

2019 OUR VALUE CREATION SUMMARY



Capricorn Group

What is this summary about?

This summary is about the Capricorn Group, its performance and our contribution as Connectors of Positive Change for the financial year from 1 July 2018 to 30 June 2019.

Who is this summary about?

The Capricorn Group consists of financial services operations in Namibia, Botswana and Zambia. Our operations are primarily focused on banking, insurance, wealth and asset management, microfinance and telecommunications.

Why should you read this summary?

In our conversations with stakeholders, they asked for a summary report. This does not replace our full integrated report and annual financial statements, but provides a quick overview for a wider target audience.

What should you know about this summary?

This summary is based on the Capricorn Investment Group Limited 2019 integrated annual report which was approved by the board on 11 September 2019. Any forward-looking statements in this summary report regarding the results and operations of Capricorn Group involve risk and uncertainty because they relate to events and depend on 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.

For our full integrated report, the full financial statements and more detail on all aspects included in this summary, please go to www.capricorn.com.na or make contact with Marliez Horn on investorrelations@capricorn.com.na or +264 (61) 299 1226.

I am ...
I am a mother/father.
I am a child.
I am a worker.
I am a friend.
I am big and small.
I am powerful.
I am determined to be better.
I am focused.
I am connected.
I am free.
I am a leader, but I follow my heart.
I am part of a bigger story.
I am inspired by the story and the people of my country.
I am the strength of a nation.
I am a Namibian.
I am a Motswana.
I am a Zambian.
I am Capricorn.



OUR PROFILE

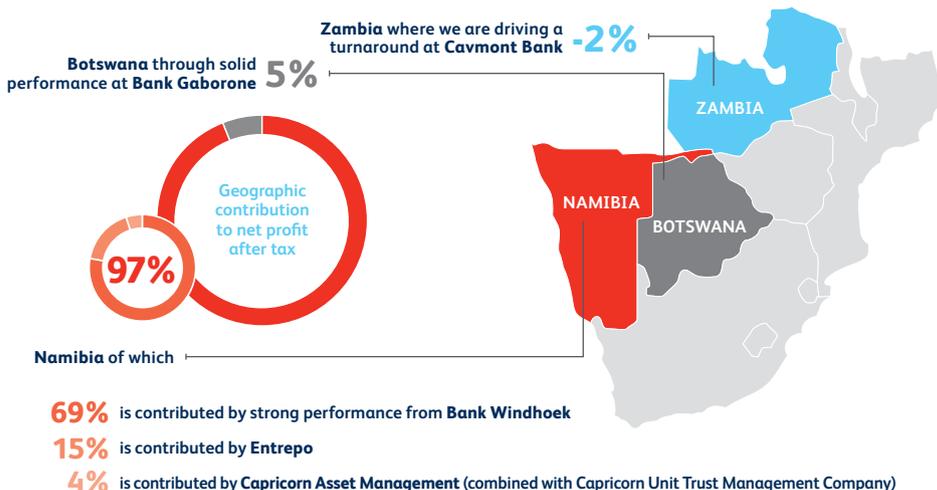
Capricorn Group has three main banking subsidiaries in Namibia, Botswana and Zambia.

Our main interests are in financial services.

The group also recently invested in a telecommunications and technology investment company to position itself for the future convergence between telecommunications, data and financial services. Our customers range from high-net-worth individuals to corporates, small businesses and government employees in all territories. Our value proposition is built around customers rather than products or channels. We apply technology in transactional banking services, products and digital functionality to address future customer needs.

BUSINESS ACTIVITIES

- | | | | |
|---|---------------------------------------|---|-------------------------|
|  | Retail banking |  | Corporate transactions |
|  | Corporate and business banking |  | Property development |
|  | Wealth management and private banking |  | Forex and trade finance |
|  | Lending |  | Corporate finance |
|  | Investment and asset management |  | Capital markets |
|  | Bancassurance |  | Specialised finance |
|  | Specialist asset finance |  | Term lending |



OUR PERFORMANCE

Despite the economies in the region where we operate being under severe pressure, the Capricorn Group delivered very good results, with group profit after tax for the year ended 30 June 2019 of N\$1,015 million (2018: N\$934 million), surpassing the N\$1 billion mark for the first time. Our results were bolstered by the first-time contribution from Entrepo.

BOARD OF DIRECTORS

Our board is responsible for establishing effective leadership, ethical practices and the appropriate application of governance practices. The board ensures that Capricorn Group remains a sustainable, well-performing and legitimate business.

