Public credit rating report | Namibian Financial Institution | October 2021

Bank Windhoek Limited and Capricorn Group Limited

Rated Entity	Rating class	Rating scale	Rating	Outlook/Watch
Bank Windhoek Limited	Long Term Issuer	National	AA(NA)	Stable Outlook
	Short Term Issuer	National	A1+(NA)	
	Long Term Issuer	National	A(ZA)	Stable Outlook

Rated Entity	Rating class	Rating scale	Rating	Outlook/Watch
Capricorn Group Limited	Long Term Issuer	National	AA-(NA)	Stable Outlook
	Short Term Issuer	National	A1+(NA)	

Strengths

- Strong and entrenched position as a leading financial services provider in Namibia
- Despite recent upward pressure, asset quality metrics remain good, and expected to improve in the next 12-18 months

Weaknesses

- Capitalisation remains below peers and negatively impacts the ratings
- Funding and liquidity are viewed to be adequate

Rating rationale

Bank Windhoek Limited

Bank Windhoek Limited's ("BW") ratings reflect the credit profile of Capricorn Group Limited ("Capricorn", or "the group"). BW's contribution to group net profit after tax (FY21: 68%) and assets (FY21: 79%) is significant and GCR views it to be the group's core operating entity and flagship brand. As such, the ratings of BW are equalised to the group Anchor Credit Evaluation ("ACE").

The ratings affirmation balances the group's strong and entrenched position as a leading financial services provider in Namibia and good asset quality (although this has weakened from historically strong levels), against adequate funding and liquidity and below peer capitalisation (based on the GCR total capital ratio).

Capricorn Group Limited is a large, diversified financial services company, with core operations in banking (Bank Windhoek and Bank Gaborone (not rated)). The strong competitive position largely pivots on the flagship banking subsidiary, BW, as one of the biggest banks in Namibia, leading the market in credit extension. Diversification comes in the form of high margin, reasonably low risk, micro-lending to government employees (Entrepo), capital-light asset management activities (Capricorn Asset Management) and exposure to insurance through associate shares in the local operations of regional behemoths, Santam and Sanlam. The group also has exposure to telecommunications through its 30% stake in Paratus Group Holdings Limited. The asset manager and insurance associates are clear leaders in their respective markets, and this combined strength supports good, through the cycle revenue stability and diversity, with a high proportion of annuity type interest and fee-based income. There is some geographic diversification from the Botswana banking subsidiary (Bank Gaborone), but the franchise strength of the business is ultimately underpinned by the Namibian operations, supporting the strong competitive position assessment.

Environmental, Social and Corporate Governance ("ESG") considerations are neutral ratings factors, however, we note the group's growing emphasis on renewable energy and sustainable projects through BW, which recently issued the first Sustainability bond in Namibia. Although unlikely in the medium to long-term, should renewable energy projects and broadened focus on sustainable financing become a significantly material component of the bank's loan portfolio, with BW able to leverage off its bond framework and tap further funding for these projects that clearly differentiate it from peers, we could uplift the business profile assessment for ESG characteristics.

We have moderated the risk assessment to reflect the notable upward pressure on asset quality over the last two years. Economic frailties in the group's core market of Namibia, coupled with pandemic-induced disruptions across the region, presented highly challenging operating conditions, which inevitably caused credit losses and non-performing loans ("NPLs") to breach historical levels. That said, BW's asset quality continued to stack up well relative to most peers in Namibia and we do expect a normalisation in key metrics over the next 12-18 months. On the other hand, Bank Gaborone (the smaller banking subsidiary) does exhibit a weaker risk profile than BW, which weighs slightly on overall group asset quality. Looking ahead, we are forecasting contained credit losses of around 0.7% over the next two years (primarily due to normalised provisioning and expected recoveries), but NPLs could remain elevated at just north of 5.6%. While there may be a rebound in economic activity and lower intensity of pandemic effects, there could still be some negative tail impact from significant exposures to vulnerable sectors, such as commercial real estate (c.18% of total advances). This could result in revaluation risk, although provisioning levels (of stage 3 loans) are slightly above most peers, and together with lower interest rates that could support repayment capacity (at least in the short-term), may mitigate some of the pressure on future credit costs.

