudent approach to credit risk management. We anticipate that NPLs will experience pressure in 2024 as customers face financial strain due to an inflationary environment and high interest rates.

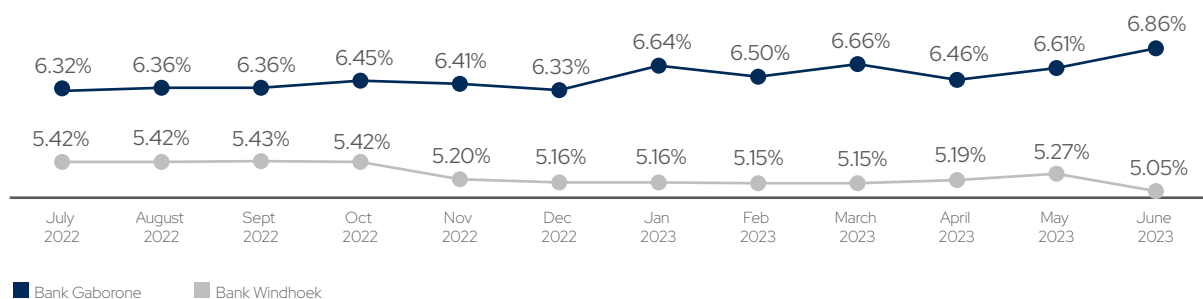
Our loan loss rate decreased from 0.85% to 0.51%, remaining low against industry norms. Aligned with industry standards, this loan loss rate includes additional impairment on interest recognised on the net carrying value of NPLs.

Despite challenging macroeconomic conditions and higher interest rates, Bank Windhoek's NPLs decreased. The bank's NPL ratio, excluding interest in suspense, improved from 4.7% in 2022 to 4.5% in 2023. The impairment charges to the income statement were reduced to N\$200.6 million (2022: N\$327.2 million). The bank continues to improve its credit risk management, focusing on pre-legal, credit assessment and collections.

Bank Gaborone's NPLs increased 14.3% year-on-year. Despite the increase in NPLs, impairment charges to the income statement decreased to BWP8.0 million (2022: BWP16.2 million), mainly as a result of a reduction in the forward-looking macro-economic overlay that was applied since the inception of COVID-19.

Bank Windhoek's NPL ratio, including interest in suspense, improved throughout 2023, while Bank Gaborone experienced a deteriorating trend.

Non-performing loans



At Entrepo Finance, loan write-offs and provisions decreased by 15.4% to N\$14.7 million (2022: N\$17.3 million).

Ensuring high quality earnings

As we reach the peak of the interest rate cycle, we benefit from the endowment effect in increased net interest income. We ensure our earnings quality through proactive credit management, growing our non-interest income and closely managing our operating expenses.

Net interest income

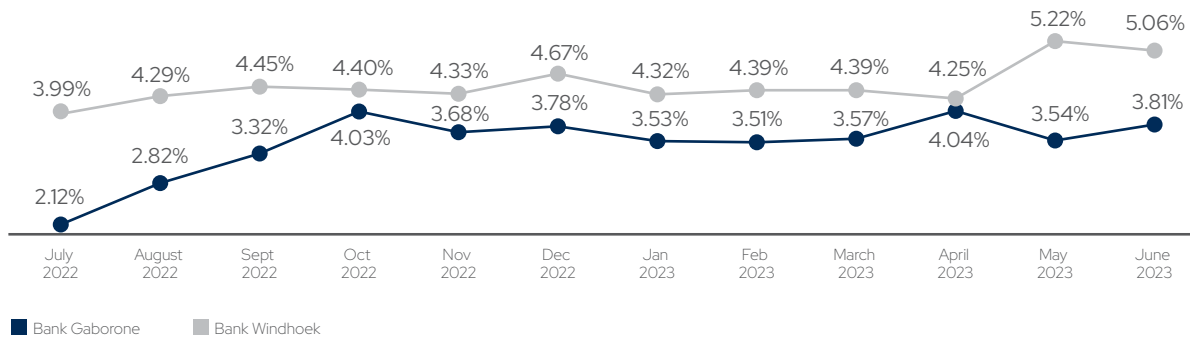
Bank Windhoek's net interest income increased by 178% in 2023 due to a series of interest rate increases and a year-on-year growth of 2.4% in interest earning assets. In 2023, the Bank of Namibia increased the repo rate by 300 basis points. A large portion of the bank's funding is JIBAR linked, leading to funding repricing before our assets do. This reduces the positive endowment effect of the rate hiking cycle.

Bank Gaborone's net interest income increased by 12.0% on the back of loan book growth of 10.4% in 2023.

Bank Windhoek managed its cost of funding effectively, which resulted in a 69 basis point improvement in the net interest margin to 5.06%. Bank Gaborone's net interest margin improved from 2.91% to 3.81% following an effective asset repricing strategy and effective cost of funding management in a volatile market.

N\$'000	June 2023	June 2022	June 2021	June 2020	June 2019
Interest and similar income	5,626,476	4,187,290	4,057,427	4,725,908	4,547,733
Interest and similar expenses	(2,908,262)	(1,850,174)	(1,802,124)	(2,541,932)	(2,513,987)
Net interest income	2,718,214	2,337,116	2,255,303	2,183,976	2,033,746
Impairment charges	(235,610)	(367,303)	(443,748)	(407,448)	(123,698)
Net interest income after loan impairment charges	2,482,604	1,969,813	1,811,555	1,776,528	1,910,048

Net interest margin



	Bank Windhoek N\$'000	Bank Gaborone BWP'000
Interest income	4,400,918	611,819
Interest expense	(2,217,025)	(363,916)
Repo rate as at 30 June 2023 (Namibia) Monetary Policy Rate as at 30 June 2023 (Botswana)	7.75%	2.65%

Comments

Interest income increased by 35.1% and 29.1% at Bank Windhoek and Bank Gaborone, respectively, in response to interest rate increases and expanding loan books at both banks.

Interest expense at Bank Windhoek and Bank Gaborone was 58.0% and 44.0% higher than in 2022 on the back of a rate hiking cycle and growth in total funding. An effective cost of funding management strategy kept increases to a minimum.

The Bank of Namibia increased the interest rate by 300 basis points between July 2022 and June 2023. While the bank followed the South African Reserve Bank's example of increasing the repo rate, it is 50 basis points below South Africa's interest rate. Despite very high inflation rates experienced in Botswana over the financial year, the Bank of Botswana increased interest rates only once by 50 basis points in August 2022.

Despite Entrepo Finance's gross loan book increasing by 8.2% in 2023, net interest income decreased by 13.9% to N\$155.2 million. Entrepo's interest margins also came under pressure as loans are priced at fixed rates, while funding rates are variable. This had a negative impact on margins in the current rate-hiking cycle.

Non-interest income

Non-interest income increased by 13.1% to N\$1.89 billion (2022: N\$1.67 billion).