Group board sustainability and ethics committee

Group board human resources committee

Group board nominations committee

Group board remuneration committee

Board procurement committee

Group board investment committee

Group board IT committee

Board audit, risk and compliance committee

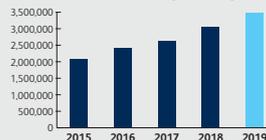
The board as a whole remains responsible for the strategic direction of the group. To effectively discharge its responsibilities, it delegates certain functions to committees established by the board.

All committees are properly constituted, chaired by a non-executive director and act within agreed, written terms of reference that meet best-practice standards authorised by the board.

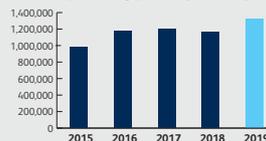
* Exceptional items relate to a gain-on-bargain purchase of Entrepo of N\$38,8 million and profit on the sale of Visa shares of N\$77,3 million which were included in the prior period and not repeated in the current period.

FIVE-YEAR OVERVIEW

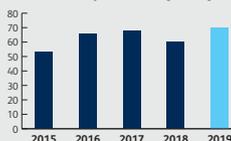
Total income (N\$'000)



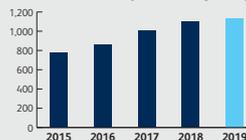
Operating profit (N\$'000)



Dividend per share (cents)



Net asset value per share (cents)



Operating profit (excludes exceptional items in 2018)*

▲ **26.0%**

to N\$1,326m (2018: N\$1,052m)

Headline earnings per share

▲ **14.9%**

to 181.5 cents (2018: 157.9 cents)

Profit before tax

▲ **11.9%**

to N\$1,402m (2018: N\$1,253m)

Dividend per share

66 cps

(2018: 60 cps)

Return on average equity

16.3%

(2018: 17.3%)

Capital adequacy

14.9%

(2018: 15.3%)

OUR VISION AND PURPOSE

Our group vision and purpose is to be the most trusted and inspiring Connector of Positive Change, through a highly relevant, convenient and responsive network of people and channels that enables opportunities to be created, financed, transacted and secured wherever we operate.

We realise our vision by making strategic choices and by working according to The Capricorn Way.

The Capricorn Way directs us towards positive change and is underpinned by three beliefs:



OUR STAKEHOLDERS



To reflect The Capricorn Way in our everyday lives, we agreed on nine behaviours in the workplace:

Wisdom: choose when to speak and act

Responsiveness: be concise when you speak and silent when you listen

Motivation: be an example of what is possible

Resilience: navigate the ups and downs with perseverance

Curiosity: ask in order to learn, improve and discover

Initiative: don't wait to be told what to do

Enjoyment: stop, be aware of the good things that are happening, big and small

Impact: busy does not equal great results

Engagement: be fully present when you are with others

We follow an inclusive process to identify, assess and track those matters that are material for us to create value

OUR FOUR STRATEGIC CHOICES (2018–2020)



Focus on building our foundation in Namibia, Zambia and Botswana to get to a position of market leadership.



Win in Namibia, Zambia and Botswana through operational excellence (lean, efficient, fast) and effective execution.



Compete in Namibia, Botswana and Zambia through strategic relationships and partnerships in insurtech, fintech, mobile and telco, and education.



In considering other African countries beyond 2020, target technological/borderless/cyber opportunities above bricks and mortar entry. Evaluate opportunities, whether cyber or bricks and mortar, on a case-by-case basis.

OUR KEY COMPETENCIES

1

Understanding the Capricorn Group and competitor environment

2

Deep understanding of client needs

3

Relentless drive to improve performance

4

In-depth business insight

5

Unlock potential in self and others

6

Excellence in execution

OUR EIGHT MATERIAL MATTERS



Ethical leadership, management and business



Credit risk management and mitigating losses due to bad debt



Financial and cybercrime/cybersecurity



Meeting customer needs and expectations



Demand for specialist skills driving focused development, training and diversity



Responding to a changing regulatory and operating context



Fintech, insurtech and evolving digital assets



Enhancing and optimising management and operational systems

MESSAGE FROM OUR CHAIR

Capricorn Group performed well in difficult circumstances characterised by the new reality of low or no economic growth, extreme drought, relentless pressure on consumers, ever expanding regulatory requirements and fierce competition.

I am grateful that we can report positive results notwithstanding the challenging economic and business environment. Group operating profit, excluding the impact of exceptional items in 2018, grew by 26.0% year on year, and group profit after tax reached a new milestone to exceed the N\$1 billion mark.

I want to thank and congratulate our Capricorn citizens on a commendable performance and express my heartfelt appreciation for their resilience, dedication and hard work to deliver these results.