Like peers, the group exhibits a high reliance on wholesale funding, a structural problem in the Namibian market. BW has the second largest market share of deposits, and the funding mix is fairly well balanced between short, medium and long-term maturities. The GCR stable funding ratio was 85% at FY21, better than most peers. Liquid asset coverage of total deposits was in line with peers at 22%, however, above average loan growth has contributed to a more leverage position, with loans to deposits above 100%. The group continues to hold sufficient liquid assets above regulatory requirements.

Capital and leverage remained quite stable over the past three years, with the GCR total capital ratio around 12.3%. The group is viewed to possess thinner loss absorption buffers, with most peers' GCR total capital ratios tracking above 13%. We believe that there is a high likelihood for earnings improvement over the next two years (following COVID-19 induced earnings strain in FY20) given the expectations for lower credit costs, stabilised net interest margins, moderate loan growth (between 3%-5%) and disposal of the Zambian banking subsidiary (which has been margin dilutive). Our forecast points to a GCR total capital ratio between 12.5%-12.7%, supporting an intermediate capital assessment.

Capricorn Group Limited

The ratings on Capricorn Group Limited are a notch lower than the group ACE, reflecting the structurally subordinated status of Non-Operating Holding Companies ("NOHC"). This reflects GCR's opinion that the NOHC is reliant on cash flows and dividends from largely regulated, operating group companies, which could be interrupted by regulators should there be a stress event.

Outlook statement

We expect the credit profile of the group to remain anchored by its strong competitive position in the Namibian market, while the recent asset quality pressures are likely to subside over the next two years as credit losses improve to 0.7%. The latter may also support continued earnings momentum, and along with loan growth expectations of 3%-5% and a consistent dividend policy, sustain an adequate, but stable GCR total capital ratio of between 12.5%-12.7% over the rating horizon. We are not expecting a change to the funding structure which aligns to domestic peers, and liquidity is likely to remain adequate with sufficient buffers relative to regulatory requirements.

Rating triggers

The ratings could be upgraded should asset quality return to historical levels and key capital, funding and liquidity metrics align with/exceed peers. Conversely, negative rating pressure may stem from weakening asset quality, which would weigh on earnings and capitalisation, or any signs of liquidity stress that would undermine the funding and liquidity assessment relative to peers.

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Related criteria and research

Criteria for the GCR Ratings Framework, May 2019
Criteria for Rating Financial Institutions, May 2019
GCR Ratings Scale, Symbols & Definitions, May 2019
GCR Country Risk Scores, October 2021
GCR Financial Institutions Sector Risk Score, September 2021

Ratings History

Bank Windhoek Limited (Namibian Scale)

