



Risk  
Report

**2025**

**Capricorn Group**



# About this risk report

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We are pleased to present our risk report for 2025, which describes how effective risk management is essential to our ongoing success and delivering sustainable returns to shareholders.

This is the risk report ("the report") for the Capricorn Group Ltd ("the Group" or "Capricorn Group"). The report reflects our approach to risk and application of the principles contained in the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™")<sup>1</sup>.

We describe how risk management contributed to the Group delivering on its purpose and ensured that risk management continued to create value for the financial year from 1 July 2024 to 30 June 2025 ("the year"). The report is aimed primarily at providers of financial capital.

The entities that constitute the Group are set out on page 9 of the integrated annual report.

The risk report forms part of a suite of reports that are referenced throughout this report:

- > Integrated annual report
- > Annual financial statements
- > Governance report
- > King IV™ index

This report was compiled with input from the Group principal risk owners ("GPROs") and executive leadership team and finally approved by the board on 16 September 2025. The board acknowledges its responsibility to ensure the integrity of the report.

Additional information is available online at <https://www.capricorn.com.na/Pages/Investor-Relations.aspx>

For more information or feedback on this report or any other elements listed above, contact Marlice Horn, tel: +264 61 299 1226 or [investorrelations@capricorn.com.na](mailto:investorrelations@capricorn.com.na).

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# Message from the chief risk and compliance officer

The 2025 Capricorn Group risk report is released amid ongoing global and regional uncertainty, shaped by geopolitical instability, diverging policy responses and evolving trade dynamics. Regulatory scrutiny is intensifying across all markets and risk environments continue to shift. While these developments bring challenges, they also create opportunities for agile, well-prepared organisations.



## Emerging regional dynamics

This year brought significant political transitions in our core markets. Namibia peacefully inaugurated its first female president, Netumbo Nandi-Ndaitwah, who has committed to job creation, education and strengthened governance. In Botswana, opposition leader Duma Boko was elected on a platform centred on economic diversification, renewable energy and digital access. In South Africa, the ANC lost its parliamentary majority for the first time since 1994, prompting the formation of a Government of National Unity under pressure to implement structural reform.

These leadership changes reflect rising public demand for transparency, opportunity and improved service delivery. While they offer potential for renewal, they also introduce uncertainty. Namibia's new administration is still consolidating, Botswana faces mounting fiscal pressure and South Africa's coalition remains politically fragile.

## Macroeconomic context

While regional inflation has eased, uncertainty remains elevated, particularly around global tariffs and trade policy. The IMF<sup>1</sup> downgraded global growth projections to 2.8%, citing weak trade momentum. The long-term effects of protectionism will depend on each country's resilience and policy agility.

Namibia's GDP grew by 3.7% in 2024 and is expected to maintain a growth rate of 3% to 4% in the coming years. Inflation across Namibia, Botswana and South Africa is projected to converge at around 4.0% by the end of 2025<sup>2</sup>. However, fiscal constraints are intensifying. In Namibia, the Swapo Manifesto Implementation Plan has raised concerns about long-term fiscal sustainability.

Botswana continues to face economic and liquidity pressures, driven by declining diamond revenues and limited borrowing capacity. While the government recognises the need to diversify away from diamond dependency, its path forward remains uncertain. Despite these challenges, Capricorn Group remains committed to the market. We are focused on strengthening our Botswana operations, managing risk conservatively and serving our customers effectively. Bank Gaborone remains well-capitalised and liquid and our continued presence supports a stable financial sector, essential to the country's long-term economic growth.

Bank Windhoek grew its funding base to N\$45.2 billion (2024: N\$44.4 billion), while Bank Gaborone's funding decreased slightly to N\$7.98 billion (2024: N\$8.06 billion). Both banks made good progress in reducing their cost of funding. At Group level, we maintained sound liquidity buffers and closed the year with a loan-to-funding ratio of 88.8% (2024: 86.3%).

Financial inclusion remains a regional priority. While digital platforms and mobile banking have expanded access, rural communities and small businesses still face barriers. In 2025, governments and financial institutions increased efforts to close these gaps and strengthened consumer protection frameworks.

## Adapting to regulatory evolution

We remain well-positioned to meet growing regulatory demands in Namibia and Botswana. The Board audit, risk and compliance committee ("BARCC") oversees compliance across the Group.

In Namibia, greylisting by the Financial Action Task Force in early 2024 prompted renewed focus on anti-money laundering and counter-terrorism financing by regulators. Capricorn Group responded by strengthening internal controls and aligning closely with global standards, while engaging in regulatory consultations.

The Bank of Namibia ("BoN") reaffirmed sector resilience in its latest Financial Stability Report<sup>3</sup>, highlighting strong asset quality and a stable payments system. To further safeguard stability, a countercyclical capital buffer is planned for introduction. The BoN's 2025 to 2027 strategic plan includes modernising payments, implementing ISO 20022 standards and improving access to low-cost, real-time digital transactions, particularly in underserved areas.

In Botswana, regulatory reform is progressing. The new Banking Act will introduce significant operational changes and Bank Gaborone has undertaken detailed readiness planning. The Data Protection Act, effective January 2025, includes enhanced compliance requirements. Bank Gaborone completed its systems transition and is fully compliant. Botswana is also advancing its digital finance agenda, supported by updated frameworks for fintech partnerships, cybersecurity and inclusion.

## Increased credit risk

Although our banks have strengthened credit processes, the residual impact of past inflationary pressures and elevated interest rates continued to affect credit performance. The Group's non-performing loan ("NPL") ratio remained at 4.0% (2024: 4.0%), while impairment charges decreased by 4.1% to N\$315 million (2024: N\$328 million). The credit loss ratio of 0.61% remained within the Group's risk appetite and we continue to maintain adequate provisions for expected credit losses.

## Embedding sustainability into risk management

Sustainability and climate risk have become key areas of regulatory focus. Capricorn Group's Sustainability Framework is designed to reduce strategic risk, defined as the uncertainty or missed opportunities arising from internal or external factors that could hinder the achievement of our strategic objectives. This includes sustainability risks related to environmental, social and governance ("ESG") issues, which can result in financial, operational or reputational losses.

Our Sustainability Integration Programme enables a proactive response to these challenges. We calibrate our response to a maturity level which is fit for purpose in our markets and we are guided by relevant internationally accepted standards and sound practices. During the reporting period we defined a dedicated Environmental Risk Management Framework, which addresses climate-related physical and transition risks, ensuring we remain resilient and aligned with evolving stakeholder and regulatory expectations.

## Emerging technologies and innovation

Artificial intelligence ("AI") and machine learning ("ML") are increasingly embedded in financial services, improving fraud detection, credit scoring, risk modelling and customer engagement. These tools enhance internal efficiency and transform client-facing services.

Generative AI is also gaining traction, prompting regulatory and ethical considerations. Capricorn Group supports the responsible and transparent use of AI while addressing cybersecurity and data privacy risks.

Cybersecurity remains a priority and we continue to strengthen our ability to detect, prevent and respond to threats such as phishing, malware, ransomware and distributed denial-of-service attacks.

<sup>1</sup> IMF World Economic Outlook, April 2025.

<sup>2</sup> Chief economist, Capricorn Asset Management.

<sup>3</sup> Bank of Namibia, Financial Stability Report, April 2025.





## Strengthening risk culture across the Group

We recognise that an effective risk culture is essential to achieving our strategic objectives and long-term resilience. In 2025, we continued to strengthen our Group Risk, Internal Control and Assurance Framework ("GRICAF"), aligning risk governance with our strategic priorities and business practices.

A central pillar of our enterprise risk approach is embedding a culture where all employees understand and take ownership of risk. In 2025, 46 employees from Namibia and Botswana completed our Certified Risk Culture Builder Programme, now in its fifth year and 53 volunteered for the next edition of the programme. This initiative, along with targeted training, digital resources and performance-linked measures, has helped embed risk awareness across the Group.

Our latest Risk Culture Maturity Assessment, conducted throughout 2024 and covering over 500 employees, showed an 18% overall improvement since the previous cycle and a 33% improvement since 2018, with all entities now operating at mid-level 4 maturity. Reporting, a historically weaker area, achieved the highest gains. These results demonstrate the effectiveness of our targeted interventions and internal capability-building, supported by a custom-developed assessment system that delivered both cost savings and greater ownership.

Our risk management frameworks are subject to regular internal and independent review. In 2025, we completed a review of our Market, Credit and Operational Risk Frameworks under Basel and implemented formal improvements following an internal audit. We also responded to recommendations from an independent ethics assessment conducted by The Ethics Institute in 2024. We reviewed our compliance practices against the Generally Accepted Compliance Practices of the Compliance Institute of Southern Africa and issued internal standards. Our Financial Crime management framework was reviewed by external experts to make recommendations to strengthen our internal risk and control framework.

## Focusing on attracting and retaining talent

Talent shortages are a significant challenge for organisations worldwide. The shortage of skilled workers is driven by various factors, including demographic shifts, evolving technological demands, and the need for specialised skills. This gap in talent, in the absence of an effective response, can hinder our growth and innovation. At Capricorn Group, our talent strategy aims to address these shortages by creating a sustainable talent pipeline and focusing on critical skills needed across the organisation. Our strategic choices related to DE&I and Leadership further support and underpin our ability to attract and retain talent by creating a conducive environment for talent development and retention.

## Building resilience through risk management

As regulatory expectations regarding risk culture rise, Capricorn Group remains committed to a proactive, conviction-led approach, where strong governance, a healthy risk culture and individual ownership are embedded in how we lead, make decisions and deliver value.

Our enterprise risk management ("ERM") frameworks are directed to anticipate and respond to emerging challenges and long-term shifts in our operating environment, from political change and climate risk to digital transformation and financial inclusion. While uncertainties in the environment remain, we see opportunity in adaptability.