As a group with deep roots in Namibia, our prospects are strongly intertwined with those of our economy, people and environment. Despite deeply concerning realities, we believe we have what it will take to see us through the challenges ahead. We also believe that the cycle will start turning in the medium term and until then our country and group will rely and build on our collective resilience.

Reflecting on the 2019 financial year, a few aspects stand out:

We continued to improve our customer value proposition. Given a contracting trading environment, the only way to grow our share of the market is by making it easier for our clients to do business with us. The performance of Bank Windhoek, Capricorn Asset Management and Bank Gaborone is a positive indicator of the success of our customer strategy.

OUR VALUE CREATION SUMMARY

Our brand proposition states that we are catalysts of sustainable opportunities. Thus, there is an opportunity to be a catalyst in everything we do. Ultimately, our success as a group enables us to reinvest in the development of the economies in which we operate. We are recognised as a responsible corporate citizen, contributing to socioeconomic development, yet we aspire to do better and give more because we care about the future of the people whom we serve. This is why our vision is to be a Connector of Positive Change, linking our identity and ethos to the well-being of our country.

“Capricorn Group has, in our view, the best treasury team in Namibia with a strong track record of managing liquidity and funding through challenging times. Capricorn Group also has, in our view, one of the most stringent credit processes of all the local banks, thus reasonably well placed for both challenging economic conditions and IFRS 9.”

– Cirrus Capital, Namibia

“We believe CGP has a sustainable competitive advantage considering the robust long-term earnings growth and their growing market share and business diversification.”

– PSG Namibia

- **Managing the upward trajectory in non-performing loans remained a priority.** Believing that “prevention is better than cure”, we continued to refine our tools and interventions to proactively manage credit risk and to support our customers to continue meeting their financial obligations.
- **We have made significant changes to our business model in Zambia,** away from an elaborate network of small and unsustainable rural branches to serving more established small and medium-sized enterprises (SMEs). Without minimum scale for Cavmont Bank in any segment, we had to make difficult decisions to ensure a turnaround towards profitability. These interventions take time and require extensive interaction with regulators but are starting to deliver improvements.
- **Our investment in Entrepo exceeded expectation.** This growing, well managed business with highly efficient and centralised processes has been very successful. We are working with the Entrepo team to find innovative solutions that will address wider community needs, such as financial literacy and financial wellness.
- **Our employees are becoming more engaged** and more appreciative about the ways we invest in them. The focus on middle-management development was one of our key investments in operational excellence and succession planning over the longer term.
- **We adopted the King IVTM corporate governance framework** and have done extensive work on ethical risk management. We realise that ethical behaviour is not a given and that we need to intervene and support our people to act with common good rather than self-interest in mind.
- **We revisited our approach to corporate social responsibility (CSR),** and following thorough research and much deliberation, we decided to establish the Capricorn Foundation to coordinate and provide direction for the group's CSR initiatives. We want to have fewer but more impactful projects that will help us to truly live up to our brand promise and vision.
- **A number of initiatives were taken to further build our brand** and to align the brand identities of all group entities to the Capricorn Group brand identity. We conducted extensive brand research in all our territories, testing the market about potential rebranding of our retail banks and assessing current perceptions and associations with the mother brand and subsidiary brands. We launched the “I am ... Capricorn” brand campaign and refreshed our visual language.

As I alluded to before, I do not expect meaningful improvement in economic and market conditions. We do hope and pray for good rainfall to break the severe drought and we trust that the ongoing structural reforms, initiatives to promote foreign direct investment, and collaboration between public and private sector will see the revival of regional economies. The Economic Growth Summit for Namibia held at the end of July 2019 brought together like-minded Namibians who had profound conversations to solve a national problem. The constructive discussions and debates underlined the fact that now, more than ever, all Namibians should work together towards a shared goal and vision to create a better future for us all.



Johan Swanepoel
Group chairman

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MILESTONES FOR 2019

- Bank Windhoek issued the first green bond in the southern African region and received the Green Bonds Pioneer Award from Climate Bonds.
- Capricorn Private Wealth performed exceptionally well due to an offering that is flexible, personalised and offers the highest service levels.
- The HeyJude App was launched by Bank Windhoek as a first-of-its-kind offering, providing a digital personal assistant.
- Bank Gaborone delivered good results, following the launch of a new unsecured lending product, new bulk payment services and enhancements to digital banking functionality and network stability.
- Capricorn Asset Management launched a digital platform, Capricorn Online, that allows investors to manage their investment portfolios at a 0% fee.
- Entrepo's excellent performance is attributable to good new business inflows due to the speed and effectiveness whereby new loans are approved and disbursed.