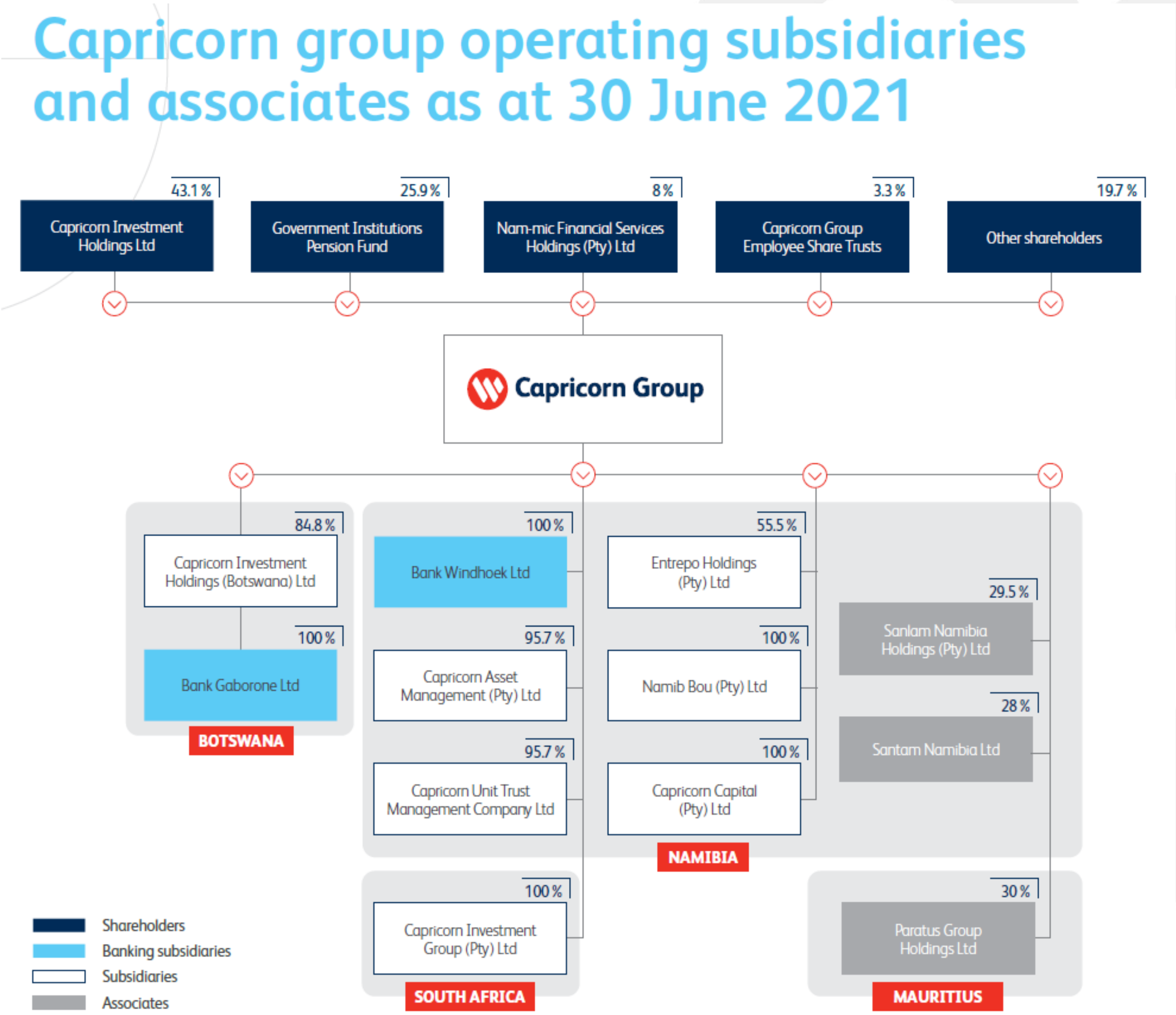
Rating class	Review	Rating scale	Rating	Outlook	Date
Long Term Issuer	Initial	National	AA(NA)	Stable	September 2005
	Last	National	AA(NA)	Stable	September 2020
Short Term issuer	Initial	National	A1+(NA)	N/a	September 2005
	Last	National	A1+(NA)	N/a	September 2020

Bank Windhoek Limited (South African Scale)

Rating class	Review	Rating scale	Rating	Outlook	Date
Long Term Issuer	Initial	National	A-(ZA)	Stable	November 2013
	Last	National	A(ZA)	Stable	September 2020

Capricorn Group Limited

Rating class	Review	Rating scale	Rating	Outlook	Date
Long Term Issuer	Initial	National	AA(NA)	Stable	November 2015
	Last	National	AA-(NA)	Stable	September 2020
Short Term Issuer	Initial	National	A1+(NA)	N/a	November 2015
	Last	National	A1+(NA)	N/a	September 2020



Source: Capricorn Group Integrated Annual Report, 2021.

The Capricorn Group is a leading Namibian-owned financial services group that is listed on the Namibian Stock Exchange. Its subsidiaries include two banks (Bank Windhoek and Bank Gaborone ("BG")), a micro-lender (Entrepo) and an asset manager (Capricorn Asset Management), while its associates operate in insurance (Santam and Sanlam) and telecommunications (Paratus group).