We remained within board-approved risk appetite throughout the year, supported by skilled employees, a resilient risk culture and an embedded GRICAF. Capital and liquidity levels remained comfortably within regulatory and internal thresholds, with continued focus on capital efficiency to drive long-term value.

This report outlines the risks we face, the priorities we pursue and how resilience and strategy continue to shape our internal risk and control environment.

**Nico van der Merwe**  
Chief risk and compliance officer





# Our risk philosophy and approach

Risk-taking is an integral part of conducting business, and the Group relies on sound risk management practices to enable the safe and responsible execution of its strategy.



We continue to approach risk systemically and holistically, focusing on “what must go right”. Sound corporate governance, board and senior management support and a formal system of risk management that includes the three lines model to enable accountability and appropriate risk responses at every level of the organisation. Our deliberate focus on building a sound risk culture creates a risk-aware work environment where all employees take responsibility for risk management, not just the central risk and assurance functions.

Our risk management approach remains anchored in our purpose: to improve lives through leadership in financial services by being Connectors of Positive Change. It is guided by our strategic choices, a strong ethical culture, entrepreneurial spirit, and commitment to transparency. Using technology and data, we continuously evolve our practices to identify and manage risk exposures and corresponding capital needs.

## Our Group Risk Internal Control and Assurance Framework

The GRICAF is our framework for ERM, and it adopts conventional risk management practices from Basel II/III and the King IV Principles. Risk management practices are guided by business strategy and objectives and formal risk capacity, appetite and tolerance statements.

The application of GRICAF is tailored to each Group subsidiary according to the size, complexity, local operating conditions and regulation of the business. Maintaining common standards promotes consistency and aggregation of risk profiles across the Group.

We apply the IIA's three lines model (The Institute of Internal Auditors, 2020), previously referred to as the “three lines of defence”. Operating units form the first line and are responsible for managing risks, while central risk and compliance management functions form the second line. They are responsible for risk management policies, standards, infrastructure and processes and oversight of first-line conformance. The Group Internal Audit function forms the third line. Assurance functions such as internal audit, management assurance and compliance have varying degrees of independence from operating units and perform monitoring activities under a combined assurance model.

### GRICAF objectives

At a strategic level, the objectives of the GRICAF remain to:

- > Enable the Group to execute its strategy.
- > Optimise efficiency by effectively using risk resources in the Group.
- > Directly contribute to creating end-customer value by eliminating unnecessary tasks in the process.
- > Build standard risk management accountability, principles and processes into the business management process.
- > Ensure that risks and the impact on capital are understood and managed proactively within acceptable risk capacity, appetite and tolerance.

## Principal risks

The main risk types across the Group are referred to as principal risks. A Principal Risks Policy and individual Principal Risk Frameworks define our risk management and control system. The Principal Risks Policy sets out the risk types and roles and responsibilities associated with managing the principal risks, while the individual Principal Risk Frameworks describe aspects specific to each principal risk.

Appointed senior executives are accountable for each principal risk. A formal and defined risk and control framework per principal risk outlines the risk management system, including relevant key controls, related key risk indicators and thresholds, and roles and responsibilities concerning the principal risk. Risk Management Frameworks are developed using a systemic approach to risk and control framework design to ensure that our risk management practices support and sustain the risk management system's performance objectives. Governance requires that we report on each principal risk at least quarterly in terms of risk profile, trends and red flag areas.

There are 15 principal risks. These are reported on in more detail from page 13.

## Embedding a Risk Culture

Our corporate culture is the bedrock of our conduct both inside the organisation and in the market. The Capricorn Way encapsulates our common beliefs and desired behaviours.

Through the GRICAF, we emphasise behaviours that constitute a sound Risk Culture and ethical conduct through our Risk Culture building and ethics programmes. Both programmes target all employees to ensure that there is a clear understanding of each person's role in managing risk and conducting business ethically in any operating context. The aim of the programmes is to create the necessary understanding and awareness of factors that impact decision-making and to support colleagues in making the correct choices and decisions in their operating environment.

### Priorities for 2025 and progress made

**Culture:** We completed the third Group-wide Risk Culture Maturity assessment in September 2024. The Group results: compared to the first maturity assessment in 2018, reflect an overall growth in Risk Culture Maturity of 33%, moving from a mid-level 3 maturity to a mid-level 4 maturity. Our Group's internal voluntary certified Risk Culture builder programme, which is now in its sixth year, continued to attract participants. Forty-six volunteers from Namibia and Botswana graduated in the 2025 programme, and fifty-three volunteers enrolled in the 2026 programme. This personal development programme involves direct interaction with Group ERM, participation in work groups, case studies and face-to-face training sessions. In addition to creating risk awareness and driving risk discussions, the Certified Risk Culture Builders also contribute to other initiatives on a voluntary basis.

**Technology and data:** Under banking regulations, stress testing is a key requirement (Basel III, Pillar 2). We have enhanced our ability to conduct integrated stress testing. These enhancements are still being embedded, and they will enable us to assess risk impacts in an integrated manner, for example, across product portfolios, the balance sheet and income statement. The Group initiated an assessment of conformance to the sound principles for risk data aggregation and reporting, although the associated Basel principles (BCBS239) are not regulated in Namibia and Botswana (they are in South Africa). The assessment provided input to formal risk data-related activities to be undertaken.



# Our regulatory context for risk

## Basel II/III phases

As reported previously, the Bank of Namibia embarked on the phased implementation of Basel III in 2017. In terms of Basel III Pillar 1, the central bank follows the standardised approach according to the Banking Institutions Determination 5A (capital requirements for credit, market and operational risks) ("BID-5A"). BID-5A became effective on 1 September 2018 and incorporated a phased approach for the Basel III capital ratios.

Bank of Namibia published a determination ("BID-6A") on Basel III Liquidity Requirements for Domestic Systemically Important Banking Institutions in March 2024. The purpose of BID-6A is to introduce the requirements of the Basel III liquidity standards, namely, the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"). BID-6A further prescribes additional liquidity risk management tools for compliance by the Domestic Systemically Important Banks ("DSIBs"). Banking institutions must follow a phased-in approach to comply with the LCR and NSFR requirements.

The Bank of Botswana has not fully adopted the Basel III framework and continues to operate under Basel II for capital adequacy and risk management requirements. However, progress has been made with the Basel III liquidity standards, with the following key developments:

- > Liquidity coverage ratio ("LCR"): In May 2025, the Bank of Botswana issued LCR guidelines, with implementation scheduled for 01 December 2025. Bank Gaborone is actively monitoring LCR compliance through its asset and liability committee ("ALCO").
- > Net stable funding ratio ("NSFR"): Further guidance is expected following the completion of an industry readiness survey.

### Priorities for 2025 and progress made

In Namibia, banking institutions must follow a phased-in approach to comply with the LCR and NSFR requirements in terms of BID-6A. In Botswana, LCR guidelines have been issued for implementation scheduled for December 2025.

## Regional regulatory risk matters

### Anti-Money Laundering and greylisting

In the Namibian jurisdiction, Anti-Money Laundering ("AML") efforts have been significantly shaped by the findings of the Eastern and Southern Africa Anti-Money Laundering Group ("ESAAMLG") mutual evaluation. The final Mutual Evaluation Report, released in September 2022, identified several technical compliance gaps. In response, Namibia enacted 11 amendment Acts and implemented a National Action Plan aimed at avoiding greylisting. Despite these proactive measures, the Financial Action Task Force ("FATF") officially greylisted Namibia in February 2024, placing the country under increased monitoring due to ongoing shortcomings in effectively implementing international standards on AML, Combating the Financing of Terrorism ("CFT"), and Combating Proliferation Financing ("CPF").

At its most recent plenary session, the FATF acknowledged Namibia's progress, noting that eight of the thirteen strategic deficiencies had been remediated. However, five key action items remain outstanding. These include the need for:

- > The imposition of fair and strong penalties for breaches of AML/CFT obligations
- > Enhanced cooperation between the Financial Intelligence Centre ("FIC") and law enforcement to ensure effective use of financial intelligence in investigations
- > A sustained increase in money laundering investigations and prosecutions
- > Adequate resourcing to strengthen the capabilities of competent authorities
- > The ability to identify and investigate terrorist financing activities

Namibia has until May 2026 to address these remaining deficiencies and remains committed to enhancing the effectiveness of its national AML/CFT/CPF regime in a sustainable manner.

Despite these advancements, Namibia was added to the European Union's high-risk jurisdiction list on 10 June 2025. This listing, which aligns with the FATF grey list, imposes heightened due diligence requirements on EU financial institutions when dealing with Namibian entities, potentially increasing compliance burdens and transactional costs.

## BON climate guidelines

The Bank of Namibia issued its Guidelines on Climate-Related Financial Risks and Disclosure Requirements (BIG-5) on 31 March 2025. The purpose of these Guidelines is to provide principles for effective management and integration of climate-related financial risks in the operations of Domestic Systemically Important Banks ("DSIBs"). The guidelines further provide disclosure requirements, meant to ensure that customers and other key stakeholders are provided with meaningful information pertaining to their risk exposure and management of climate-related financial risks. In Botswana, regulatory developments have included, among other initiatives, significant efforts to strengthen data protection, enhance financial intelligence capabilities, and improve oversight of virtual assets.

## Ministerial review of the Government Payroll Deduction System (PDMS)

In August 2025, the Namibian Ministry of Finance, together with the Bank of Namibia and NAMFISA, announced that it had concluded a review of the Government Payroll Deduction Management System (PDMS). Industry consultations to present the outcomes of the review and deliberate on the way forward have been scheduled for September 2025. As Entrepo and BW Finance rely on the PDMS for loan collections, this development introduces uncertainty regarding the future of the mechanism and could affect the risk profile and business model of the respective subsidiaries. Management is actively engaging with stakeholders and preparing contingency collection measures.