- We appointed a millennial board to promote a culture of collaboration, to help leaders recognise outdated conventions and to provide input into new or existing projects.
- Bank Windhoek, in partnership with four financial institutions, financed a new diamond recovery vessel for Debmarine Namibia – one of our largest commercial transactions to date.
- Bank Gaborone launched the Diabetes Apple Project to raise funds to help support and care for people with diabetes in Botswana, much like Bank Windhoek's flagship Cancer Apple Project.

We believe that through our vision of being the most trusted and inspiring Connector of Positive Change through a highly relevant, convenient and responsive omni-channel network, we will be a catalyst of sustainable opportunities for all our stakeholders.

“Despite challenging conditions, the group saw solid performance from Bank Windhoek and Bank Gaborone, an encouraging albeit slow turnaround at Cavmont Bank and a stellar performance from newly acquired Entrepo. Capricorn Asset Management (CAM) continued growing market share and returned good results notwithstanding lower rates of fee income. As a result, group operating profit increased by 13.5% compared to the previous year.” – Thinus Prinsloo, Group chief executive officer

I AM NAMIBIAN

Namibia, the land of beauty and contrast – the place where the desert meets the sea. Namibians understand the value of freedom and unity, always striving for a better future together. With pride that is innate, we are dedicated to creating opportunities for all our people, helping to build a sustainable future for everyone.

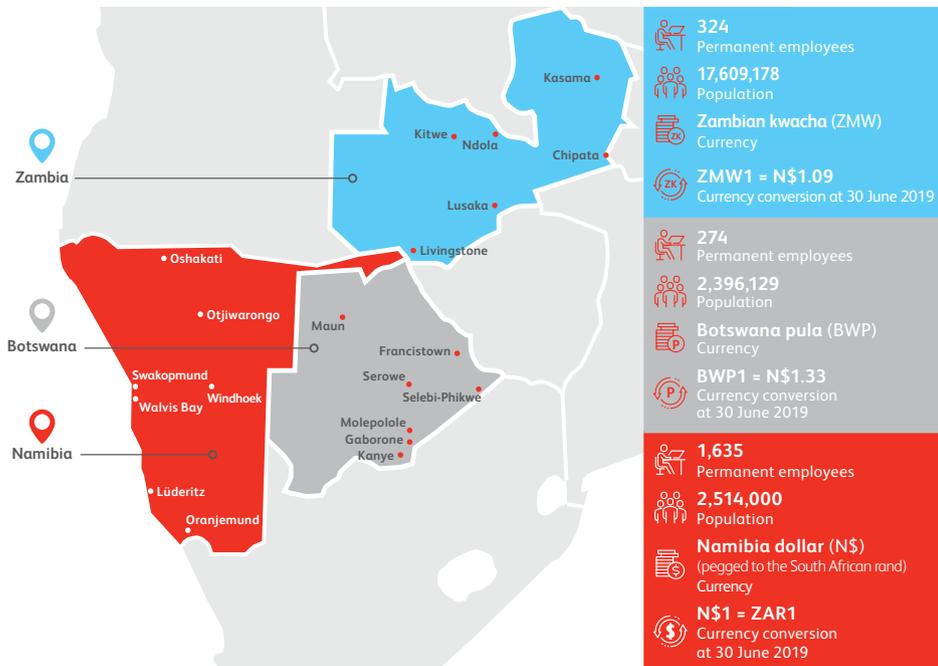
I am Capricorn

FINANCIAL SUMMARY FOR 2019

	2019	Trend
Total income (N\$'000)	3,492,357	▲
Operating profit (N\$'000)	1,325,772	▲
Profit for the year after tax (N\$'000)	1,015,299	▲
Total comprehensive income for the year (N\$'000)	1,023,901	▲
Earnings per share (cents)	182	▲
Dividends per share (cents)	66	▲
Net asset value per share (cents)	1,136	▲
Return on average equity (%)	16.3	▼
Return on average assets (%)	2.1	▶
Cost-to-income ratio (%)	60.8	▲
Capital adequacy ratio (%)	14.9	▼

Group operating profit, excluding exceptional items in 2018, grew by 26.0% year on year, and group profit after tax reached a new milestone to exceed the N\$1 billion mark.