We view Bank Windhoek as the group's flagship brand, contributing 68% and 79% to group net profit after tax and assets respectively. This makes it core to the group's operations and we therefore equalise Bank Windhoek's ratings to that of the group ACE.

The ratings on Capricorn Group Limited are one notch lower than the group ACE, reflecting the structurally subordinated status of NOHC. This reflects GCR's opinion that the NOHC is reliant on cash flows and dividends from largely regulated, operating group companies, which could be interrupted by regulators should there be a stress event.

Operating Environment

The operating environment assessment is anchored by the group's predominantly Namibian market focus.

Country risk

The Namibian country risk score has been maintained at '5.5' even though the regional impact of the COVID-19 pandemic further exacerbated existing weaknesses in the economy. Namibia is a fairly small country with a population of around 2.5m and its assessment is supported by above average wealth levels and institutional strengths of the country in comparison to regional peers. However, the health of its economy is largely reliant on key trading partners such as neighbouring South Africa. A sizeable GDP contraction in 2020 (estimated at around 7.3% by the Bank of Namibia) will weigh on debt to GDP levels in the coming years as the economy tries to claw back lost ground. The pandemic is also likely to see unemployment levels track higher (close to 40%) and a sustained recovery in economic growth will be reliant on an improved outlook for key trading partners such as South Africa.

Sector risk

The Namibian banking sector risk score of '6.0' balances reasonable capital and liquidity buffers and structural stability, against challenging operating conditions, posing medium-term risks to asset quality. Furthermore, the largely wholesale deposit funding structure increases deposit sensitivities to market sentiment. Namibian banks have been operating under highly subdued economic conditions for the past few years, and despite a downward trend in profit margins, the sector's balance sheet has been maintained at sound levels, reflected in good liquidity and capital ratios. The onset of the COVID-19 pandemic in 2020 caused a sharp downward spike in earnings, with return on assets dropping to a 5-year low of 1.3%, from 2% in 2019, primarily due to higher credit losses and reduced net interest income (as a result of large interest rate cuts). We expect earnings to gradually recover as credit losses normalise from the peak of mid-2020, net interest income stabilises, and transactional activity gains momentum, but we think return on assets may remain low, between 1.5%-1.8%, compared to historical levels of above 2%. This, in conjunction with loan growth extension expectations of between 3%-5% should support an industry average Common Equity Tier 1 capital ratio of around 13% going forward. Additionally, this muted loan growth may also allow existing liquidity buffers to be sustained, at least over the short-term, with the banking sector holding high liquid assets relative to regulatory minimums. On the negative side, asset quality may remain pressured (non-performing loans deteriorated to 6.4% in 2020, from 4.8% in 2019) given the unfavourable sector dynamics underpinning borrower credit quality. This includes high household indebtedness, negative property valuation trends (with the sector representing over 50% of total industry loans) and comparably high corporate debt as a percentage of GDP (of around 70% at 2020 versus South Africa's c.40%). However, the low interest rate environment may support debt serviceability as economic conditions gradually improve, but downside risk will prevail if employment and income growth do not improve. The sector continues to exhibit a high reliance on wholesale funding, however, to date, this has been fairly well managed.

Business Profile

Competitive position

Strong and entrenched position as a leading financial services provider in Namibia.

Capricorn Group Limited is a large, diversified financial services company, with core operations in banking (Bank Windhoek and Bank Gaborone). The strong competitive position largely pivots on the flagship banking subsidiary, BW, as one of the biggest banks in Namibia, leading the market in credit extension (33.3% market share of total industry gross loans at June 2021) and holding very strong market shares of total industry assets (30.7%) and deposits (28.8%).

Table 1: Bank Windhoek Limited's market share (%)				
	2021*	2020	2019	2018
Gross loans and advances	33.3	32.7	30.7	31.0
Deposits	28.8	28.6	27.0	26.9
Assets	30.7	29.2	27.8	28.2

Note: Market share is calculated using Bank of Namibia aggregated quarterly industry data for the Namibian Banking sector.

*As at June 2021.