	Bank Windhoek N\$'000			Bank Gaborone BWP'000		
	2023	2022	2021	2023	2022	2021
Non-interest income	1,380,295	1,226,532	1,112,058	121,417	106,206	79,685

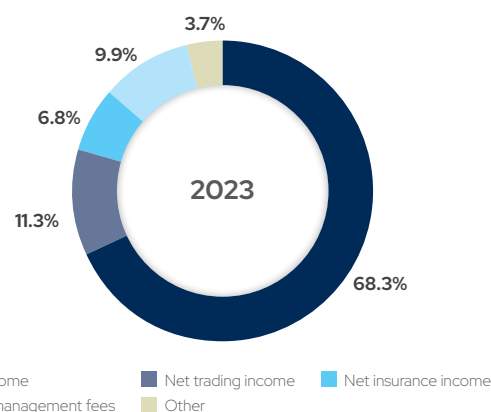
Bank Windhoek increased its non-interest income by 12.5%. This increase was driven by higher transactional volumes, particularly through electronic channels. Bank Gaborone increased non-interest income by 14.3%, benefiting from increased transaction volumes and higher POS merchant fee income.

Non-interest income was significantly bolstered by diversified income streams, including a contribution from CAM of asset management fee income of N\$187.3 million (2022: N\$164.6 million). Entrepo's net premium income increased from N\$161.3 million in 2022 to N\$179.1 million.

Diversification of non-interest income

%	2023	2022	2021
Fee income	68.3	68.3	67.9
Net trading income	11.3	12.6	6.7
Net insurance income	6.8	6.8	8.7
Asset management fees	9.9	9.9	10.8
Other	3.7	2.4	5.9

Diversification of non-interest income



Maintaining efficient operations

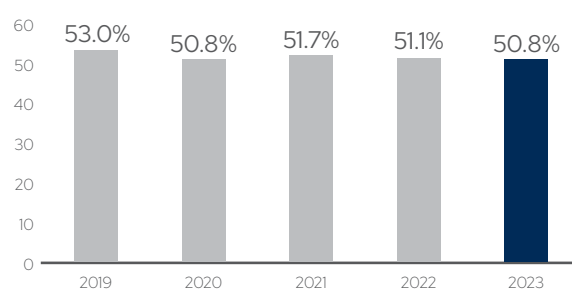
Containing our operating expenses

We improved our cost to income ratio to 50.8%, below our target of 52%.

Our operating expenses increased by 14.7%, significantly more than inflation. These increases relate to a normalisation of operational activity post-COVID-19 including increased spending on marketing, travel and training. Salaries are the largest component of our operating expenses, and these climbed in 2023 due to new hires and annual salary increases. During the pandemic, the Group froze all vacancies, barring critical appointments. This policy has since been lifted, while new skills were required to fulfil the Group's digitalisation drive.

Operating expenses are expected to increase faster than inflation as we continue to invest in growing sectors and our banks' digital capabilities. However, the growth in gross income is expected to grow faster than expenses resulting in good bottom line growth. We are confident that our sustained investment in infrastructure, technology, and new capabilities will pay off in the long run and position our Group for long-term growth.

Cost-to-income ratio*



* Our cost to income ratio is aligned with industry standards. 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.

N\$'000	2023	2022	2021
Employee costs	1,379,959	1,210,948	1,124,358
Property expenses (including depreciation)	264,209	246,258	249,857
Technology	180,418	147,347	155,520
Fee and commission expenses	209,314	175,587	141,890
Other	410,039	350,983	325,310

Comments

Employee costs increased by 14.0% (2022: 2.9%) due to filling vacancies and annual salary increases.

Property-related expenses were well-contained in 2023.

Technology costs increased by 22.4% (2022: 5.3% decrease). Our US dollar-based technology licensing expenses increased due to Namibian dollar weakness in 2023.

Fee and commission expenses increased by 19.2% as transaction volumes increased.

The above inflation increase in other expenses mainly relates to expenses such as marketing, traveling and training returning to normalised levels following significant cuts in these types of expenses during the pandemic.

A healthy operating profit

Our operating profit increased 25.2% to N\$1.89 billion (2022: N\$1.51 billion).

N\$'000	2023	2022	2021	2020	2019
Operating profit	1,926,049	1,507,656	1,290,531	1,300,362	1,346,569
Share of profit from joint ventures and associates	64,864	67,697	103,613	66,528	76,332
Profit before income tax	1,990,913	1,575,353	1,366,890	1,366,890	1,422,901
Profit from continuing operations	1,474,441	1,145,881	1,024,301	1,012,095	1,035,151
Loss from discontinued operation	–	–	(41,274)	(155,683)	(19,852)
Profit after tax	1,474,441	1,145,881	983,027	856,412	1,015,299

Ensuring the necessary capital depth

We strike a balance between safeguarding and preserving our capital, allocating funds for our expansion goals, and providing attractive shareholder returns.

The Group is well capitalised, with a total risk-based capital adequacy ratio of 16.9% (2022: 15.8%). This is comfortably above the minimum regulatory capital requirement of 10%.

Capital adequacy for the Group:

%	Tier 1 leverage ratio	Tier 1 risk-based capital ratio	Total risk-weighted capital ratio
Minimum requirement	6.0	7.0	10.0
Capricorn Group	13.8	15.8	16.9

At the end of 2023, 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	12.5	17.2
Bank Gaborone	12.5	15.6

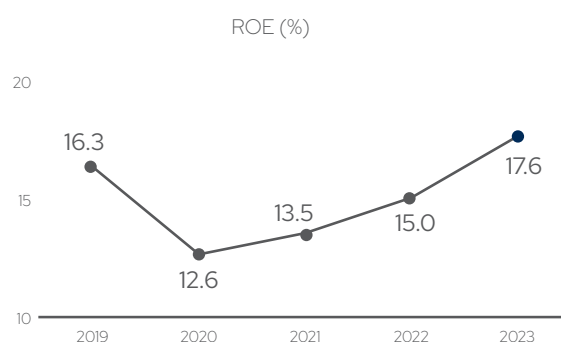
The Group is expected to maintain its capital ratios and not require additional capital in the immediate future. Although there is no immediate need for capital, the Group has access to capital markets through our NSX listing and can draw on further capital support from the two shareholders of reference, the GIPF and CIH.

Improved ROE outcomes for 2023

We track ROE over time as a measure of our overall success in delivering shareholder returns. We will continue developing the strength of our diversified operations and revenue streams while investing in digital transformation to improve the customer experience to sustain and boost ROE.

According to the Bank of Namibia, the banking sector's profitability, as measured by ROE, increased to 15.7% at the end of 2022, from 13.9% at the end of 2021. Capricorn Group achieved an ROE of 17.6% (2022: 15.0%). This improved ROE was mainly due to:

- > A 16.3% improvement in net interest income largely due to the endowment effect of higher interest rates in Namibia, prudent cost of funding management and a growing loan book.
- > Higher transaction volumes, boosting non-interest income.
- > Lower impairment charges due to improved economic conditions.
- > A recovery in income from associates following significant mortality claims impacting Sanlam Namibia in the comparative COVID-19-impacted period.





Contribution from associates

Excluding the loss of N\$38.2 million on the dilution of the Paratus investment as explained on page 54, the combined income from all associates increased by 52.2% overall (2022: 34.7% decrease).