OUR OPERATING CONTEXT INFORMS THE GROUP'S STRATEGIC LANDSCAPE



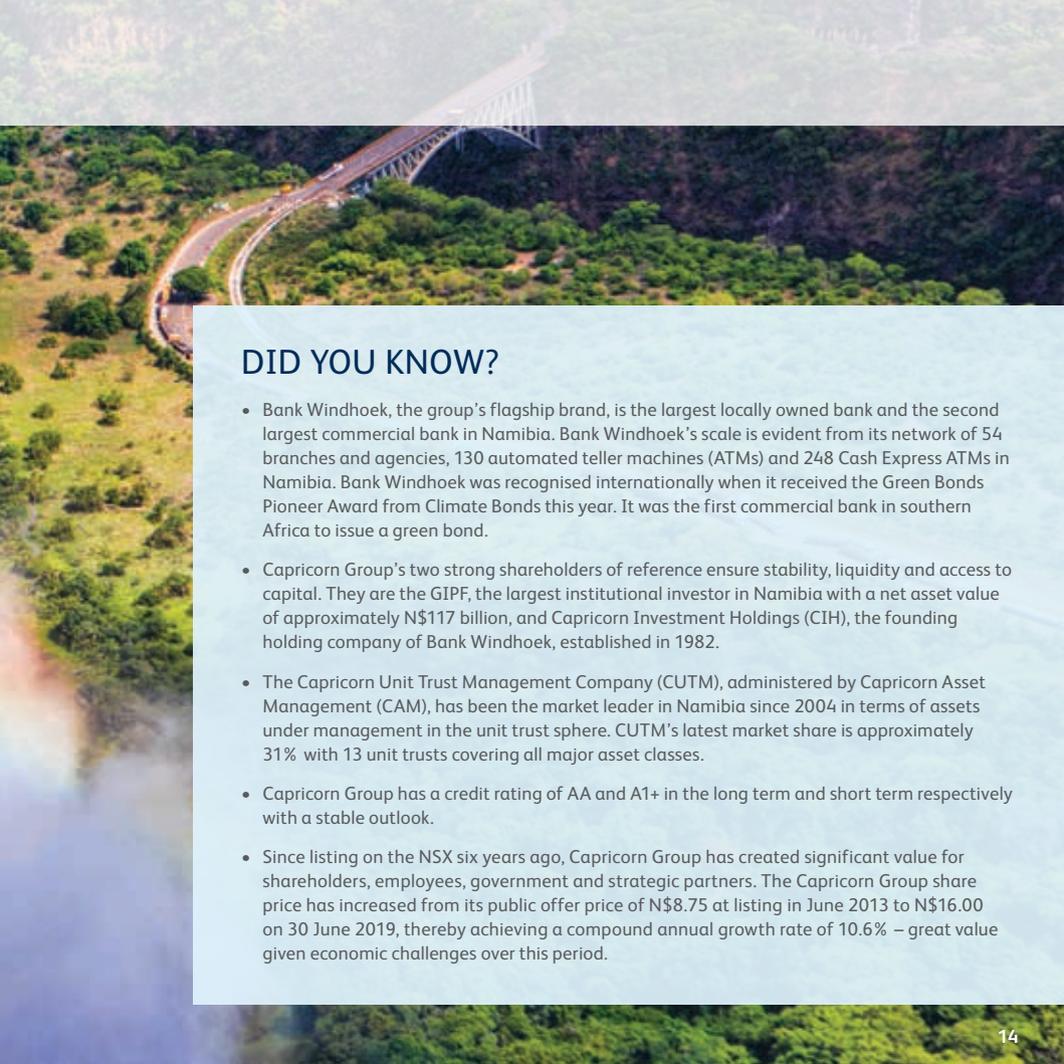
Capricorn Group employee profile	Permanent employees	% male	% female	% permanent of total employees	% contract	Total 2019	Total 2018
Namibia	1,691	37	63	98	2	1,729	1,678
Botswana	295	33	67	93	7	317	289
Capricorn SA	7	57	43	7	70	23	29
Zambia	308	53	47	97	3	317	324
Total and average %	2,301	45	55	74	21	2,386	2,168

I AM ZAMBIAN

The mighty Victoria Falls plummets with strength and purpose, granting us understanding of our own significance. In our country, diversity is our strength. We preserve our multifaceted traditions through ceremonies and cultural festivals, holding dear our devotion to the progress of all Zambians. We focus on potential, igniting and supporting opportunities to connect, grow and build our people.

I am Capricorn





DID YOU KNOW?