## Regulatory changes in Botswana

Botswana's Data Protection framework was significantly strengthened with the commencement of the Data Protection Act No. 18 of 2024, which officially came into effect on 14 January 2025 following a commencement order published on 13 January 2025. This Act replaces the previous 2018 legislation and introduces a more comprehensive and robust framework for the regulation of personal data. Key enhancements include stronger penalties for non-compliance, clearer obligations for data controllers and processors, specific provisions regulating the processing of children's data, and expanded powers and duties for the Data Protection Commissioner. Our operations are largely compliant with the Act's requirements.





The Financial Intelligence (Amendment) Act, 2025, which commenced on 24 January 2025, significantly enhances Botswana's AML/CFT framework by introducing stricter reporting obligations, improved oversight mechanisms, and clearer enforcement provisions. These reforms aim to align Botswana's financial intelligence regime with international standards and bolster investor confidence.

Additionally, the Virtual Assets Act, 2025, establishes a regulatory framework for Virtual Asset Service Providers ("VASPs") and token issuers. It is designed to mitigate the risks associated with virtual assets, particularly money laundering and terrorist financing, while supporting innovation in the digital finance space.

The following amendment acts which also have an impact on the banking sector in Botswana came into effect in 2025. The Trust Property Control (Amendment) Act, 2025 enhances trustee accountability and transparency. The Societies (Amendment) Act, 2025, improves governance and transparency of civil society organisations and the Companies (Amendment) Act, 2025 strengthens corporate governance and transparency.

## Alignment with King IV™

The Group Governance Framework and the GRICAF support the principles of King IV™. Principle 11 requires that risk be governed in a way that supports the Group in setting and achieving its strategic objectives.

In the current year, the board's nominations committee ("Nomco") requested each board and each board committee in the Group to consider, reflect on and discuss "its performance, its chair and its members as a whole", as per recommended practice 74 under Principle 9 of King IV™, and report back to Nomco.

For 2025, Nomco directed an external, independent evaluation of the boards, committees, directors, chairpersons and the Group's company secretary, which will commence in September 2025.

In 2024, questionnaires were circulated to directors to evaluate the performance of the boards, committees, chairpersons, the Group's company secretary and their peers. These formed the basis for fruitful discussions at board and committee meetings.

The summary reports of five boards and twelve board committees were presented to Nomco. They indicated a satisfactory appraisal outcome with no significant matters. Recommendations were discussed and converted into an action list for each board and board committee.

The board is satisfied that the evaluation process is improving the board's performance and effectiveness.



# How we govern and manage risk

King IV™ emphasises that boards must govern risk in a way that supports the achievement of strategic objectives. This includes not only managing threats but also identifying opportunities and embedding risk considerations in decision-making.

Boards are also responsible for overseeing compliance with laws and voluntary standards, going beyond legal obligations to promote ethical behaviour and responsible corporate citizenship through effective compliance systems.

The board allocates the responsibility for oversight and governance of risk management to the BARCC. The Group CEO is the senior executive responsible for implementing a sound risk management framework.

## BARCC

The BARCC is a Group board committee mandated to oversee risk management, including risk appetite and IT risk, as referred by the Group board IT committee ("GBITC"). It also has oversight of compliance at Capricorn Group. The Group chief financial officer ("Group CFO"), Group chief risk and compliance officer, head of internal audit, and the external auditors attend all BARCC meetings. They have unfettered access to the BARCC chairperson and the board. Read more about the BARCC mandate and activities in the governance report, available online.

The Group chief risk and compliance officer has delegated authority to:

- > Facilitate the recommendation of Group and entity principal risk owners ("PROs").
- > Develop appropriate risk and control frameworks for each of the principal risks.

Each principal risk is assigned to an executive officer with relevant expertise as the PRO. Entity PROs are responsible for the risk management frameworks within the respective entities. GPROs are responsible for the appropriateness, effectiveness and consistency of principal risk frameworks across the Group.

Central risk functions within the entities and at the Group head office are responsible for providing the risk management infrastructure (guidance, policy, standards, processes and tools) to support the GRICAF and provide oversight and assurance.

## Priorities for 2025 and progress made

The Group completed a full review and enhancements to the Operational Risk Management Operating Model with updates to the Group Operational Risk Policy, oversight responsibility updates to executive role profiles and revised Operational Risk Reporting standards.

## Overview of ERM

The board assumes responsibility for risk governance and sets the direction for how the Group approaches risk. Various policies and guidelines direct our risk governance, which is regularly reviewed in accordance with our document governance requirements.

The GRICAF processes and enabling infrastructure allow us to proactively identify and act on risks and opportunities that may impact the Group's strategic actions. The GRICAF target maturity level is one of dynamic risk management. A dynamic maturity level is characterised by continuous improvement of methods and procedures, proactive risk identification and reward, assured regulatory delivery and evidence of industry risk behaviours. This leap from an established, process-oriented framework to a responsive and dynamic risk management framework is supported by investments in technology and by building an effective Risk Culture.

The board is ultimately accountable for the GRICAF's adequacy. The board receives assurance on this through combined assurance from the risk, management assurance, compliance, and internal audit functions. Together, these internal functions give the board a view of how various role players execute the GRICAF practices.

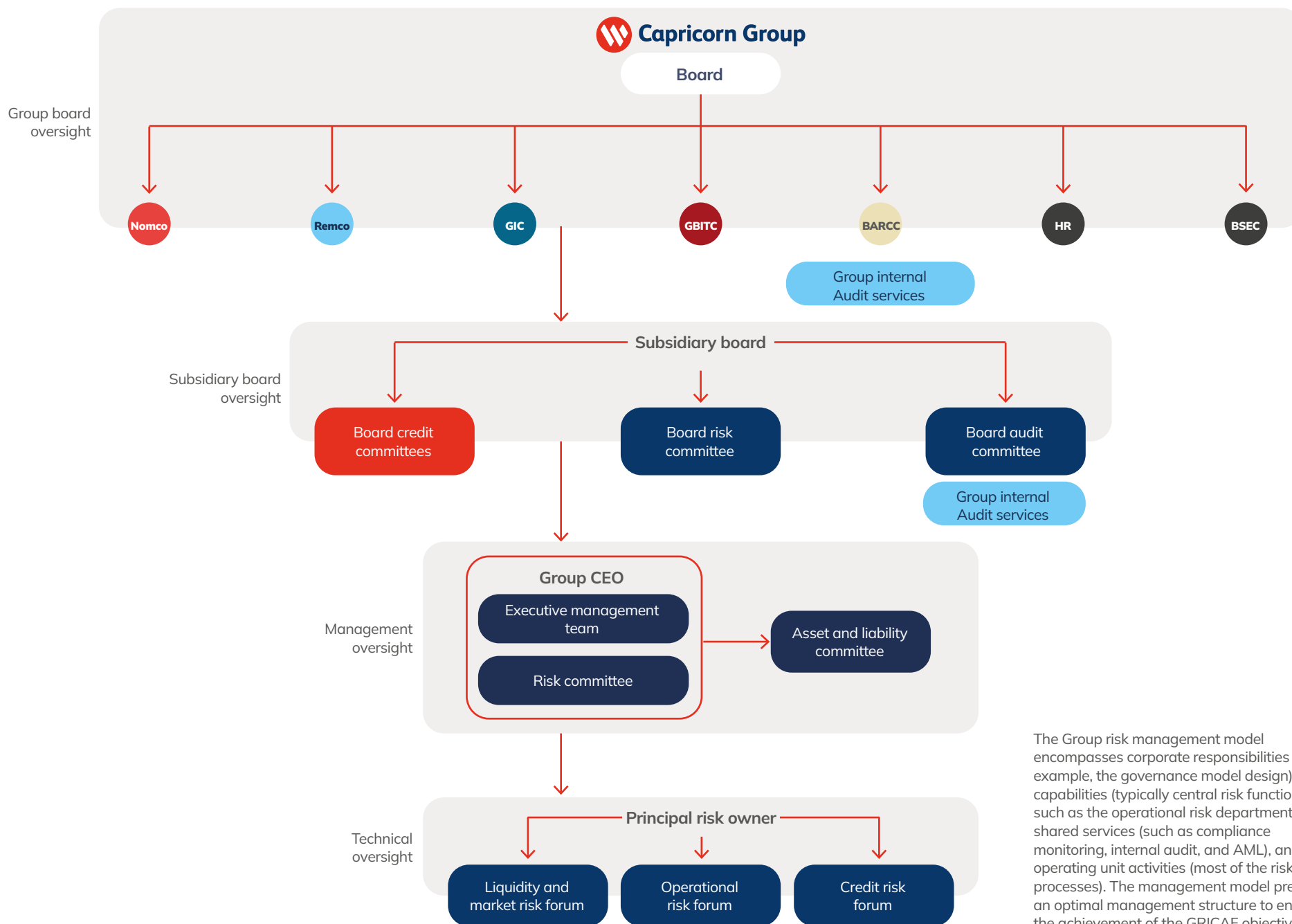
The board also draws on the perspectives of external auditors and regulators who conduct regular reviews of the Group's operating entities. The combined internal and external inputs provide the board with an overall evaluation of the implementation and effectiveness of the risk policies and frameworks.

The Basel risk-type frameworks were assessed by the Group's banking subsidiaries through self-assessments based on a combination of regulatory requirements and sound practices. The self-assessment results were reported to their risk committees and the Group risk committee. Each bank's risk committee reviewed the self-assessment outcomes and monitors the remediation of identified gaps. Detailed action plans with owners and due dates ensure rigorous progress on implementing remediation actions such as improved analytics and stress-testing. These are monitored centrally within the banks and reported to the Group risk committee on a quarterly basis by the heads of risk.

Each subsidiary's risk management oversight and governance are structured according to its size and complexity, considering its legal and regulatory environment. The structure at subsidiary level varies depending on the nature of the entity.