Sanlam Namibia put in a strong performance on the back of new business growth, while lower mortality claims were noted than the preceding COVID-19 impacted period. The insurer has restored its reserves to pre-pandemic levels. The investment business struggled with high outflows and low inflows, given volatile markets and poor overall investment returns. Sanlam Namibia focussed on improving the efficiency of claim payments, excellent customer service and controlling bad debt. Sanlam Namibia's contribution to Group profits increased by 123.7% year-on-year.

Santam Namibia's contribution to Group profits increased by 12.4%. The market for short-term insurance remains highly competitive. The insurer paid out a high level of claims due to flooding experienced in December 2022. In general, in difficult economic times, consumers tend to claim more. Thus, Santam delivered a good set of results under these difficult circumstances.

In 2024, Sanlam and Santam will focus on profitable growth, building their recognised brands and cementing their leadership position in Namibia.

The Paratus Group delivered several successful projects in 2023. These include the world-class Armada Data Centre, inaugurated in August 2022, and the fourth Paratus data centre in Southern Africa. The group achieved its revenue targets for the year, and its contribution to Group profits increased to N\$29.7 million (2022: N\$24.0 million). The currencies of the African countries where the group operates contribute to volatility in profits attributable to the Capricorn Group, despite significant growth in the countries where they operate when measured in local currencies.

Priorities for 2024 include upgrading Paratus Group's international network to 100 gigabytes and expanding its footprint through Sub-Saharan Africa with long-haul and last mile telecommunication infrastructure. The group's debt funding facilities raised during 2023 will be used to fund infrastructure deployment and possible acquisitions.


Increased dividend payout ratio

The Group declared a final dividend of 61 cents per ordinary share. Including the interim dividend of 39 cents per ordinary share, this represents a total dividend of 100 cents per ordinary share (2022: 72 cents). This is a 38.9% increase on the total dividend per share for 2022. The Group balances offering attractive returns for shareholders with retaining capital to drive growth and diversification. The dividend payout ratio increased to 35.2% (2022: 32.6%).

Dividend payment details

Last day to trade cum dividend:	29 September 2023
First day to trade ex-dividend:	2 October 2023
Record date:	6 October 2023
Payment date:	20 October 2023

Johan Maass
Group CFO

A photograph of several aloe vera plants with tall, thin stems topped with clusters of bright red flowers. The plants are set against a clear blue sky with a hint of sunset or sunrise light. The foreground shows the thick, green, serrated leaves of the aloe vera plants.

The board acknowledges our responsibility to set the leadership tone for the organisation. Over several years, the Group has embedded **The Capricorn Way to foster an ethical culture** with behaviours based on a common set of values.

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Governance at a glance

We uphold the principles of good corporate governance, including transparency, discipline, independence, accountability, responsibility, fairness and social conscience. We safeguard the interests of stakeholders and maintain our long-term viability by adhering to these values.

The board and its committees are responsible for establishing effective leadership and ethical practices, and for ensuring the application of appropriate governance practices to deliver the desired outcomes.

The board accepts that the leadership tone is set from the top. The work done in embedding The Capricorn Way signals the emphasis on creating an ethical culture with behaviours based on a common set of values. We are also entrenching a Risk Culture that supports dynamic risk management.

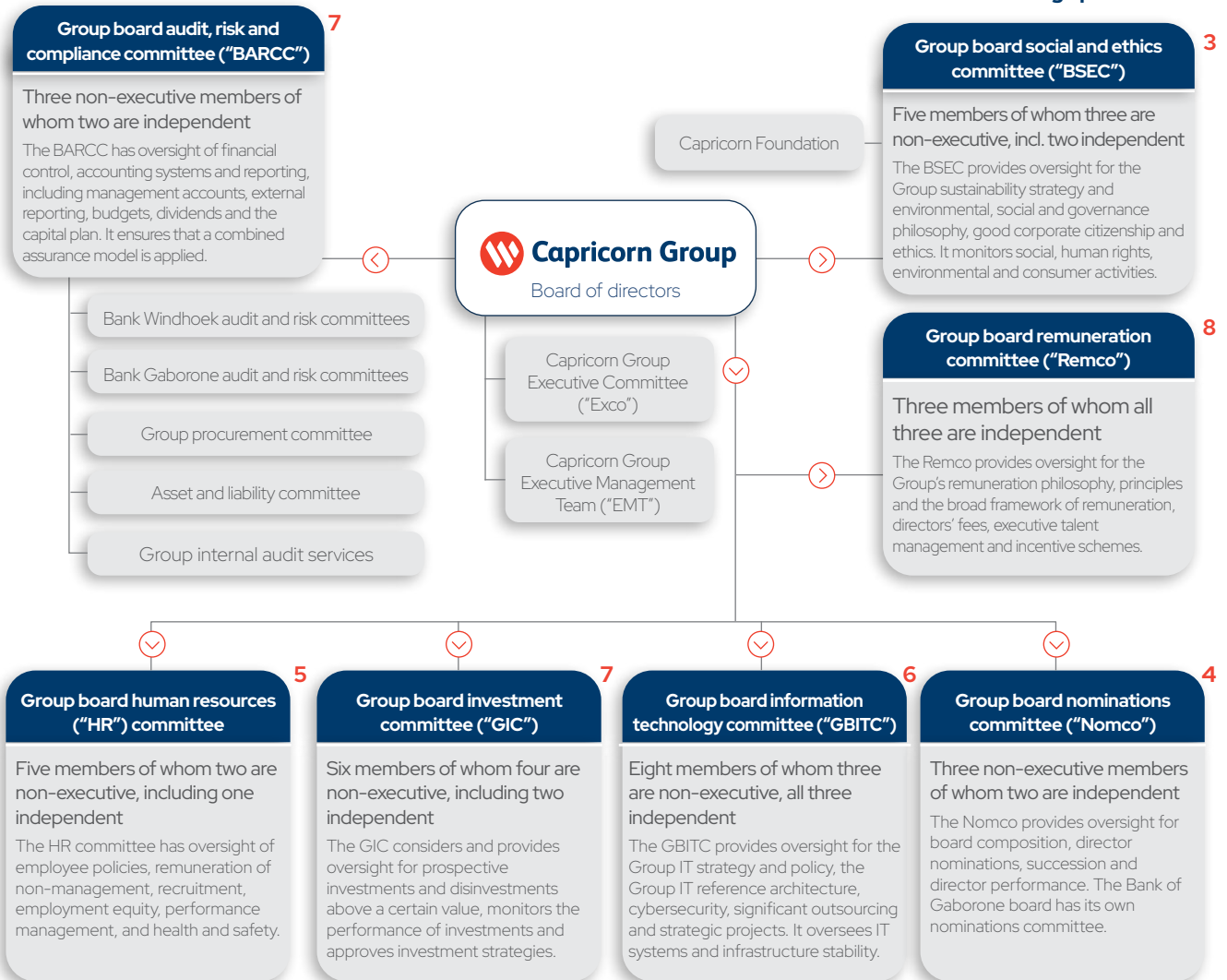
Key board practices and activities focus on:

- > Open and rigorous discussion.
- > Active participation.
- > Consensus in decision-making.
- > Independent thinking and alternate views.
- > 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 2023 and their attendance at these committees' meetings during the year are as follows:

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

* Chairperson.