- Bank Windhoek, the group's flagship brand, is the largest locally owned bank and the second largest commercial bank in Namibia. Bank Windhoek's scale is evident from its network of 54 branches and agencies, 130 automated teller machines (ATMs) and 248 Cash Express ATMs in Namibia. Bank Windhoek was recognised internationally when it received the Green Bonds Pioneer Award from Climate Bonds this year. It was the first commercial bank in southern Africa to issue a green bond.
- Capricorn Group's two strong shareholders of reference ensure stability, liquidity and access to capital. They are the GIPF, the largest institutional investor in Namibia with a net asset value of approximately N\$117 billion, and Capricorn Investment Holdings (CIH), the founding holding company of Bank Windhoek, established in 1982.
- The Capricorn Unit Trust Management Company (CUTM), administered by Capricorn Asset Management (CAM), has been the market leader in Namibia since 2004 in terms of assets under management in the unit trust sphere. CUTM's latest market share is approximately 31% with 13 unit trusts covering all major asset classes.
- Capricorn Group has a credit rating of AA and A1+ in the long term and short term respectively with a stable outlook.
- Since listing on the NSX six years ago, Capricorn Group has created significant value for shareholders, employees, government and strategic partners. The Capricorn Group share price has increased from its public offer price of N\$8.75 at listing in June 2013 to N\$16.00 on 30 June 2019, thereby achieving a compound annual growth rate of 10.6% – great value given economic challenges over this period.

WE ARE DELIVERING ON OUR STRATEGY

We believe that by successfully implementing the AsOne2020 strategy, we can build a sustainable business that makes a difference to broader society. Successful implementation relies on employees that understand the strategic choices, are clear about their role and contribution, and are incentivised to deliver on targets. We, therefore, have to ensure that our internal communication, rewards and recognition, employee value proposition, training initiatives and performance management are all aligned and support implementation. Our Connector Programme is at the heart of these elements.

Strategic choice	Progress summary
 <p>Focus on building our foundation in Namibia, Zambia and Botswana in order to get to a position of market leadership.</p>	<p>We received good feedback from customers on service quality and increased our market share on assets. There are still gaps to close in our share of the deposits market.</p>
 <p>Win in Namibia, Zambia and Botswana through operational excellence (lean, efficient, fast) and effective execution.</p>	<p>We are gaining traction in operational excellence through the cumulative effect of Agile delivery platforms, customer efficiency, culture development and Six Sigma deployment.</p>
 <p>Compete in Namibia, Botswana and Zambia through strategic relationships and partnerships in insurtech, fintech, mobile and telco, and education.</p>	<p>Our recent acquisitions improved our competitive position. Further alliances are being explored.</p>
 <p>In considering other African countries beyond 2020, target technological/borderless/cyber opportunities above bricks and mortar entry. Evaluate opportunities, whether cyber or bricks and mortar, on a case-by-case basis.</p>	<p>The acquisitions already completed and those currently being explored will position us to expand into other African countries beyond 2020.</p>

Our three-year strategy cycle is in its last year. The preparation for a new cycle will include refinements and learnings from the current cycle, and no significant shifts are expected.

RISK REPORT

- Group risk management supports the implementation of the four strategic choices.
- The group principal risk owners (GPRO) own relevant Capricorn Group material matters, and specific board committees have oversight of these.
- Our risk management practices are aligned to King IV™, and we apply our group risk, internal control and assurance framework according to the unique features of each operating entity.
- The principal risks are defined and mitigating actions explained, combined with key risk indicators, trends, oversight accountability and future focus areas.
- Nine principal risks show stable trends, one is deteriorating, and four are improving.

Principal risk	Risk trend	Residual risk
Strategic risk	Improving	Amber
Capital risk	Stable	Green
Credit risk	Deteriorating	Amber
Liquidity risk	Stable	Amber
Market risk	Stable	Amber
Reputational risk	Stable	Amber
Compliance	Improving	Amber
Finance and tax	Stable	Green
Financial crime	Stable	Green
Legal	Stable	Green
Operations	Improving	Amber
People	Improving	Amber
Technology	Stable	Amber
Investment	Stable	Green

Building a risk culture

Risk framework pillars	1 October 2018 – 31 May 2019
Think differently	 83 sessions 1 343 employees trained
Get the whole picture	 27 sessions 230 employees trained
Build a risk intelligence system	 18 sessions 213 employees trained
Every Capricorn citizen is a risk manager	 2 sessions 29 employees trained

Legend:

The trend reflects the direction of the risk profile during the financial year considering the effect of management actions and/or external factors on the residual risk profile.

Improving = The risk profile improved during the period

Stable = The risk profile remained largely unchanged over the period.

Deteriorating = The risk increased during the period.

Red = the risk has exceeded the board risk capacity and appetite thresholds.