The Group risk management model encompasses corporate responsibilities (for example, the governance model design), core capabilities (typically central risk functions, such as the operational risk department), shared services (such as compliance monitoring, internal audit, and AML), and operating unit activities (most of the risk processes). The management model presents an optimal management structure to ensure the achievement of the GRICAF objectives.



# The risk management value chain

The GRICAF encompasses the risk management value chain, highlighting the primary activities and role players involved in risk management.

The main risk categories, being the principal risks, are contextualised for each operating unit to ensure that the Principal Risk Management Framework is relevant. Not all risk categories apply equally to every operating unit.

The GRICAF's standard practices provide a common language and understanding of risk. This allows the Group to standardise and aggregate risk reporting to enable effective oversight by governance structures at all levels.

The following table provides an overview of the risk management value chain, related activities, and role players. The GRICAF design remained unchanged during the year.

Risk management value chain	Strategic direction	Risk assessment	Risk controls	Reporting
Key focus drivers	Our strategic choices define our risk appetite, and our material matters determine our priorities.	Principal risks have been identified, defined, analysed, and measured. Risks to the strategy and instances of suboptimal risk-taking are dynamically identified and responded to.	Controls are implemented, evaluated and monitored.	Risk profiles are assessed against risk appetite and tolerance and are reported quarterly. Risk indicators have clear alert thresholds (triggers) with defined escalation paths to responsible managers, PROs and risk committees.
Main role players	Board, committees and executive leadership team.	Group and entity PROs.	Group and entity PROs, management and Group risk functions.	Group and entity PROs, risk functions, internal and external assurance providers.
Risk management tools/structures/policies	Group management model, material matters, documented strategy, policy framework, and risk capacity, appetite and tolerance ("RCAT").	Principal risk frameworks, risk type methodologies, models, advanced analytics.	Control assessment methods, GRC system, controls built into IT systems, advanced analytics.	Reporting frameworks.
Operating guidance	Group requirements for the identification/measurement, control and reporting of principal risks are documented according to the GRICAF and implemented by business units.			





# Risk management enablers

Enablers of a dynamic risk management system		
<b>Technology</b> The Group has deployed technology to support its risk management activities in addition to the inherent risk management functionalities in business systems. There are dedicated systems to support each of the risk management functions. ERM has a rich data environment that is continuously being enhanced and expanded.	<b>Group risk committee and GPRO role</b> The Group risk committee is an executive-level committee with membership of subsidiary Head of Risk, GPROs and other Group executives and leaders of Group ERM functions. The GPRO roles are now well established and provide forward-looking reports on global, regional and local developments associated with each principal risk to the Group risk committee on a quarterly basis. The Group risk committee fulfils its oversight role through rigorous discussion of the aggregated risk profile, adequacy of the GRICAF infrastructure and control systems (the control frameworks). Matters for board attention, such as risk appetite breaches, specific risks related to strategy execution and key emerging risks are escalated to the BARCC and Group board.  In terms of the Group risk governance structure, the Group PROs submitted their annual attestations on the management of the respective principal risks to the Group risk committee and BARCC in April 2025.	<b>Centres of expertise</b> Value is created for subsidiaries through shared services and centres of expertise located in Namibia and Botswana. These provide thought leadership and direction and perform non-routine activities such as advisory engagements and special assignments. Examples include AML expertise, financial risk modelling, compliance monitoring, corporate governance, cyber risk management, and Risk Culture building. While the strategic direction is set centrally, it is interpreted and adapted locally in line with the Group's strategic guidance approach. Decentralised local execution meets market expectations. Sharing services such as compliance monitoring, cyber resilience expertise, analytics and quantitative modelling provides economies of scale, greater integration, and engagement on risk management across jurisdictions.
<b>Risk Culture</b> An effective risk culture is fundamental to the successful management of risk within the Group. It builds a shared understanding of risk that supports the Group's strategy, business model, operational practices and processes, ultimately contributing to a sustainable competitive advantage. The Group's risk culture aligns with the principles of the GRICAF framework, embedding the appropriate understanding of and attitude toward risk and risk management at all levels. At Capricorn Group, we also recognise that risk culture is not a standalone initiative, it is deeply embedded in how we behave, make decisions, and hold ourselves accountable. The effective management of risk requires a broad, interconnected view. Risk is everyone's responsibility. From frontline employees to executives, each person plays a role in identifying, managing and mitigating risk. Employees are expected to consider the impact of their actions across teams, departments and stakeholders. Risk intelligence is built through continuous learning, collaboration and information-sharing. Employees are encouraged to collect, share and act on risk insights that benefit not just their own teams, but the entire Group. Performance goals that promote risk information sharing embed transparency and collective learning into daily conduct, reinforcing that risk management is not delegated, it is lived. By aligning conduct with risk culture principles, the Group transforms risk into opportunity and performance into purpose.		

**Priorities for 2025 and progress made**  
The compliance monitoring unit has executed a plan to monitor compliance for core legislation in Namibia and Group-wide AML compliance monitoring.  
Progress was made with an enterprise data and analytics strategy ("EDAS"). A dedicated risk data domain was identified to consolidate existing ERM data environments under a single, standardised data architecture. The Basel Committee on Banking Supervision ("BCBS") issued principles for effective risk data aggregation and risk reporting in banking institutions that were adopted by the Group.  
The Cyber Resilience Programme adapted in line with the changing cyber threat landscape and continued to deliver on its objectives.

## Risk capacity, appetite and tolerance

The board has a duty to set the risk appetite for the Group. Risk appetite statements direct and guide management in policy development and decision-making and are key components in the delegation of duties to management.

The capacity and appetite statements are reviewed annually, and measurements are reported to the Group risk committee, executive management team and the BARCC. The quantitative and qualitative appetite statement was reviewed, updated and approved in conjunction with the budget. Enhancements to the Cost to Income and Loan Loss ratio measures were made at the BARCC and approved by the Board.

The Board-approved Group RCAT was cascaded to subsidiaries as appropriate.

Subsidiaries define and adopt their risk appetite statements within the Group approved Risk Appetite.

The following reflects our no appetite levels:

- > The Group has no appetite for unethical business conduct and expects the board and all employees and contractors to subscribe to and adhere to the Group Code of Ethics and Conduct.
- > The Group treats its customers in a fair and transparent manner and, therefore, has no appetite to deviate from the commitments made to customers.
- > The Group has no appetite for deviations from the governance principles contained in King IV™ and applicable legislation.
- > The Group has no appetite for reactive, persistent or recurring core regulatory non-compliance.
- > The Group has no appetite for conduct that places its reputation at risk.




















# 2025 Group risk profile





The summary table reflects a stable risk profile which is within appetite. The sections that follow provide an overview of each principal risk, the strategies to manage them, and the outlook for the coming year. For more information about our strategic risk, refer to the economic overview, material matters and strategy sections in the integrated report.

The Group's main risks are represented by the 15 principal risk categories that apply across the various operating units in Namibia and Botswana. The overall aggregated principal risk profile for 2025 is as follows:

	Principal risk	Risk trend	Residual risk	Previous
	Capital	Stable	Green	Green
	Compliance	Stable	Amber	Amber
	Credit	Stable	Amber	Amber
	Cyber	Improving	Amber	Amber
	Environment	Emerging	In progress	New
	Finance and tax	Stable	Green	Green
	Financial crime	Stable	Amber	Amber
	Legal	Stable	Green	Green
	Liquidity	Stable	Green	Green
	Market	Stable	Amber	Amber
	Operations	Stable	Amber	Amber
	People	Stable	Green	Green
	Reputation	Stable	Green	Green
	Strategic	Improving	Green	Green
	Technology	Stable	Amber	Amber

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

Improving

Stable

Deteriorating

Red

Amber

Green

The risk profile improved during the year.

The risk profile remained largely unchanged over the year.

The risk increased during the year.

The risk has exceeded the board risk capacity and appetite thresholds.

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.

The risk is comfortably within appetite, and, for certain principal risks, this could indicate a capacity for more risk-taking.

## Capital risk

Capital risk refers to the potential for the Group to experience a shortfall in capital that could impair its ability to meet regulatory capital requirements, support strategic objectives and growth plans, or absorb unexpected losses during periods of economic or financial stress.

### How we mitigate this risk

Capricorn Group's capital management framework is designed to ensure the Group remains well-capitalised to support its strategic ambitions, meet regulatory obligations, and maintain financial resilience. The primary objectives of capital management are to:

- > Ensure full compliance with regulatory capital requirements in all jurisdictions in which the group operates.
- > Safeguard the Group's ability to continue as a going concern under both normal and stressed conditions.
- > Optimise the efficient and effective deployment of capital across the Group.
- > Maintain a robust capital base to support business growth and expansion initiatives.

Our banking subsidiaries conduct an annual Internal Capital Adequacy Assessment Process ("ICAAP") to evaluate capital adequacy beyond regulatory minimums. This process incorporates a comprehensive assessment of the entity's strategic direction, financial performance, growth objectives, budgetary forecasts and stress testing across all principal risk categories. It also considers the effectiveness of the risk and control frameworks in place to mitigate identified risks.

The outcome of the ICAAP is reviewed and approved by the respective boards of the banking subsidiaries and serves as the foundation for prudent, risk-aligned capital management.

The boards of the group and subsidiaries review the respective risk appetites at least annually, following the strategic planning cycle. Based on this review, key risk indicator thresholds are established and monitored at both Group and subsidiary levels. These thresholds are governed by a signalling and status framework, which categorises risk exposure as follows:

- > Green: Within appetite
- > Amber: Approaching threshold
- > Red: Out of appetite

A prudent buffer is maintained above the minimum regulatory requirement, which is informed by the ICAAP and includes readiness for potential strategic interventions.