Board leadership, composition and diversity

Capricorn Group has a unitary board consisting of 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.

Status

Executive
9%

Non-executive
27%

Independent non-executive
64%

Tenure

>9 years
36%

<9 years
64%

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 for more than nine years. Koos Brandt is not classified as independent. The independent classification for Johan Swanepoel and Gida Sekandi was reassessed and confirmed.



Age

50 – 59
36%

60 – 69
46%

70+
18%

The regulator published a revised “Determination on the Appointment, Duties and Responsibilities of Directors, Principal Officers, and Executive Officers of Banking Institutions and Controlling Companies (“BID-1”)” in December 2022. The revised BID introduced a limitation on the age of a non-executive director of 70 years, after which, subject to the Bank of Namibia’s approval, such director may continue serving as a non-executive director. Koos Brandt is 80, and Gida Sekandi is 70, and Nomco recommended their continuation as non-executive directors. The Bank of Namibia’s approval has been requested.

Race

Previously racially disadvantaged
individuals (“PDI”)
45%

Previously racially advantaged
individuals (“PAI”)
55%

The board aims for a PDI ratio of 50%.

Gender

Male
73%

Female
27%

The board aims for a female component of at least 30%.

The board accepts that the leadership tone is set from the top. The work done in embedding The Capricorn Way signals the **emphasis on creating an ethical culture** with behaviours based on a common set of values.

Summary board member profiles

Full board member profiles are included in the governance report, which is available online.



Daniel Gerhardus Fourie (65)

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 (54)

BA, MPhil

Lead independent non-executive director

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

Appointed to the board in 2021



Marthinus Johannes Prinsloo (52)

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

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 social and ethics committee (BSEC)
- > Member of the Group board IT committee (GBITC)

Appointed to the board in 2013



Jacobus Christiaan Brandt (80)

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



Gida Nakazibwe-Sekandi (70)

LLB, Accredited Public Relations Practitioner (APR)

Independent non-executive director

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

Appointed to the board in 2004



Johannes Jacobus Swanepoel (63)

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

Appointed to the board in 1999



Goms Menetté (56)

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 (BARCC)

Appointed to the board in 2018



Elizabeth Fahl (63)

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



Dirk Johannes Reyneke (61)

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

Independent non-executive director

- > Chairperson of the Board audit, risk and compliance committee (BARCC)
- > Member of the Group board IT committee (GBITC)

Appointed to the board in 2017



Erna Solomon (61)

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 (53)

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

Non-executive director

- > Chairperson of the Group board investment committee (GIC)
- > Member of the Group board social and ethics committee (BSEC)

Appointed to the board in 2018



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

#MakeChangePositive

Board social and ethics committee report

As a BSEC, we provide oversight on behalf of the board on the agenda for ethics, sustainability and corporate social responsibility across the Group. We have maintained and enhanced our ethics programme and are pleased with the momentum and engagement around the topic of sustainability, which has now been reprioritised as one of the Group's strategic choices. Through the Group's CSR activities including the Capricorn Foundation, we have made a meaningful impact on society.

Promoting a strong an ethical culture

The Group has an ongoing focus on building an ethical culture. Our ethics strategy and plan have been successfully implemented throughout the Group by Ethics Champions (the Group CEO and subsidiary managing directors), coordinators, and the BSEC, which reviews progress every quarter.

Our confidential ethics hotline is available to employees and other stakeholders to report any unethical behaviour or conduct. Every incident is reported on in the ethics reports which are submitted to BSEC at its quarterly meetings. Through planned employee communications, the Group is building trust in the hotline. This includes providing feedback to the incident reporters while raising Group-wide awareness of the steps followed when incidents are reported. These efforts to promote confidence in the reporting of incidents amongst our employees are paying off as more incidents have been logged during the year on the hotline.

In 2023, we commissioned a second independent assessment by the Ethics Institute of South Africa on the effectiveness of our ethics programme. The key outcomes and related actions of this assessment will be published in our 2024 BSEC report. The Group also produced and launched a video series of corporate theatre for our employees, with role-play examples of ethical behaviour. These videos provide tangible examples of ethical dilemmas and on how they could be approached.

We also completed the first ethics risks assessment of our supply chain. Importantly, this assessment was not an ethics audit of suppliers but rather an exercise in understanding how suppliers approach key ethical issues. This is an important first step in understanding our suppliers and how they interact with our employees. For example, many suppliers indicated a need for a formal complaints channel and resolution process. The next step is to map the ESG practices of our supply chain properly.

Read more about our approach to ethics in our material matters section on page 27.

Moving forward with sustainability

In 2023, we deepened our understanding of sustainability, updated our strategy and developed a bespoke sustainability integration programme that will be implemented over several years. Our efforts were given impetus by the appointment of a head of sustainability responsible for driving our integration programme. This role is supported by the Exco, who appointed a sustainability steerco. The BSEC has oversight of the programme.

As a BSEC, we explored what a future state might look like for the Group. In 2023, we commissioned external experts to perform a comprehensive sustainability maturity assessment and gap analysis against our targeted maturity level across the Group. The gap analysis and recommendations provided a baseline scope for our sustainability programme.

In addition, we completed an internal assessment of sustainability capabilities and the level of understanding needed to execute the recommendations mentioned above. This exercise highlighted the need for central coordination of efforts, that our people are curious to know more about sustainability, and there needs to be more engagement on related topics.

Notably, sustainability has been prioritised as one of the Group's five strategic choices. As a leading financial services group, this decision is authentic and responsible, given the increasing focus and value creation in financial services. Apart from mitigating the many sustainability-related risks, focusing on sustainability also opens many opportunities for the Group.

Read more about our initiatives in our strategy section on page 34 and Group CEO's report on page 45.

Our commitment to CSR

Through the Group's CSR activities, the Capricorn Foundation and its subsidiaries have made a positive impact on society. Since the Capricorn Foundation was established in February 2020 as the Group's main vehicle for driving its CSR activities, it has developed in maturity and stature to contribute meaningfully to Namibia's national agenda, including supporting essential projects in education, health and employment creation. We seek partnerships and projects with a long-term sustainable impact. We concentrate our efforts on high-impact projects, however, we recognise the need to also support short-term projects that assist in the needs of the most vulnerable in society.

In 2023, the Foundation launched its first signature project, the Capricorn Foundation Food Waste Challenge. The project was an open innovation challenge calling for solutions to reduce food waste in Namibia. The challenge, which has completed two of its three phases, has created widespread awareness of food waste and food insecurity in Namibia. It has also provided N\$250,000 in funding and prizes for two exceptional small businesses solving the food waste challenge.

Read more about the Group's CSR activities including the Capricorn Foundation in the material matters section on page 32 and our social value report, available online.