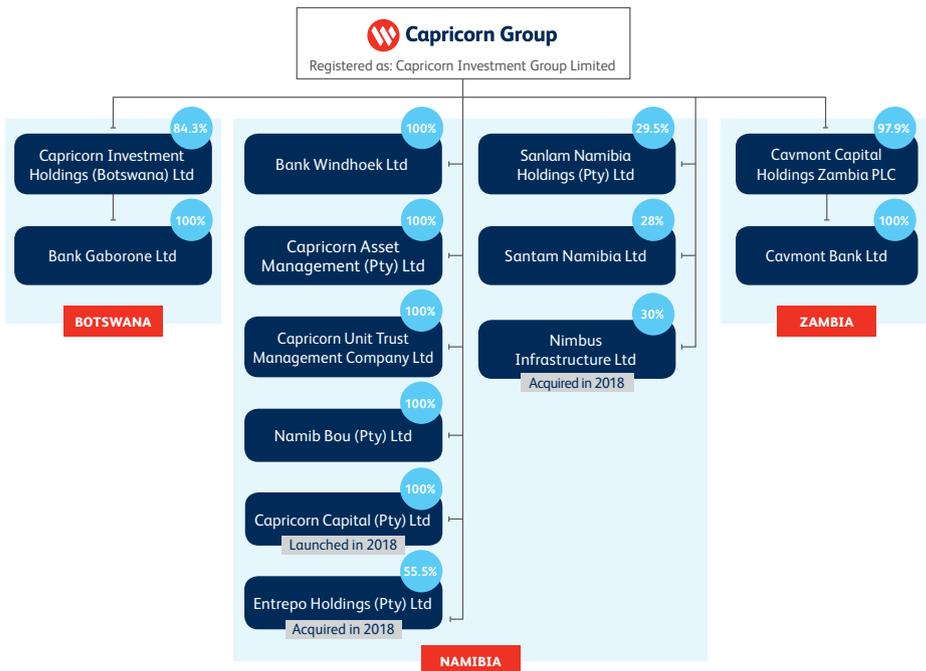
Amber = the risk is within appetite and closely monitored due to its proximity to the board risk capacity and appetite thresholds. For some risks, this could indicate an optimised risk/reward relationship.

Green = the risk is comfortably within appetite and, for certain principal risks, this could indicate capacity for more risk taking.

GROUP PROFILE AND STRUCTURE

Capricorn Group at a glance

Capricorn Group is a diversified financial services group based in Windhoek, Namibia. We provide strategic guidance, oversight and support to our subsidiaries, whose operations are primarily focused on banking, insurance, wealth and asset management, and finance.



Shareholders in Capricorn Group

Capricorn Group is listed on the NSX. This means that shares are traded publicly and that any stakeholder can acquire shares and participate in the ownership of the group. At the end of the 2019 financial year, the group had a diversified shareholder base, with total direct and indirect black shareholding exceeding 40%. Below is the shareholding in the Capricorn Group as of 30 June 2019.



“Capricorn Group is proud to have a team of willing, extraordinary individuals who are living The Capricorn Way behaviours and displaying the attributes of being Connectors of Positive Change.”

– Thinus Prinsloo, Group CEO

Governance milestones for 2019

- Implementation of King IV™, transition from NamCode
- Appointment of a financial director, Jaco Esterhuysen, with effect from 1 September 2018
- Appointment of two Government Institutions Pension Fund (GIPF) nominees, Mihe Gaomab II and Goms Menetté, as non-executive directors to the board with effect from 20 August and 23 November 2018, respectively
- External evaluation of the boards, committees, directors and company secretaries of Capricorn Group and the three banks

Board member profiles

JOHANNES JACOBUS SWANEPOEL (59)

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

Independent
non-executive
chairman



DANIEL GERHARDUS FOURIE (61)

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

Lead independent
non-executive
director



GIDA NAKAZIBWE- SEKANDI (66)

LLB, Accredited Public
Relations Practitioner
(APR)

Independent
non-executive
director



KEPHAS BRIAN BLACK (64)

Executive and Senior
Management diplomas
from the University of
Stellenbosch

Independent
non-executive
director



HEINRICH MIHE GAOMAB II (49)

BCom (Hons),
Postgraduate
Diploma: Quantitative
Development Economics,
MSc Quantitative
Development Economics

Non-executive director



MARTHINUS JOHANNES PRINSLOO (48)

BCompt (Hons), CA(SA)

Group chief executive
officer and executive
director (Group CEO)



JACOBUS CHRISTIAAN BRANDT (76)

BA LLB
Non-executive
director



ESI MALAIKA SCHIMMING- CHASE (49)

LLB (Hons) Coventry
University, England

Independent
non-executive director



DIRK JOHANNES REYNEKE (57)

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

Independent
non-executive
director



JOHANNES JACOBUS ESTERHUYSE (41)

BCompt (Hons), CA(SA)

Financial director



GOMS MENETTÉ (52)

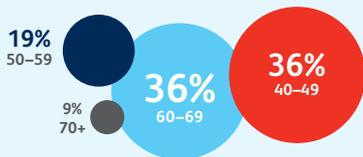
MBA, Postgraduate
Diploma in Management
Studies, National
Diploma in Business
Administration

Non-executive
director



Capricorn Group and its subsidiaries are committed to the principles of sound corporate governance, which are characterised by discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. By subscribing to these principles, the group believes that all stakeholders' interests are promoted, including the creation of long-term shareholder value.