Capricorn Group	RAG status		
Descriptor	Red	Amber	Green
Regulatory capital adequacy compared to minimum regulatory capital adequacy ratio of 12.5%	<14.5%	14.5% – 15.0%	>15.0%

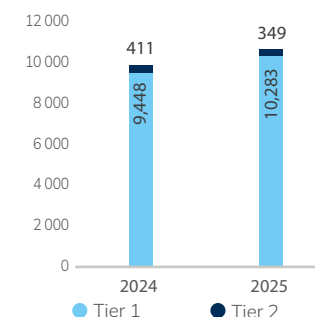
The Group and its banking subsidiaries remained adequately capitalised in terms of local regulations throughout the reporting period.

Capital adequacy is subject to rigorous and ongoing oversight across multiple governance levels within the Group. At the banking subsidiary level, capital adequacy is reviewed monthly by the ALCO and quarterly by the Board audit committees. At the Group level, consolidated capital levels are reviewed quarterly by the Group ALCO, Group risk committee, and the BARCC.

### Key risk indicators

Key regulatory capital figures for Capricorn Group	2025	2024	Variation
Tier I ratio	17.5%	17.2%	0.1%
Total capital ratio	18.1%	17.9%	0%
Leverage ratio	13.8%	13.0%	0.8%
Tier 1 (N\$ millions)	10,283	9,448	8.8%
Tier 2 capital (N\$ millions)	349	411	(15.1%)
Total capital (N\$ millions)	10,632	9,859	7.8%
Risk-weighted assets (N\$ millions)	58,731	55,071	8.0%

Total capital – Capricorn Group (N\$ millions)



### Priorities for 2025 and progress made

The Group maintained a strong capital adequacy ratio, significantly exceeding regulatory requirements, providing a robust buffer to support business growth and absorb potential economic and/or financial shocks.

### Outlook

In 2025, the Group further strengthened its already solid capital position. The capital risk outlook for 2026 remains stable, underpinned by strong financial performance, a resilient balance sheet, and a well-capitalised position that continues to exceed regulatory minimums by a healthy margin.

### Residual risk

Green – This principal risk is within appetite due to the adequate capital reserves above minimum regulatory and ICAAP requirements.

### More information

Read more about the composition of regulatory capital and the ratios of the Group in note 3.7 of the consolidated annual financial statements from pages 74 to 75.



## Compliance risk

Compliance risk relates to financial and reputational risk exposures attributable to non-compliance with laws and regulations, money laundering (including the prevention and combating of terrorist and proliferation activities), conduct of business and reporting and disclosure.

### How we mitigate this risk

Capricorn Group maintains a robust and dynamic **Compliance Risk Management Framework**, which was comprehensively reviewed to refine control objectives and align with the revised Generally Accepted Compliance Practice ("GACP") issued by the Compliance Institute of Southern Africa ("CISA"). This framework is a key component of the Group Risk Management Framework and is implemented across all subsidiaries, tailored to local regulatory environments.

Governance and oversight of compliance risk is embedded at both Group and subsidiary levels. The Board of Directors retains ultimate accountability, with oversight delegated to the BARCC. At management level, compliance risk is monitored through risk committees and operational risk forums (where applicable). The Group head: legal, compliance and AML serves as the GPRO, supported by designated PROs across subsidiaries.

The Group has no appetite for reactive, persistent or recurring non-compliance with core legislation and internal policies. This is clearly articulated in the Board-approved qualitative Risk Appetite Statement. Isolated instances of non-compliance are addressed through formal remediation processes, with significant breaches escalated through the governance structure to ensure appropriate prioritisation and resolution.

Monitoring and assurance activities are guided by a Board-approved group compliance monitoring plan. These include regular independent reviews and assessment of the efficiency and effectiveness of controls.

Regulatory engagement is a strategic priority. The Group maintains open and constructive relationships with regulators in all jurisdictions of operation. The Group Contact with Regulators Policy ensures consistency and transparency in all regulatory interactions, while also tracking regulatory commitments and changes in supervisory expectations.

Awareness and training are central to fostering a strong compliance culture. The Group implements targeted training programmes, legislative change notifications, and awareness campaigns to ensure employees understand their compliance obligations. Compliance functions also support line management in promoting a culture of ethical conduct and accountability.

The framework incorporates Group's risk appetite and escalation protocols. We have identified indicators to monitor the risk and escalate to the board, where the risk is possibly outside of appetite.

Through this integrated and proactive approach, Capricorn Group ensures that compliance risk is effectively managed, regulatory obligations are met, and stakeholder trust is maintained.

### Key risk drivers and strategic control objectives

Compliance risk is managed across four key risk drivers, namely:

#### AML/CTF/CPF

Ensure adherence to anti-financial crime legislation, maintain regulator relationships, and remediate gaps.

#### Regulatory compliance

Uphold compliance with core laws and proactively engage with regulators.

#### Internal compliance

Maintain an independent compliance function and monitor adherence to internal standards insofar as it affects regulatory compliance.

#### Legislative awareness

Monitor changes in the legislative landscape, ensure that ownership is assigned, communicate changes, assess business impact, ensure that readiness assessments are conducted and monitor progress towards pro-active compliance.

### Priorities for 2025 and progress made

Completed AML threshold reporting data quality enhancements for Namibia and Botswana.

Embedded compliance monitoring capabilities in Botswana.

Developed Group compliance standards aligned with the revised GACP issued by the Compliance Institute of Southern Africa.

Implemented enhanced compliance reporting standards for subsidiary management and Board risk committees to improve transparency and meet the reporting requirements of the Group BARCC.

### Priorities for 2026

#### Customer due diligence and Know Your Customer ("KYC")

The Group is implementing enterprise-wide measures to re-verify customer information, thereby strengthening our KYC practices and ensuring ongoing compliance with regulatory expectations across all jurisdictions.

#### Framework and assurance

To enhance the effectiveness of compliance oversight, an external assurance and quality assessment of the Group Compliance function is being conducted, with a specific focus on the robustness of monitoring activities. Additionally, the Compliance Risk Framework will be enhanced to incorporate objective key risk indicators ("KRIs"), enabling more accurate risk profiling and proactive risk management.

#### Regulatory alignment

The Group continues to align its compliance practices with evolving regulatory standards. This includes embedding newly promulgated requirements into operational processes, particularly outsourcing regulations applicable to the Namibian financial sector.

### Outlook

Regulatory scrutiny is expected to intensify in 2026, particularly in the areas of data protection and AML/CTF/CPF compliance. The commencement of the Data Protection Act in Botswana, alongside alignment with global and South African regulatory trends, underscores the need for continued vigilance and adaptability. The Group will continue to strengthen its compliance capabilities, with a focus on data protection, AML/CTF/CPF, and outsourcing governance to meet evolving regulatory expectations. Read more about regional regulatory developments on page 25 of the integrated annual report.

### Residual risk

Compliance risk remains at a moderate risk level (Amber with a Stable trend) with elevated regulatory exposure due to ongoing challenges and intensified scrutiny. This rating reflects the dynamic regulatory landscape, particularly in areas such as data protection and AML/CTF/CPF compliance. The Group's formal issue remediation process continues to ensure resolution of findings, reinforcing its commitment to proactive compliance management and regulatory alignment.





## Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet an obligation when it falls due. It is inherent in the Group's business activities and, if not effectively managed, can lead to a considerable revenue loss, asset write-downs, and erosion of stakeholder confidence.

### The operating context affecting credit risk

The Group operated in a complex environment characterised by weaker commodity prices, lingering effects of earlier drought conditions (particularly in the first half of the financial year), disinflation and monetary easing. Geopolitical tensions and structural changes in major economies, including China, further weighed on sentiment and economic activity in the mining sector. Within this context, Namibia's operating environment reflected many of these broader dynamics. The Bank of Namibia delivered four rate cuts totalling 200 basis points during the year, aiming to support growth amid easing inflation, which declined from an average of 5.1% in the prior year to 3.6%.

Despite some relief from interest rate cuts, credit risk remained high, reflected in a 3.1% rise in impairments. Pressure was most pronounced in the retail segment, where financial strain among households led to a deterioration in credit quality.

Private sector credit extension also remained muted in the first half, averaging 2.5%, before gradually improving to end the year at 5.0%. This subdued credit appetite, which was mainly reflected in the corporate segment, highlighted persistent caution among borrowers and lenders and ongoing financial pressure across key sectors such as building and construction, mining and manufacturing.

Similar themes emerged in Botswana affecting PEO Finance and Bank Gaborone. Although growth was initially projected to rebound to 4.0% in 2025, the country's economic recovery remained weak, due to weaknesses in the diamond sector. The continued slump in diamond revenues weighed heavily on fiscal performance, market confidence and strained credit risk. By year-end, a liquidity crunch driven by soft exports further constrained the financial system, resulting in a slowdown in private sector lending.

### How we mitigate this risk

The Group adopts a disciplined and forward-looking approach to credit risk management, grounded in international best practices, regulatory compliance, and alignment with its defined risk appetite. Risk exposures are continuously assessed at both portfolio and customer levels, with focus on early signs of distress.

### Risk appetite

Group's RCAT defines the overarching appetite for credit risk in the group and is formally approved by the Group BARCC. Where relevant, subsidiaries define credit risk appetite for their context and within the parameters set for the Group. Risk profiles are monitored, and corrective action is initiated where necessary to ensure that risk-taking remains within the approved risk appetite and fully aligned with evolving regulatory expectations.

### Risk identification and monitoring

Risk exposures are continuously assessed at both portfolio and customer levels, with a strong focus on early identification of distress signals. This proactive monitoring enables timely interventions and supports the stability of the credit portfolio.

### Decision support and modelling

Advanced analytics, scenario analysis, stress testing, and risk modelling are integrated throughout the credit lifecycle to guide prudent decisions from origination and approval through to repayment, recovery and write-offs.