Our contribution per CSR category

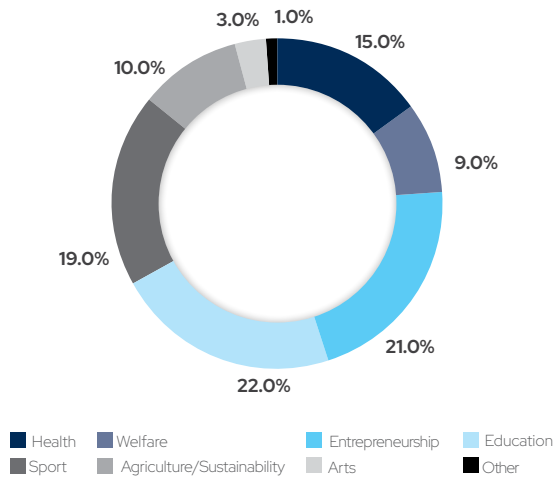
In 2023, the Capricorn Group and its subsidiaries in Namibia and Botswana, including the Capricorn Foundation, invested N\$21.7 million (2022: N\$16.3 million) in CSR activities. This represents 1.5% of profit after tax and is in line with the Group's CSR policy guideline of 1% of profit after tax.

All Namibian subsidiaries contribute funds to the Foundation. The Foundation is well funded with a 0.85% of net profit after tax contribution from Bank Windhoek and CAM and a 0.55% of net profit after tax contribution from Entrepo in 2023, while subsidiaries apply the remainder of their 1% of net profit after tax to their own signature CSR activities. In 2023, our subsidiaries contributed more than N\$8 million to the Foundation.

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 CSR focus areas.

For more details regarding our CSR initiatives and achievements, view our social value report, available online.

CSR investment by Capricorn Group and subsidiaries



BSEC focus areas for 2023

- > Conducted a sustainability maturity assessment and gap analysis against a targeted maturity level to identify gaps and make recommendations with regard to implementing Sustainability practices.
- > Reviewed the Group's Sustainability Framework and oversaw the development of the sustainability integration programme.
- > Enhanced reporting and disclosure around sustainability and CSR, including the work of the Foundation, impact reporting, measurement and assessment.
- > Oversaw the implementation of the Capricorn Foundation Food Waste Challenge.
- > Ethics training was provided to the directors of the boards and employees.
- > Embedding practices to deal constructively with whistleblowing and anonymous reporting of incidents.
- > Conducted an independent procurement ethics risk assessment of our Namibian supply chain.

Looking forward

The Group has a material matter related to customer centricity, and the BSEC is mandated to oversee this material matter. In 2024, the BSEC plans to enhance its oversight on customer-related matters. We want to raise important conversations about what it means to be a truly responsible financial services group and our role in enhancing customer's financial literacy on the responsible use of our products and services.

The BSEC will actively monitor the progress on the implementation of the sustainability integration programme closely. The key areas of importance for the BSEC are the cultivation of a sustainability-orientated culture and ensuring the embedment of a sound foundation; unpacking sustainability-related risks and opportunities; and monitoring reporting disclosures according to internationally recognised standards. We aim to enhance our BSEC membership in the area of environmental qualifications and experience.

BSEC focus areas for 2024

- > Maintaining and enhancing our ethics programme.
- > Reviewing and monitoring the implementations of the recommendations from the Ethics Institute of South Africa assessment regarding procurement and ethics risks.
- > Overseeing the implementation of our sustainability integration programme.
- > Supporting the Capricorn Foundation in reviewing its strategy.
- > Emphasis on the customer as a key stakeholder with a focus on customer issues and priorities.

United Nations Global Compact Principles

We support the 10 principles and aim to improve the integration of these into our strategy, culture and daily operations. Our approach and progress highlights are listed below:

Human rights

Human rights are enshrined in the constitutions of Namibia and Botswana. Capricorn Group is committed to upholding human rights and complying with the associated laws in the jurisdictions in which 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 perform supplier due diligence covering human rights, labour and ethics.

Labour

The Group's policy is not to employ forced, migratory, or child labour. Our internal rules and labour regulations, which govern employment in all jurisdictions, protect workers' rights. The law protects workers' ability to organise themselves through labour unions. The Group has implemented policies and mechanisms which enable violations, when they occur, to be reported anonymously and dealt with effectively through independent and formal processes. A formal grievance procedure protects employee rights.

The HR committee oversees all labour-related matters, including the Policy Framework. New employees are informed of policies through an induction programme, and policy changes are communicated to all employees as and when they occur.

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, alignment with international sound practice and tracking of impact using appropriate SDG metrics.

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 risks 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 customers against activities that are not permitted due to unacceptable environmental and social impacts. There are no customers 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 conforms to the principles espoused in the King IV™ report, which requires a statement by the board confirming compliance with all applicable laws. This includes the Namibian Anti-Corruption Act, 8 of 2003, criminalising 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 Capricorn Foundation	Our stakeholder section from page 18 Material matters: Making a positive impact in society from page 32
Ethics and anti-corruption	Our stakeholder section from page 18 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 four from page 35
Social and economic development activities	Our stakeholder section from page 18 Material matters: Making a positive impact in society from page 32
Environment	Our stakeholder section from page 18 Our strategic choices: Choice three from page 36
Consumer relationships and public relations	Our stakeholder section from page 18 Material matters: Embedding a customer-centric service culture from page 29
Compliance with human rights conventions	BSEC report: UNCG section



Gida Nakazibwe-Sekandi

BSEC chairperson



Remuneration report

The remuneration report covers the following:

- > Introduction: Organisational culture and alignment to remuneration
- > The human capital strategy and link to remuneration and reward
- > Remuneration philosophy and approach:
 - Part one – Remuneration governance
 - Part two – Overview of the Group Remuneration Policy
 - Part three – Future consideration for human capital: Remuneration practices

Introduction: Organisational culture and alignment to remuneration

The Capricorn Way is our code for unlocking potential across multiple stakeholder groupings. It does so by combining our beliefs as individuals and as members of a team and society, defines behaviours that reflect The Capricorn Way in our everyday lives, and shapes our culture. We believe in rewarding excellence through our culture – The Capricorn Way.

Our culture forms the foundation for our people strategy and informs our people practices, including our reward philosophy. The Group adopts a holistic reward philosophy that includes monetary and non-monetary elements. Our reward philosophy is underpinned by a total reward framework and supporting remuneration practices.

The remuneration framework is designed to be fair and transparent and to align the interests of all stakeholders and aims to foster collaboration and a growth mindset. Our remuneration practices enable us to attract, retain, and motivate individuals with the skills and experience required to achieve our strategic objectives.

We have adopted the King IV™ principles in our remuneration framework, which ensures that we balance risk optimisation while aligning with our approved strategy, policies, and procedures. We recognise that providing fair and responsible compensation is a crucial principle that our Group embraces. The Remuneration Policy is regularly reviewed to ensure its effectiveness, competitiveness, and compliance with regulatory requirements.

We focus on the following five people practices:

Attracting talent: We ensure fair and competitive remuneration to attract high-quality talent. In 2023, we improved our understanding of market pay practices for executives and specialised skills by completing a detailed and targeted benchmarking exercise. We also explored other ways to enhance our employee value proposition (“EVP”) and implemented a hybrid working policy.

Retention of employees: Retaining top performers is challenging, given the war for talent. In 2023, we enhanced our talent investment framework to address each element of the employee lifecycle. We began a practice of leader-led conversations focusing on key retention drivers. This is an individualised approach, with an outcome that includes remuneration, non-monetary recognition, growth, and development opportunities.