Diversification comes in the form of high margin, reasonably low risk, micro-lending to government employees (Entrepo), capital-light asset management activities (Capricorn Asset Management) and exposure to insurance through associate shares in the local operations of regional behemoths, Santam and Sanlam. The group also has exposure to telecommunications through its 30% stake in Paratus Group Holdings Limited. The asset manager and insurance associates are clear leaders in their respective markets, and this combined strength supports good, through the cycle revenue stability and diversity, with a high proportion of annuity type interest and fee-based income.

There is some geographic diversification from the Botswana banking subsidiary (Bank Gaborone), but the franchise strength of the group is ultimately underpinned by the Namibian operations, supporting the strong competitive position assessment.

Revenue stability is good, primarily stemming from net interest and fee and commission income. This is supplemented by asset management fees and insurance income, which has proven to be quite stable over the years. In absolute terms, return on assets has historically lagged that of the closest banking peer. This could be attributed to the now-disposed Zambian operations (which was mostly loss making) and BG, which in GCR's view, is an underperformer in the group. Nevertheless, the sale of the Zambian operations, coupled with prospects for improved operating conditions may support sustainably stronger returns over the next 12-18 months.

Table 2: Capricorn Group Limited's earnings stability (%)					
	2022(e)	2021	2020	2019	2018
Core earnings / adjusted assets	1.70	1.64	1.68	1.89	1.68
Net interest income / operating revenues	60.1	60.4	60.5	61.5	59.8
Non-interest income / operating revenues	39.9	39.6	39.5	38.5	40.3
Market sensitive income / operating revenues	--	2.7	5.5	3.2	3.2

e: Based on GCR expectations.

ESG considerations are neutral ratings factors, however, we note the group's growing emphasis on renewable energy and sustainable projects through BW, which recently issued the first Sustainability bond in Namibia. Although unlikely in the medium to long-term, should renewable energy projects and broadened focus on sustainable financing become a significantly material component of the bank's loan portfolio, with BW able to leverage off its bond framework and tap further funding for these projects that clearly differentiate it from peers, we could uplift the business profile assessment for ESG characteristics.

Management and governance

Management and governance is considered neutral to the ratings.

Financial Profile

Capital and Leverage

Stable capitalisation, but the GCR total capital ratio continues to lag peers, leading to an intermediate assessment.

Capital and leverage remained quite stable over the past three years, albeit at the lower end of the intermediate assessment and below peers. At June 2021, the GCR total capital ratio improved slightly to 12.7% (FY20: 12.3%) mainly due to negative Risk Weighted Asset ("RWA") growth. We believe that there is a high likelihood for earnings improvement over the next two years (following COVID-19 induced earnings strain in FY20) given the expectations for lower credit costs, stabilised net interest margins, moderate loan growth (between 3%-5%) and disposal of the Zambian banking subsidiary (which has been margin dilutive). Our forecast points to a GCR total capital ratio between 12.5%-12.7%, supporting an intermediate capital assessment.

In GCR's view, relative to Namibian banking peers, reserving is adequate. Loan loss reserve coverage of total and stage 3 loans stood at 3.4% and 58.3% at June 2021 respectively. The loan book is skewed towards secured lending, and collateral values are viewed to be appropriate. The core banking subsidiary (BW) applies a haircut of 30% to all stage 3 loans, upon which time further provisions are raised if required. However, given the comparatively higher exposure to commercial real estate, the group may be exposed to revaluation risk in the future should property trends remain negative.

Generally, earnings have been good and supportive of internal capital generation, catering for above average loan growth. The group benefits from cost efficiencies with a lower cost-to-income ratio than any of its peers. This should support a rebound in earnings under more productive economic conditions to that of the past two years.

Our forecasts for the next 12-18 month incorporate the following assumptions:

- Loan growth of between 3%-5%, which is in line with our Namibian sector projections. We think the group may be at the higher end of the range, consistent with its above peer loan growth over the years. As such, we have assumed risk weighted asset growth of 5%-6% going forward;
- Core earnings to adjusted assets of 1.7% in 2022, with potential for further improvement to 1.9% in 2023. This is to be driven by lower credit costs (between 0.6%-0.7% over the next two years) and stabilised net interest margins of above 4%;
- Good cost management likely to keep the cost to income ratio below 55%;
- Dividend coverage ratio of 1.8x.