### Climate risk integration

Climate risk considerations are being progressively integrated into the credit risk assessment framework, with current focus on identifying and managing exposures to climate-related credit risks caused by the national drought and floods (physical risks).

### Governance oversight

Credit risk is monitored and managed by the entity credit risk forums (monthly), executive management teams (monthly), risk committees (monthly) and board audit and risk committees (quarterly).

### Key risk indicators

Key regulatory credit risk figures	2025 (June)	2024 (June)	Variation
NPL as a percentage of gross loans and advances (%)	4.7%	4.7%	0%
IFRS 9 stage 3 provision/specific impairment provision (N\$ millions)	1,217	1,179	3.2%
Impairment charges in income statement (N\$ millions)	315	328	(4.0%)

The slight increase in NPLs and impairments reflects ongoing pressure in some sectors, despite monetary easing.



## Priorities for 2025 and progress made

We strengthened our credit risk management in the following ways:

- > Enhanced our NPL strategy.
- > Improved our collaboration and communication with internal and external stakeholders (customers).
- > Advanced analytics were applied to enhance portfolio-level insights, strengthen stress testing capabilities, and support a more comprehensive 360-degree view of customer risk profiles.
- > New products were introduced, and business rescue capabilities enhanced to support viable turnaround opportunities and provide targeted assistance to distressed clients.
- > Actively managed top exposures through structured monthly engagements and ongoing portfolio reviews to ensure close oversight and early response to emerging risks.

## Priorities for 2026

To enhance resilience and responsiveness, we are prioritising the following areas in our credit risk management approach:

### Digitisation and automation

- > Leverage artificial intelligence to enhance credit decision-making, improve risk assessment accuracy, and increase efficiency across credit management processes.
- > Investigating a digitised credit management and collections process.
- > Developing and implementing digitised and automated credit approvals and pre-approvals.

### Customer support and business rescue

- > Business rescue and pre-legal functions for proactive credit risk management.
- > Focus on designing innovative banking products to assist distressed customers.

### Portfolio oversight and analytics

- > Execute credit management and collections processes.
- > Pro-active management of stage 2 customers.
- > Implementation of collateral centralisation and optimisation actions.

## Outlook

Looking ahead, the local, regional, and global economies remain fragile, shaped by persistent geopolitical tensions and evolving global trade dynamics. These factors have the potential to disrupt disinflationary progress and delay further monetary policy easing. The Group anticipates continued pressure on arrears and impairments, particularly in sectors sensitive to interest rate volatility and global trade disruptions.

In this environment, the Group will continue to prioritise resilience and adaptability in its strategic and operational approach.

Key credit risk management priorities for 2026 include strengthening proactive risk oversight, expanding the use of online applications and pre-approvals, centralising and digitising core credit functions, and integrating data-driven models to enhance decision-making and efficiency.

## Residual risk

The risk profile reflects a moderate level of risk with elevated uncertainty (Amber), driven by an operating environment that remains exposed to external shocks and sector-specific pressures. Despite these factors, the trend is assessed as stable, supported by an established framework, controls, and new initiatives that are continuously assessed, enhanced, and implemented.



# Cyber risk

Cyber risk is any risk associated with financial loss, disruption, or damage to an organisation resulting from failure, unauthorised or erroneous use of its information system. It refers to the potential for financial loss, operational disruption, reputational damage, or data breach resulting from the failure, unauthorised access, or misuse of the Group's digital systems and data assets.

## How we mitigate this risk

Cyber risk is an inherently high and escalating risk due to the higher prevalence of digital platforms and interconnectedness. These increasing threats place sensitive data and organisational security at significant risk. Cyberattacks are increasing worldwide, and banking institutions are key targets. Cyber risk receives notable focus and support from the board. Cyber resilience programme that drives and enhances the maturity of cyber capabilities.

## Cybersecurity strategy, governance and standards

The Group's cybersecurity strategy is based on internationally recognised frameworks including ISO 27001 and 27002 (International Organization for Standardization), the United States National Institute of Standards and Technology Special Publication 800-53 and Cybersecurity Framework ("NIST CSF"), the Payment Card Industry Data Security Standard ("PCI-DSS"), and applicable regulatory directives.

This overarching strategy is implemented through a Cyber Resilience Programme and a dedicated Cyber Risk Framework. The framework is structured around the five core NIST CSF functions: Identify, Protect, Detect, Respond, and Recover. Cyber risk is governed as part of the broader enterprise risk management process and is regularly reported to the organisation's executive and board-level risk committees. These reports include updates on cyber risk posture, key performance indicators ("KPIs"), KRIs and progress on cybersecurity initiatives.

## Incident response and reporting

We maintain a formal Computer Security Incident Response approach. Cyber incidents are tracked and reported through formal governance channels, and material events are escalated to the board-level committees. Post-incident reviews are conducted to incorporate lessons learned and to enhance resilience against future threats.

## Human capacity and awareness development

The Group has implemented a formal cybersecurity training programme for its technical and security personnel as well as a Group wide security awareness programme. This includes both certification-based and on-the-job training tailored to specific roles, is in place. This includes regular training interventions and simulated cyber-attack exercises to measure and improve user readiness against common threats.

## Cyber insurance coverage

The Group has cyber insurance tailored to its risk profile.

## Key risk indicators

- > External cyber posture (e.g. defences against exposure to the Internet) – Improving
- > Internal cyber posture (e.g. endpoint protection, user access, system vulnerabilities) – Improving
- > Third-party cyber posture (e.g. third-party cyber risk assessments) – Improving
- > Aggregation of cyber metrics (e.g. incident response time, phishing simulation results) – Improving

## Governance oversight

Cyber risk is overseen at the board level by the GBITC and BARCC and at the management level by the Group and subsidiary risk committees.

## Priorities for 2025 and progress made

In 2025, the Group advanced its enterprise-wide cyber resilience programme by expanding testing protocols, enhancing detection capabilities, and deepening defence layers. The programme remains adaptive to emerging threats, including AI-driven attacks.

## Outlook

The cyber threat landscape is expected to intensify, driven by the proliferation of AI-enabled attacks and increasing digital interconnectivity. The Group's cyber resilience programme is designed to remain agile and responsive to these evolving risks.

## Residual risk

Residual cyber risk is rated as amber with an improving trend, reflecting steady progress in resilience maturity. However, the dynamic nature of cyber threats necessitates continuous vigilance and investment.





# Environmental risk

Environmental risk refers to the potential financial and non-financial impacts arising from environmental factors or dependencies. These risks may affect the Group's counterparties, suppliers, or operations and are considered drivers of existing principal risk types. They include both physical risks (e.g. floods, droughts, biodiversity loss) and transition risks (e.g. policy, legal, technological, market, and reputational changes linked to the shift toward a low-carbon and climate-resilient economy).

## How we mitigate this risk

The Group Environmental Risk Management Framework, approved by BARCC in November 2024, provides the foundation for managing environmental risk across the Group. The framework aligns with international standards (e.g. TCFD, IFRS S2) and introduces a structured approach to identifying, assessing, and managing environmental risk. It applies the double materiality principle, considering both the impact of environmental factors on the Group and the Group's impact on the environment.

As of 2025, the Group is in the early stages of implementing this framework across subsidiaries.

## Current actions

- > Assigning roles (e.g. Group and subsidiary PROs).
- > Implementing tools such as physical risk maps, transition risk scorecards, and sectoral heatmaps in reporting.
- > Initiating the integration of environmental risk into credit, operational, and investment risk processes.
- > Building capacity through training and awareness programmes.
- > Designing KRIs and risk appetite metrics, which will be embedded in the Group's RCAT framework over time.

## Mitigation elements

- > **Formal governance and policy:** A board-approved framework with defined responsibilities and oversight.
- > **Implementation roadmaps:** Subsidiary-specific plans to embed environmental risk into business processes.
- > **Capacity building:** Ongoing training and awareness initiatives to support implementation.
- > **Scenario planning:** Early-stage development of environmental stress testing and scenario analysis.
- > **Stakeholder engagement:** Initial efforts to engage clients and partners on environmental risk awareness and adaptation.

## Key risk indicators

The Group is in the process of defining and embedding environmental KRIs. No formal KRIs have been implemented yet, but development is underway as part of the framework rollout.

## Governance oversight

Environmental risk is governed through the Group's risk structures, including BARCC, Group risk committee, and the Group sustainability steering committee. Subsidiary EMTs and risk committees are beginning to oversee local implementation. Reporting will be aligned with the Group's RCAT and sustainability strategy as implementation progresses.

## Priorities for 2025 and progress made

- > Roll out implementation roadmaps across all subsidiaries.
- > Finalise and embed KRIs and risk appetite metrics.
- > Begin integration of environmental risk into existing risk processes.
- > Develop and test environmental stress scenarios based on guidance from BoN.
- > Expand training and awareness programmes.
- > Initiate early-stage reporting aligned with the framework.

## Outlook

Environmental risk is expected to intensify over time, driven by climate-related pressures, stakeholder expectations, and emerging regulatory developments. The Group is actively building the governance, tools, and capabilities required to manage this risk effectively and sustainably, while aligning with developing local regulations and evolving industry guidance.

## Residual risk

Environmental risk is an evolving emerging risk and our assessment of this risk is in progress. Continued integration, capacity building, and regulatory alignment will be key to strengthening the Group's resilience over time.

Refer to page 40 of the Group integrated report for more information.



## Finance and tax risk

Financial risk refers to the potential for inaccuracies in financial reporting and disclosures, which may impact the integrity of our financial statements. Tax risk arises from the possibility of non-compliance with applicable tax laws and regulations across the jurisdictions in which we operate.