Motivation and productivity: Remuneration packages are linked to performance, encourage productivity, and enhance performance. The remuneration model is linked to Group, business unit, and individual performances through a performance rating. Financial measures are used to determine Group and business unit performance, while individual performance focuses on performance objectives and behaviours.

Our performance evaluation focuses on five key areas:

1. Customer

We commit to excellent customer experiences. This implies maintaining and enhancing good service, relationships, and experiences with internal customers, external customers, and suppliers.

2. Company

We drive operational excellence and create sustainable returns for all stakeholders.

3. Colleague

Being Connectors of Positive Change shows how we behave as leaders, employees, and colleagues.

4. Citizenship

We positively impact our communities and drive collaboration in whatever we do.

5. Conduct

We conduct our business sustainably and responsibly. We ensure that we embrace ethical practices and foster a risk culture.

The Capricorn Way also measures how employees conduct themselves through a 360-degree assessment.

Brand reputation: Our reward philosophy is an element of our EVP supported by our brand reputation. This year, we focused on ensuring that employees understood the Group’s purpose and how it is aligned with their personal purpose.

Employee engagement: Engaged employees are more productive, which impacts business performance. Since implementing the Mirror survey in 2017, employee engagement levels have continued to improve. Read more on page 30.

The human capital strategy and link to remuneration and reward

We ensure that our human capital strategy is fit for purpose and central to our strategy. These are the strategic human capital focus areas related to remuneration practices for 2023:

1. **High performance culture:** We continued to embed a robust performance development culture. Performance objectives are aligned with strategy and each entity’s specific business plans. Consistency checks are performed to enhance fairness and ensure contracted objectives are achieved.

2. **Business and individual performance objectives:** The Group completed the last year of our three-year strategic cycle. The focus is on establishing a stronger link between business and individual performance objectives related to remuneration. This is done by measuring both the financial and non-financial contributions of individuals.
3. **Diversity, equity, and inclusion (“DEI”):** All employees, regardless of race, gender, ethnicity, sexual orientation, or any other identity factor, have equal opportunities and are compensated fairly. Embedding DEI in our remuneration practices will ensure that we attract and retain a diverse workforce, improve employee satisfaction, and build a more inclusive and productive work environment. As part of our DEI programme, remuneration practices are reviewed to ensure that all employees are treated fairly and equitably. In 2023, we reviewed remuneration data, including increases, promotions, and turnover, through a diversity and equity lens to ensure alignment with our DEI focus areas. DEI is measured through our annual engagement survey, and while our diversity scores increased in 2023, our inclusivity scores have declined marginally. A dedicated programme is in place to address this.
4. **Talent investment approach:** As our talent investment approach matures, it is applied consistently across the employee lifecycle. There are linkages between talent and remuneration, including the design of remuneration practices.

Our talent investment approach aims to identify high-potential individuals. We use five key constructs namely, attitude, judgement, drive, influence, and ambition, to determine potential combined with an individual’s performance trend. This enables us to focus on monetary and non-monetary talent retention and development mechanisms.

The Group has designed a battery of assessments to determine potential and ensure that we understand our talent composition and design development programmes that can assist individuals in reaching their potential. The tool has been implemented for all Group executive committee roles, and we have commenced the process for executive management. The outcome can imply several actions, including remuneration and reward triggers.
5. **Market analysis and benchmarking:** The Group regularly conducts a benchmarking exercise to assess the competitiveness of compensation packages. This year we focussed on executive management, reviewing their role descriptions, and grading. This was followed by an in-depth remuneration benchmark exercise completed by Bowmans, an independent external consultancy firm specialising in remuneration practices.

Remuneration philosophy and approach

Our human capital practices are supported by a comprehensive remuneration philosophy summarised in our Remuneration Policy (“the policy”). The policy is reviewed biennially to ensure it remains relevant and market related.

This report section sets out the policy adjustments and applications for the 2023 financial year. All Group entities have consistently applied the policy, with country-specific adjustments where required.

We continue to strive for transparency and present a three-part report. The report contains the background and context of our remuneration approach and governance in part one, our overview of the policy in part two, and the application of our future focus in part three. This gives stakeholders an understanding how our policy translates into actual outcomes for executives and senior management.

Part one – Remuneration Governance

We ensure that our policy and practices adhere to regional benchmarks and align with all stakeholder expectations. Remco considers Bowmans to be an independent and objective consultancy that annually reviews and advises the Group on remuneration practices and principles. The operating guidelines define appropriate performance conditions for all reward elements, including fixed remuneration, short-term incentives (“STI”), and long-term incentives (“LTI”).

The Group takes a total reward approach when reviewing individual compensation. This implies that the mix between total guaranteed pay (“TGP”), STI, and LTI is adequately positioned relative to the benchmark data.

Remco governs remuneration. The governance chapter on page 64 discloses the committee’s roles and responsibilities. The executive director attends committee meetings by invitation but is requested to recuse himself when matters concerning him are discussed.

Remco focus areas for 2023

The Remco confirms that it has discharged the functions and complied with its terms of reference for the year ended 30 June 2023. The key activities and recommendations of Remco for 2023 included:

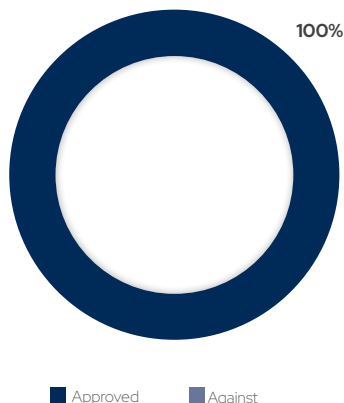
- > The review of the Remuneration Policy, including the STI and LTI operating guidelines and how these awards are allocated. The changes included adjusting the total reward mix per level between fixed and variable remuneration elements. These changes align with the market and ensure fair and equitable remuneration to support retention.
- > A review of executive role descriptions, grading of these roles, and the subsequent setting of benchmarked remuneration at the correct level was conducted. This was supported by talent assessments to explore executive succession, growth opportunities, and areas of strength.
- > A review was completed on the succession slates of all entities, which profile both internal and external talent. The aim is to have a talent map that ensures bench strength and will enable us to track internal and external talent, grow and develop internal talent, and mitigate risk should vacancies arise.
- > The DEI programme was adopted, which commenced with executive leadership exploring unconscious biases. In addition, acknowledging that equity is a cornerstone of effective remuneration practices, data to inform and monitor the programme is collected and tracked through our performance and reward process.


 The real dilemma organisations face is not how to put together a smart, strategic plan but how to place the right leaders against the plan to ensure the full impact on execution.”
 The Talent Institute

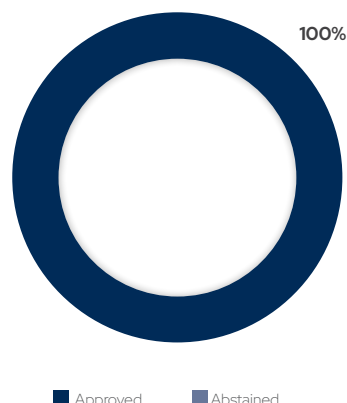
Non-binding advisory vote

At the annual general meeting (“AGM”) on 26 October 2022, shareholders were requested to cast a non-binding advisory vote on the Remuneration Policy and the Remuneration of the NEDs for the next financial year.