Table 3: Capitalisation (%)

	2022(e)	2021	2020	2019	2018
GCR total capital to RWA	12.7	12.7	12.3	12.3	16.84
GCR leverage ratio	>10	10.6	10.3	10.3	12.9
Regulatory total risk-based capital ratio	--	15.0	14.7	14.9	15.4

e: Based on GCR expectations.

Risk

The risk score was lowered slightly to reflect upward pressure on asset quality metrics, although we believe these will improve over the next two years and align to the key banking peer.

We have moderated the risk assessment to reflect the notable upward pressure on asset quality over the last two years. Economic frailties in the group's core market of Namibia, coupled with pandemic-induced disruptions across the region, presented highly challenging operating conditions, which inevitably caused credit losses and NPLs to breach historical levels. Historically, credit losses were very low at around 0.3%, outperforming peers. However, over the last two years, credit losses rose to around 1%, while NPLs weakened to 5.8% at FY21 (FY20: 4.7%). It is worth pointing out that, in the June 2021 financial statements, the group changed the way NPLs and provisions were reported, distorting the year-on-year movement in NPLs. The change related to the way interest and corresponding impairments were recognized, now aligning to industry standards.

That said, BW's asset quality continued to stack up well relative to most peers in Namibia and we do expect a normalisation in key metrics over the next 12-18 months. On the other hand, Bank Gaborone (the smaller banking subsidiary) does exhibit a weaker risk profile than BW, which weighs slightly on overall group asset quality. Looking ahead, we are forecasting contained credit losses of around 0.7% over the next two years (primarily due to normalised provisioning and expected recoveries), but NPLs could remain elevated at just north of 5.6%. While there may be a rebound in economic activity and lower intensity of pandemic effects, there could still be some negative tail impact from significant exposures to vulnerable sectors, such as commercial real estate (c.18% of total advances). This could result in revaluation risk, although provisioning levels (of stage 3 loans) are slightly above most peers, and together with lower interest rates that could support repayment capacity (at least in the short-term), may mitigate some of the pressure on future credit costs.

Table 4: Risk (%)	2022(e)	2021	2020	2019	2018
New loan loss provisions to average customer loans	0.7	1.1	1.0	0.3	0.2
Loan loss reserves to non-performing loans	>60	58.3	60.9	55.6	29.6
Gross non-performing loans to average customer loans	5.8	5.8	4.7	4.1	3.4

e: Based on GCR expectations.

As noted in the capital section, we believe reserving is adequate, but BW does have a large commercial real estate portfolio compared to peers, and management indicated that the property market is still under pressure, with limited demand in cases of foreclosure. In most instances, these properties are bought by the bank and end up on their balance sheet. Currently, this stock of on-balance sheet property is relatively small, but going forward, a persisting trend may expose the group to revaluation risk (particularly for higher value properties), which could result in further provisioning that would negatively impact credit losses. Positively, payment deferrals (offered during the start of the pandemic) have also reduced from a high of NAD5.7bn to NAD515.3m at June 2021, representing around 1.2% of total gross loans.

The group's market risk for its Namibian operations is limited due to the stability of the market and limited investment universe. As with most banks, significant interest rate cuts in 2020 materially impacted net interest margins. We believe the interest rate cycle has bottomed, which should limit interest rate risk going forward. Forex risk is contained with foreign assets and liabilities totaling 2.1% and 4.6% at FY21 respectively. The group holds BWP and ZAR denominated assets and liabilities as well, but there is minimal forex risks on these as the BWP mainly stems from the Botswana operations, while the ZAR is pegged to the NAD.

Funding and Liquidity

Funding and liquidity is considered adequate.