### How we mitigate this risk

The Group maintains a comprehensive risk and control framework designed to mitigate principal risks relating to finance and taxation. The framework is underpinned by clearly defined policies, standards, processes and procedures implemented across all entities within the Group. Its primary objective is to ensure completeness, accuracy and integrity of financial transactions from initiation through to reporting. Key controls include:

- > Clearly articulated accounting policies and procedures.
- > Defined roles and responsibilities with appropriate segregation of duties. All transactions are initiated and approved in accordance with the authority matrix tailored to each entity within the group.
- > Monthly preparation and review of management accounts, with quarterly reporting to audit committees and boards of directors.

The effectiveness of these controls is monitored through ongoing internal audits, focusing on internal control processes within the finance functions across the Group.

The Group employs suitably qualified and skilled professionals with expertise in IFRS and regional tax legislation. It also utilises internationally recognised accounting software, which undergoes annual general and application control audits by external auditors. Our external auditors' annual engagement ensures compliance with IFRS on a separate and consolidated basis.

Tax compliance risk is mitigated through the implementation of robust controls and oversight processes. All direct and indirect tax calculations and reports are subject to thorough review and approval prior to submission. Where complex tax matters arise, external tax specialists are consulted. Additionally, periodic internal audit and external audit procedures are conducted by tax professionals to ensure ongoing tax compliance.

### Key risk indicators

We monitor penalties levied by the receiver of revenue, audit findings and restatements of financial statements as key risk indicators.

### Governance oversight

Monthly risk reports are submitted to risk committees. A quarterly risk report is compiled from subsidiary information and reported to the Group risk committee and the BARCC.

### Priorities for 2025 and progress made

The Group has implemented an upgraded accounting software platform to enhance the efficiency and accuracy of financial statement preparation. This advancement is expected to streamline reporting processes and reduce the potential for human error. Looking ahead, the Group plans to extend the use of this platform to include the preparation of management accounts and board reporting, further promoting consistency, operational efficiency, and data integrity across financial reporting functions.

### Outlook

Capricorn Group remains committed to full compliance with IFRS and tax legislation. This is supported by a strong internal control framework that ensures the integrity of financial reporting and tax processes. The Group will continue to enhance operational efficiency by periodically reviewing and refining budgeting and reporting procedures to align with evolving regulatory and business needs.

### Residual risk

The overall risk profile for financial and tax risk is within appetite (Green) with a stable trend, due to the satisfactory status of the design and effectiveness of the controls.



## Financial crime risk

Financial crime risk refers to the potential for loss, damage, or reputational harm resulting from fraud, corruption, and related criminal activities. This excludes theft of physical assets (classified under operational risk) and cybercrime (covered under cyber risk).

### How we mitigate this risk

The Group maintains a Financial Crime Risk Management Framework, which is periodically updated to reflect evolving threats and control requirements. Both quantitative and qualitative risk appetite statements guide our approach to managing this risk.

Financial crime risk is categorised into two primary risk drivers:

**Internal crime** Fraud involving employees, contractors, or agents, including collusion with external parties. Intragroup fraud is also classified under this category.

**External crime** Fraud perpetrated by individuals or entities external to the Group.

### Key risk drivers and strategic control objectives

#### Capability (internal and external)

- > Define risk appetite and tolerance, set policy and standards, and deploy risk management frameworks.
- > Build internal fraud management capacity and expertise.
- > Identify fraud-sensitive areas across products, services, and channels.
- > Manage fraud incidents and preserve evidence.

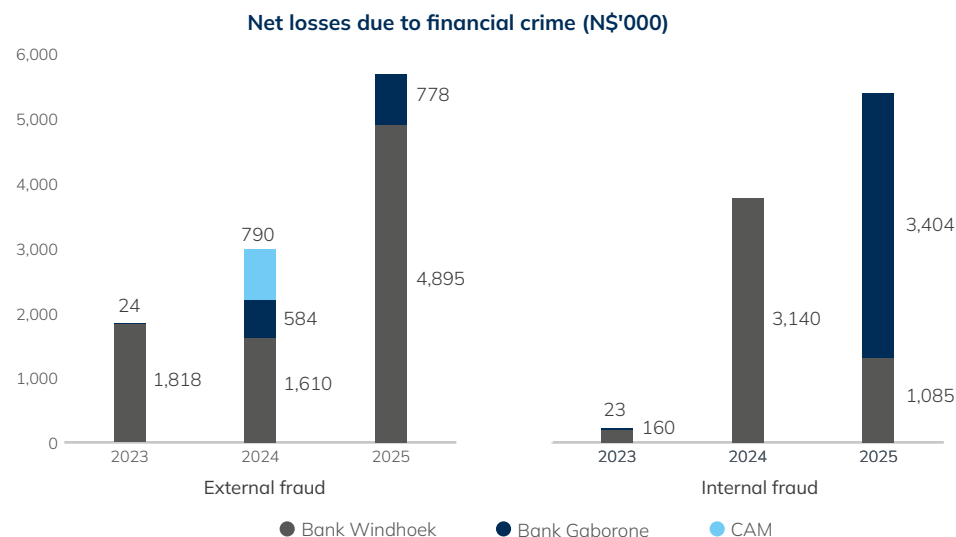
#### Internal crime

- > Monitor internal controls in high-risk areas.
- > Raise employee awareness through training and communication.
- > Track internal fraud trends.

#### External crime

- > Monitor local and regional criminal trends and syndicate activity.
- > Proactively assess fraud risks in key business areas.

### Key risk indicators



#### Priorities for 2025 and progress made

Conducted enterprise-wide independent financial crime risk framework assessments to enhance understanding of the Group's preparedness for fraud risk mitigation and opportunities to strengthen our risk and control environment.

Conducted ethics training across the Group to reinforce a sound risk culture.

#### Priorities for 2026

Implement recommendations from the 2024/5 fraud risk assessments.

Enhance the Financial Crime Risk Framework by introducing objective key risk indicators to enable improved monitoring and reporting.

#### Outlook

Financial crime risk is increasing due to more sophisticated syndicated fraud and increasingly digitised products and services. The emergence of AI as a tool to commit crime is transforming the inherent risk profile in terms of both magnitude and velocity of the risk. Continued focus on implementing fraud risk assessment recommendations and strengthening fraud detection capabilities will support resilience in 2026.

#### Residual risk

Given the prevalence of financial crime and the observed increasing levels of crime in the external environment, we maintain a view of medium risk (Amber) in the foreseeable future. Over the past three years, the financial crime risk has consistently remained within the quantitative appetite, indicating a stable trend. This stability reflects controlled loss levels and proactive remediation efforts.





# Legal risk

Legal risk is defined as the risk of losses arising from an unintentional or negligent failure to meet a professional (legal) obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of products, services, legal relationships or transactions. Effective legal risk management plays an important role in supporting the Group’s broader objectives by safeguarding regulatory compliance, reinforcing stakeholder trust, and enhancing operational resilience across all subsidiaries.

## How we mitigate this risk

The Group’s Legal Risk Management Framework remains in place and is periodically updated to reflect evolving legal requirements and business needs. The framework includes a legal risk appetite statement, which expresses:

- > Low tolerance for mismanaged legal documentation or incorrect use of legal templates.
- > Low tolerance for mismanaged intellectual property.
- > No tolerance for legal advice provided outside the legal function.
- > Low tolerance for mismanaged litigation or high litigation loss ratios (excluding legal costs).

## Key risk drivers and strategic control objectives

Legal risk is managed across four key risk drivers:

Legal documentation	Ensuring enforceability and legal soundness of contracts and templates. All legal templates are standardised, approved, and centrally accessible. Vendor contracts are monitored for compliance and renewal, and originals are securely stored.
Litigation	Managing civil litigation and alternative dispute resolution (“ADR”) processes to achieve optimal outcomes for the Group.
Legal advice	Ensuring legal decisions are based on sound principles and that only approved internal and external legal advisors are used. The legal function is resourced to meet demand effectively.
Intellectual property	Maintaining a formal process for registering and protecting intellectual property in line with Group policies.

## Priorities for 2025 and progress made

The framework is stable and no enhancements were required during the year.

## Priorities for 2026

An evaluation of the legal operational system will be conducted. This initiative aims to enhance legal workflow efficiency, improve contract lifecycle management, and ensure seamless integration as required. In parallel, Bank Windhoek has initiated a review of standard customer legal documentation to strengthen legal enforceability and alignment with regulatory and operational requirements.

## Outlook

Legal risk is expected to remain within appetite. No adverse litigation trends have been identified that require remediation.

## Residual risk

Legal risk remains within the Group’s defined risk appetite (Green) with a stable trend, underpinned by a well-established control environment and the consistent application of standardised legal protocols and governance practices.



# Liquidity risk

Liquidity risk is inherent in the Group's business and is defined as the risk of failure to meet payment obligations when they fall due, to replace funds when they are withdrawn, to repay depositors, and to fulfil lending commitments while ensuring compliance with all statutory and regulatory requirements.

## How we mitigate this risk

Capricorn Group ensures that liquidity remains sufficient at all times to meet both on and off-balance sheet obligations as they fall due, while optimising cost of funding. This is achieved through a formally approved Liquidity Risk Management Framework and Contingency Funding Plan, as approved by the BARCC and implemented by Group Finance and the Treasury functions within the banking subsidiaries.

Liquidity risk is pro-actively monitored using a comprehensive suite of quantitative and qualitative triggers embedded within the framework. These triggers serve as early warning indicators and are reviewed regularly to ensure alignment with evolving market conditions and regulatory expectations. The Group's liquidity position is managed holistically across all operating entities, with oversight from Group Finance through daily dashboards and reporting structures.

Key liquidity risk drivers include:

- > The depth and behaviour of demand and supply for liquid assets.
- > The balance between long-term and short-term funding requirements.
- > The adequacy and immediacy of access to committed funding lines.
- > Compliance with regulatory liquidity thresholds and ratios.
- > Regional macro-economic and market dynamics.
- > The strength and diversification of depositor relationships.