Non-executive remuneration for the next financial year
(% of voting rights exercised)



Remuneration Policy voting results
(% of voting rights exercised)



The voting results indicate support for the Remuneration Policy. Accordingly, no substantive changes were made to the policy. The policy implementation for the financial year is reflected in part three, allowing shareholders to observe how 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 of this report.

Part two - Overview of the Group Remuneration Policy

The Group’s Remuneration Philosophy ensures that all employees are rewarded fairly and appropriately. In setting remuneration levels, the Remco and HR committee consider relevant market benchmarks while ensuring sufficient emphasis is placed on pay for performance.

The Group’s guiding principles for managing remuneration are as follows, and this is captured in the Remuneration Policy:

Total reward: The Group has a total reward approach when reviewing individual compensation. This implies that the TGP, STI, and LTI mix is adequately positioned relative to the benchmark data. This is highlighted in part one of this report.

Pay for performance: Fair pay as it relates to performance is the cornerstone of the remuneration philosophy. All remuneration practices are structured to provide clear differentiation between individuals based on performance.

Variable pay: The variable pay component of total reward aligns with seniority (organisational level) as the ability to impact business results increases in relation to the level of seniority. This is reflected in the higher quantum of opportunities offered by the STI and LTI for more senior levels compared to junior employees. The STI and LTI operating guidelines capture the variable pay principle. Benchmark data is obtained on a regular basis, and subsequently, the STI and LTI operating guidelines are updated to reflect market movements relative to variable pay at all levels of the organisations.

Risk Culture: Reward plans are structured to discourage excessive risk-taking. Being aware of risks is critical for all employees and is contained in the performance contract of each employee. The reward philosophy encourages risk management within the risk appetite set by the board with approved policies and procedures. The policy, therefore, provides for malus and clawback pertaining to these risk elements.

Consistency and fairness: The reward philosophy provides a framework that encourages consistency, allows for differentiation where it is fair, rational, and explainable, and applies an equity lens to the process. Benchmarking is performed annually using consistent and recognised methodologies to inform remuneration decisions.

Communication and transparency: The remuneration philosophy, policy, practices, and processes to determine individual pay levels are transparent and effectively communicated to employees. In this process, the link between remuneration and the Group’s strategic choices is understood by all employees.

Malus and clawback: Where defined events occur, provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). Malus and clawback provisions and their application are captured in the Remuneration Policy and executed by Remco.

Elements of pay

The table below provides an overview of the elements of pay applicable to Group employees as contained in the Remuneration Policy:

Fixed remuneration and benefits		Variable Remuneration	
Element		Element	
Basic salary	Benefits	STI plan	LTIs
Detail		Detail	
<p>The fixed element of remuneration is referred to as basic salary or TGP. This component is reviewed annually based on performance against contracted output, and we use benchmark data to ensure market-aligned pay. On the senior and executive levels, the Group focuses on a pay progression model where talent is also considered in determining an individual's fixed pay position. The Group focuses on paying between 80%-120% of the compensation ratio, calculated at the midpoint of the pay range per job level. The pay range of job levels is adjusted yearly based on external market movements and the consumer price inflation index. The employee can structure a portion of their basic pay to suit their circumstances.</p>	<p>Benefits include pension, Group life fund, and medical aid membership. Contributions are made by the employee and the employer for pension funds and Group life benefits. In addition, the company contributes 100% towards medical aid for non-managerial employees. Benefits may include mortgage bond interest subsidies, housing, car, entertainment, or other allowances depending on the employee's job level. Company contributions are calculated as part of the employee's TGP.</p>	<p>The annual bonus plan ("STI") is a cash-based bonus scheme that all employees can participate in. The policy further makes provision for including both Group and business unit performance as a factor to determine pay-out. A further alignment was done to benchmark the quantum per job level. The allocation of individual pay-outs is based on different levels and predetermined performance hurdles for the Group, each business, and individual. A detailed model governs the pay-out thresholds per job level as contained in the STI operating guidelines. Remco is mandated to apply certain deferral principles, which was not the case for this financial year. The design and quantum of the annual performance bonus are regularly reviewed against best market practices.</p>	<p>A key element of talent retention is the LTI awards. These include share appreciation rights ("SAR"), conditional shares, or a combination. In instances where retention is required, conditional shares are awarded, subject to a vesting condition of continued tenure within the Group. 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 affected on 1 September every year, and a rigorous process is applied to determine the quantum of individual increases and variable pay components. During this process, remuneration structures and pay ranges are evaluated and adjusted where necessary relative to movements in the market.

STI

The annual bonus or short-term incentive plan ("STI") aims to align employees' performance with the Group's strategy and to motivate and reward employees who outperform the agreed performance measures. The STI aims to create a high-performance culture through a cash bonus in relation to performance against predetermined outputs.

The bonus pool, from which the STI is 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 with market practices. This aligns the focus of the individual with the strategic choices of the Group.

The operating guidelines further define the weighting of performance relative to the Group, business entity, and individual performance. This ensures that collaboration, a shared strategic intent, and sustainable performance are achieved at all levels.

Where an employee's performance is assessed to be below expectation; the employee will not qualify for STI.

The Remco approves the individual performance ratings and the STI pay-out 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.

LTIs

In 2023, an external review was conducted to ensure the job-level allocations are still market relevant. As a result, adjustments were made to the Long-Term Incentive ("LTI") operating guidelines to align with market practices.



SAR plan

Although the Group has a formal Share Appreciation Reward (“SAR”) plan in place as part of the LTI process, it should be noted that no SAR awards were issued in the last year.

Terms	Detail
Purpose	To attract, retain and reward selected employees who can contribute to Group’s future success and strategy and to stimulate the personal involvement of these employees, encouraging their continued service. In addition, the SAR plan promotes and aligns their interests with the company’s shareholders.
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 company’s issued shares. Therefore, an individual participant may not receive awards over 10% of the overall company limit at any one time.
Performance conditions	The performance condition applicable to all awards is the achievement of budgeted cumulative profit after tax and 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 Group’s future and stimulate their involvement, encouraging 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 some instances, where a retention risk exists, conditional shares that vest after three years and are subject to the participant’s continued employment by the Group but are 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 company’s issued shares. Therefore, an individual participant may not receive awards over 10% of the overall company limit at any one time.
Performance conditions	The performance condition applicable to all awards is the achievement of budgeted cumulative profit after tax and ROE over the performance period. The budget, in turn, reflects the expected outcome of the strategic plans and actions.

Share purchase scheme

The Capricorn Group Employee Share Ownership Trust was established in 2000. Its purpose is to facilitate the acquisition and ownership by employees of shares in Capricorn Group. The intention with the facilitation of share ownership by the employees is to promote the continued growth of the company and its subsidiaries and to provide alignment between the employees and existing shareholders.