Like peers, the group exhibits a high reliance to wholesale funding, a structural problem in the Namibian market. BW has the second largest market share of deposits, and the funding mix is fairly well balanced between short, medium and long-term maturities. The GCR stable funding ratio was 85% at FY21, better than most peers. Related party exposure is prevalent, with Capricorn Asset Manager ("CAM") being the top depositor with NAD3.6bn (9% of total deposits). This is largely due to the asset managers own internal concentration policies, where it is required to spread funds across banks, and with BW being the one of the leading Namibian banks in terms of deposits, and the banking landscape being dominated by the top four banks, this naturally results in a fairly significant exposure, also noting that CAM is the largest asset manager in the country.

Liquid asset coverage of total deposits was in line with peers at 22%. However, above average loan growth has contributed to a more leverage position, with loans to deposits above 100%. This could be due to the group's higher use of longer term debt (not included in the deposit base of the aforementioned calculation). In this regard, the group reports a loan to funding ratio, which rose to 88.6% at June 2021, from 87.9%, following loan growth of above 4% (higher than the industry average of 2.7% in Namibia). Management's target is to keep the ratio below 90% to balance profit and liquidity expectations.

Table 5: Funding and Liquidity (%)					
	2022(e)	2021	2020	2019	2018
Long term funding ratio	>88	88.4	86.2	83.0	94.2
GCR Stable funds ratio	>85	85.2	80.0	75.5	81.4
GCR liquid assets / total deposits	c.23	22.2	23.8	26.2	30.2
GCR liquid assets/ total wholesale funding (x)	c.1.2	1.19	1.25	1.46	1.61

e: Based on GCR expectations.

The group continues to hold sufficient liquid assets above regulatory requirements. At June 2021, BW held NAD3.1bn of excess liquidity relative to the regulatory minimum, while BG had a BWP681.4m surplus above Bank of Botswana requirements. We do take note of a decline in covenant headroom on certain funding lines. Some of these covenants were set in different macro conditions, and management are aiming to negotiate an update to some covenants linked to NPLs for instance. For now, we do not believe these pose significant risks to the group's liquidity as these funding lines are relatively small in the context of total liabilities, and there is ample liquidity to cover any potential accelerated outflows. Nonetheless, limited covenant headroom is viewed to be a risk to liquidity.

Comparative Profile

The comparative profile is neutral to the ratings.

Peer analysis

The peer analysis is neutral to the ratings.

Group support

Group support is not applicable to the ratings.

Rating Adjustment Factors

Structural adjustments

The ratings on Capricorn Group Limited are one notch lower than the group ACE, reflecting the structurally subordinated status of NOHC. This reflects GCR's opinion that the NOHC is reliant on cash flows and dividends from largely regulated, operating group companies, which could be interrupted by regulators should there be a stress event.

Instrument ratings

No instrument rating adjustments.

Risk Score Summary

Rating Components & Factors	Risk scores
Operating environment	**11.50**
Country risk score	5.50
Sector risk score	6.00
Business profile	**1.25**
Competitive position	1.25
Management and governance	0.00
Financial profile	**0.25**
Capital and Leverage	(0.50)
Risk	0.75
Funding and Liquidity	0.00
Comparative profile	**0.00**
Group support	0.00
Government support	0.00
Peer analysis	0.00
Total Score	**13.00**

Glossary

Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Capital	The sum of money that is invested to generate proceeds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Income	Money received, especially on a regular basis, for work or through investments.
Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's operating profit by its interest payments for a given period.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Operating Cash Flow	A company's net cash position over a given period, i.e. money received from customers minus payments to suppliers and staff, administration expenses, interest payments and taxes.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.

Salient Points of Accorded Ratings

GCR affirms that a.) no part of the ratings was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to Bank Windhoek Limited and Capricorn Group Limited. The ratings above were solicited by, or on behalf of, the rated entities, and therefore, GCR has been compensated for the provision of the ratings.

Bank Windhoek Limited and Capricorn Group Limited participated in the rating process via teleconference management meetings, and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the entities and other reliable third parties to accord the credit ratings included:

- Audited financial results as at 30 June 2021;
- Other publicly available information and
- Industry comparative data.