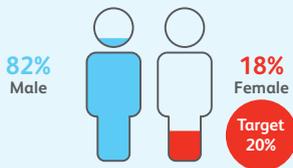
Board member diversity: age



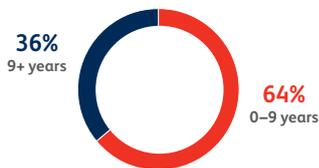
Board member diversity: status



Board member diversity: gender



Board member diversity: tenure



The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

“It is important at board and executive levels that we have multigenerational diversity in our conversations, which enables us to have a different perspective of our business”

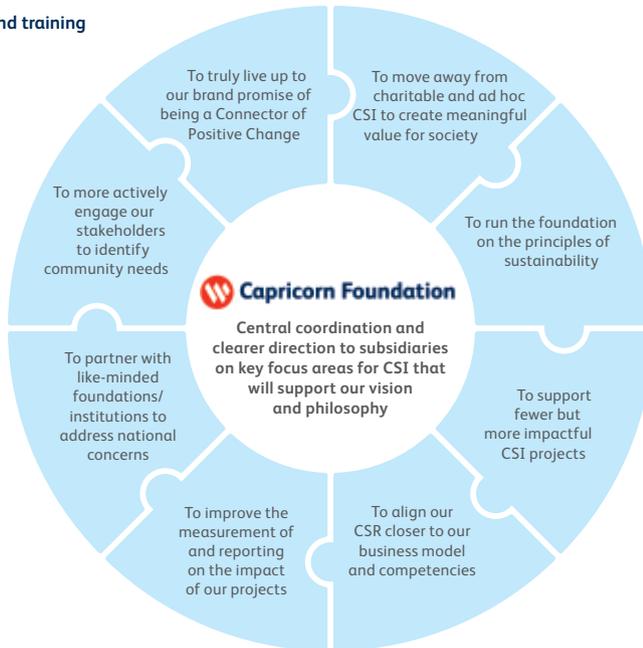
– Baronice Hans, Bank Windhoek’s managing director

Capricorn Group CSR VISION

To be an inspiring Connector of Positive Change by creating economic value in a responsible way that creates sustainable opportunities for advancing and improving the economic and social conditions in the communities in which we operate.

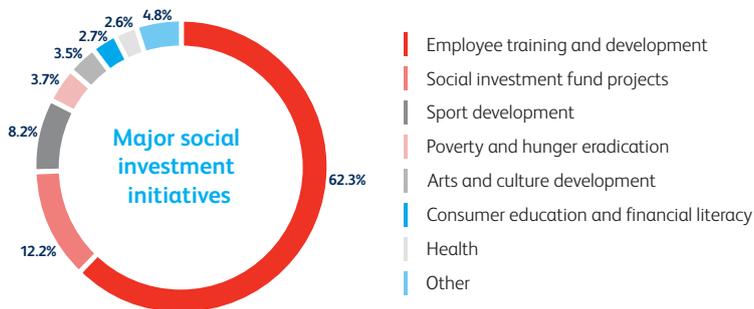
The board approved the establishment of the Capricorn Foundation in June 2019. It will be established and registered as a Section 21 company in Namibia in the next financial year. The foundation will focus its activities on Namibia and will have two primary areas of investment:

- Economic advancement
- Education and training



Major social investment initiatives

Capricorn Group and its subsidiaries in Namibia, Botswana and Zambia invested more than N\$25 million in internal and external social responsibility programmes and initiatives during the past year:



Outlook

The operating environment is expected to remain challenging. Interest rate cuts in Namibia are almost certain, which will negatively impact the interest margin of Bank Windhoek. Consumers are expected to remain under pressure, with very little economic growth anticipated.

This calls for enhanced engagement with our clients on all aspects of their financial needs and finding ways to mitigate risk for all – really putting the customer at the centre of everything we do. Building on the speed of execution and adaptability that we ingrained in the business this year, we will exploit opportunities and further improve our offerings.

We are positive that the group will maintain its resilience and continue to deliver positive results. By delivering on our strategy, diversifying investment and keeping our focus on operational excellence, we will be able to continue creating value and contributing to positive change. As stated by our chairman, the recent Economic Growth Summit in Namibia was a very positive sign and hopefully the beginning of even more collaborative initiatives and discussions to address our national challenges.



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