Shares can be purchased annually by way of a nine-year interest-free loan. The maximum number of shares that employees can purchase on loan varies by job grade. Any dividends declared after purchase accrue to the employee, who has the choice to receive the dividend in cash or pay it into the loan account. Once the minimum holding period has passed and the loan has been paid off, a share certificate can be issued in the name of the employee.

Share benefit scheme

Non-managerial employees not at supervisory level are beneficiaries of the Capricorn Group Employee Share Benefit Trust. Dividends earned on the shares held by the trust have been distributed to these beneficiaries every year since the establishment of the trust in 2005.

Policy implementation

Non-executive directors’ fees

The non-executive directors do not participate in any STI or LTI and do not have employment contracts with the company. Their fees are reviewed by the Group and submitted to shareholders for approval on an annual basis.

Non-executive director fees reflect the directors’ roles and membership of the board and its committees. The chairperson’s fees have been benchmarked against medium-cap JSE-listed financial services companies.

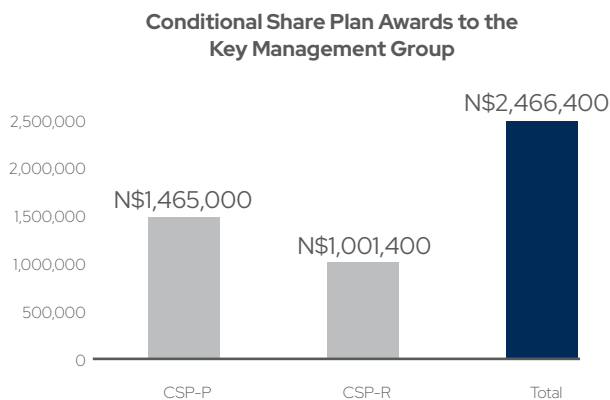
The NED fees for the 2023 financial year were approved by the 2022 AGM.

	N\$ annual retainer	N\$ attendance per meeting	Number of meetings
Board of directors	110,600	18,000	4
Board audit, risk and compliance committee	38,000	25,500	4
Group board remuneration committee	19,000	12,000	4
Group board nominations committee	19,000	7,500	4
Group board human resources committee	19,000	9,000	4
Group board investment committee	19,000	9,000	4
Group board sustainability and ethics committee	19,000	12,900	4
Group board information technology committee	19,000	24,300	4

A 75% premium is paid to the chairperson of each of the committees and board. Furthermore, the independent non-executive chairperson of the Capricorn Group Ltd is paid an annual retainer of N\$720,000.

Remuneration paid

Compensation paid to executive management is disclosed in note 28.10. to the annual financial statements. Compensation comprises remuneration and other employee benefits to the executive management team, which excludes executive directors' emoluments. Accordingly, the executive director did not receive additional fees for services as a director or any emoluments other than those disclosed.



Number of shares acquired under the share purchase scheme

The number of shares acquired by employees in the Group's share purchase scheme in November 2022 was 512,997 (2021: 433,217).

All shares awarded to or purchased by employees under the various LTI schemes were acquired from existing shareholders and no new shares were allotted by the company for this purpose.

Dividends paid under the share benefit scheme

Dividends to the value of N\$2.4 million were paid to 336 employees in October 2022 (2021: N\$2.0 million).

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

Part three - Future consideration for human capital: Remuneration practices

The forward-looking view from a human capital perspective on remuneration will be centred around the following key themes:

- > The focus will remain on how our Group's ambition and strategic objectives inform our talent investment strategy to realise sustainable business impact. Our culture underpins this and informs the focus areas of leaders.
- > We will invest in talent management and leadership strategies to unlock competitive advantage through acquiring, retaining, and developing talented individuals.
- > Our integrated approach encompasses the entire employee lifecycle, from acquisition to development and retention, with a long-term goal of positioning the Group as an employer of choice.
- > Fostering line leadership accountability and leadership mindsets that drive the Group's strategy to establish accountability and ownership of people practices, including recognition and reward, with line management. A personalised approach is key, where leaders understand the strategy and culture and link it to talent practices to ensure sustainable business results.
- > The organisation will continue to drive a total reward process where collaborative practices across the Group ensures sustainable success for all stakeholders. The focus will always be on fair and equitable practices, balancing affordability, and quality of life for all employees.
- > DEI will remain a key strategic choice for the organisation. The goal will be to embed these practices into the Group's DNA. This implies a diverse workforce where employees feel included and psychologically safe, and the environment fosters practices to support equity.
- > Wellness will remain a key engagement theme, and the Group acknowledges that holistic well-being is a current and future need.
- > The world of work continues to transform globally, and we will strive to remain relevant in the solutions we design to support our people strategy.

Gida Sekandi

Chairperson: Group remuneration committee



Group shareholding

Analysis of shareholders on 30 June 2023

Distribution of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 99	12	0.3	655	0.0
100 – 499	151	3.9	35,777	0.0
500 – 999	1,077	28.1	625,825	0.1
1,000 – 1,999	713	18.6	842,711	0.2
2,000 – 2,999	354	9.2	808,186	0.2
3,000 – 3,999	151	3.9	496,418	0.1
4,000 – 4,999	104	2.7	445,003	0.1
5,000 – 9,999	460	12.0	2,828,275	0.5
10,000 and above	819	21.3	512,637,262	98.8
Total shareholders	3,841	100.0	518,720,112	100.0
Namibian residents	3,820	99.5	518,939,958	99.8
Non-resident of Namibia	21	0.5	780,154	0.2
Category				
Corporate bodies	84	2.2	276,431,767	53.3
Private individuals	3,595	93.6	42,379,017	8.2
Pension funds and medical aid societies	26	0.7	33,944,266	6.5
Nominees and trusts	136	3.5	165,965,062	32.0

Beneficial shareholding of 5% or more

Capricorn Investment Holdings Ltd	44.0
Including the effective shareholding of Mr JC Brandt	19.3
Government Institutions Pension Fund	26.9
Nam-mic Financial Services holdings (Pty) Ltd	8.0

Shareholder structure	Number of shareholders	% shareholding
Shares held by the public	3,807	24.2
Directors' direct and indirect shareholding	8	22.1
Directors of subsidiaries and executive management's direct and indirect shareholding	22	0.9
Shareholders holding 10% and more, excluding held by directors	2	50.0
Capricorn Group Employee Share Ownership Trust, excluding held by directors and executive management	1	2.1
Capricorn Group Employee Share Benefit Trust	1	0.7
Total	3,841	100.0

Appendices

Glossary of terms

AGM	Annual general meeting
AML	Anti-money laundering
ATM	Automatic teller machine
AUM	Assets under management
BARCC	Board audit, risk and compliance committee
Board	Board of directors
BSEC	Group board social 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
ESG	Environmental, Social and Governance
Foundation	The Capricorn Foundation
GBITC	Group board information technology committee
GDP	Gross domestic product
GPRO	Group principal risk owner
GRI	Global Reporting Initiative
HR	Human resources
IFRS	International Financial Reporting Standards
<IR> Framework	The IFRS Foundation's Integrated Reporting 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
MSMSE	Micro, Small and Medium Enterprises
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
TCFD	Task Force on Climate-Related Financial Disclosures
TGP	Total Guaranteed Pay
UNGC	United Nations Global Compact

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