To bolster resilience, Capricorn Group maintains a buffer portfolio of liquid assets and has access to a N\$1 billion contingency funding facility that is available to its banking subsidiaries in distressed circumstances. This facility is invested in highly liquid South African instruments, mitigating local market liquidity constraints and eliminating foreign exchange exposure. The group is currently evaluating whether the N\$1 billion contingency facility is appropriately sized, with a formal update anticipated in 2026.

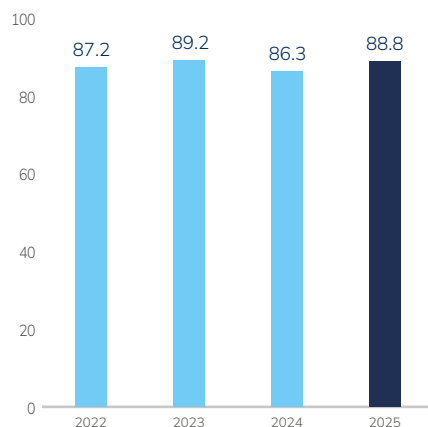
Annual testing of the contingency funding line was successfully completed in 2025. Additionally, Bank Windhoek conducted a liquidity stress testing simulation in April 2024, facilitated internally, in line with regulatory requirements. The next simulation, scheduled for the 2026 financial year, will be externally facilitated. Bank Gaborone is also set to complete an external liquidity stress simulation during the 2026 financial year, following an internal simulation that was conducted in 2025.

Despite economic headwinds, liquidity risk was well managed. Bank Windhoek maintained strong liquidity, supported by favourable market conditions in Namibia. In contrast, Bank Gaborone has faced tightening liquidity since December 2024, increasing cost of funding and prompting closer monitoring and contingency planning by the local treasury team.

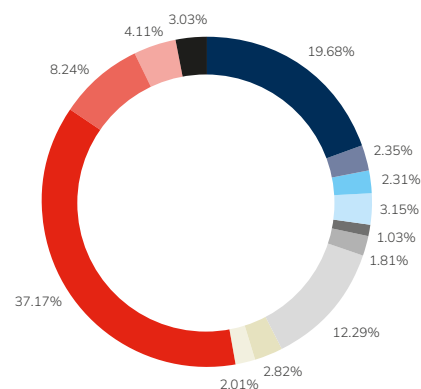
Read more about liquidity risk in note 3.4 in the annual financial statements from page 62.

## Key risk indicators

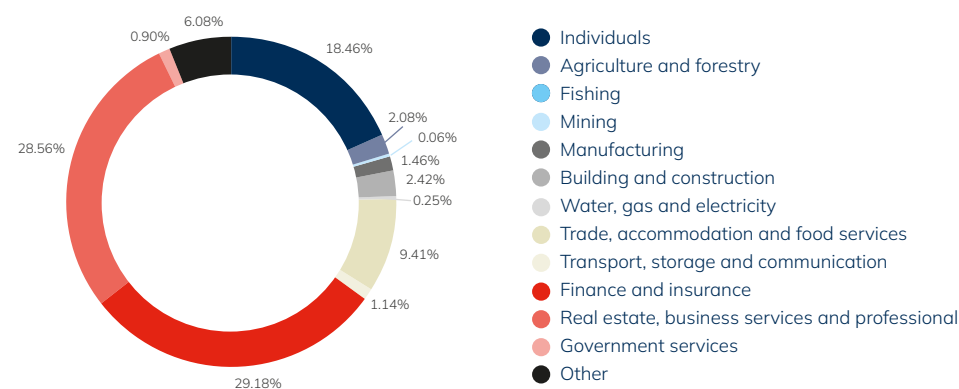
Loan to funding ratio (%)



Bank Windhoek deposit portfolio per sector



Bank Gaborone deposit portfolio per sector



## Governance oversight

Liquidity risk is managed at both the bank and enterprise levels through a structured governance model. At the bank level, the respective treasury functions are responsible for day-to-day liquidity management and reporting via dashboards and liquidity monitoring tools. At the enterprise level, Group finance oversees consolidated liquidity positions and exposures across subsidiaries, forming the first line of defence.

The second line of defence is executed by the central risk functions within each bank and the Group financial risk management function. These teams are responsible for independent oversight, challenge, and reporting to executive and board-level risk committees.

Liquidity risk governance is embedded through a multi-tiered review structure. Monthly reviews are conducted at the banks' liquidity and market risk forums, asset and liability committees ("ALCOs"), and risk committees. At the Group level, oversight is maintained through the Group ALCO, the Group risk committee (a management-level forum), and the BARCC, which receives quarterly updates on liquidity risk exposures, trends, and mitigation strategies.

## Priorities for 2025 and progress made

- > Despite tightening liquidity conditions in Botswana, Bank Gaborone maintained liquidity levels within its approved risk appetite and did not require activation of the Group's contingency funding facility.
- > In Namibia, the cost of funding remained well-managed. Improvements in the composition of the depositor base contributed to margin protection, particularly valuable in the context of a declining interest rate environment.

## Priorities for 2026

Across both jurisdictions, the Group will maintain its focus on managing the cost of funding in response to evolving market dynamics, particularly in a lower interest rate environment. Ongoing monitoring of customer behaviour, loan disbursements, funding maturities, and regional market conditions will remain central to sustaining healthy liquidity levels and ensuring resilience under stress scenarios.

## Outlook

Liquidity risk will remain a key area of focus for Capricorn Group in the upcoming financial year. The Group continues to operate within well-defined liquidity risk appetite thresholds.

In Namibia, liquidity conditions have improved relative to prior periods, contributing to a favourable funding environment. However, the Group remains cautious, recognising that this trend may not persist over the medium to long term. Strategic planning will therefore continue to prioritise the preservation of liquidity buffers and the optimisation of funding sources.

In contrast, market liquidity conditions in Botswana have tightened during the financial year and are expected to remain under pressure.

## Residual risk

The risk profile is within appetite (Green) and stable, as the Group maintains sound liquidity levels.





## Market risk

Market risk is the risk of potential losses in on and off-balance sheet exposures from movements in market rates and prices.

The following market risks usually arise:

- > **Interest rate risk:** The risk of loss resulting from changes in interest rates, including changes in the shape of yield curves.
- > **Currency risk:** Also known as foreign exchange risk, which arises from fluctuations within the currency market.
- > **Equity risk:** The risk of potential losses due to adverse changes in stock prices.

### How we mitigate this risk

Market risks remain actively monitored and prudently managed by Bank Windhoek and Bank Gaborone, especially in the light of continued and increased Global geopolitical tensions within the Middle East and Ukraine. Tariff and oil price uncertainty remain a concern and the impact on import costs and inflation for Namibia and Botswana will continue to influence growth and interest rate forecasts. These factors had an impact on the currency markets in the region, with increased volatility experienced. South Africa and Namibia saw prime rates decrease by 1.00 over the period July 2024 to June 2025, while Botswana only had a 25bps decrease in their lending rate.

Elections in Namibia and the United States were concluded with Namibia seeing its first female President elected. The changes to the cabinet were generally well accepted, with time required to assess the effectiveness of the new appointees and restructure. The outlook for Namibia, with oil and gas exploration and green hydrogen initiatives, remains extremely positive for growth, with commodity and tourism sectors continuing to perform well. High market liquidity in Namibia allowed for reduced cost of funding, and deposit rates in Namibia were mostly below those of South Africa. The rates for government instruments have also been reduced to spreads below the South African benchmarks in some cases. Interest rates are expected to remain relatively stable in the region over the coming year, although the impact of lower diamond prices on Botswana has created uncertainty in that market.

The ALCO remains responsible for optimising, controlling, directing and setting strategies for the Group's day-to-day balance sheet management, including Capital optimisation, as per the risk appetite statement and the prudential regulatory requirements. The interest rate committee, an ALCO subcommittee, guides discussions on the global and local economic climate in conjunction with the latest yield curve to reach a consensus on the interest rate outlook.

The committee also recommends a strategy to the banks via ALCO in terms of the mix of assets and liabilities, hedging and other risk management strategies based on future economic and interest rate expectations.

The liquidity and market risk forum, another ALCO subcommittee, is a pre-ALCO working forum consisting of key bank role players who debate the balance sheet structure, interest rate and funding considerations. This includes bank strategy under current economic circumstances and identifying emerging risks. Issues and recommendations are escalated to the ALCO.

Detailed key risk indicators and limits aligned to the banks' risk appetites are monitored daily and reported to key stakeholders, governance committees and central banks as required. Each entity manages its funding book according to the following:

- > Actual market information.
- > Market expectations on the state of the local economy (central government borrowing plan, Bank of Namibia quarterly review and GDP).
- > Expected future monetary policy changes.

Foreign exchange risk is managed by closely monitoring the limits set out in the Market Risk Framework. Both on and off-balance-sheet foreign currency exposure is measured and reported against the banks' qualifying capital to manage the risk within the risk appetite. Models and stress tests are used to better understand the market risk environment. Foreign exchange positions are managed via stop-loss orders and derivatives in the spot market to close or hedge unwanted exposure.

### Key risk indicators

Maximum duration value, currency exposures and interest rate mismatches are key risk indicators monitored among others.

### Key metrics

Metric	Definition	2024	2025	Change
IRRBB Sensitivity (±200bps)	Change in economic value of equity under parallel interest rate shocks	N\$108.9 million	N\$112.4 million	▲ 3.2%
Stress loss (Severe Scenario)	Projected loss under worst-case macro scenario	N\$209 million	N\$239 million	▲ 14.4%
RWA from market risk	Risk-weighted assets attributed to market risk	N\$0.94 billion	N\$1.02 billion	▲ 8.5%

### Governance oversight

Market risk is monitored and managed at each banking subsidiary and Group ALCO, with oversight at the subsidiary and BARCC levels.

### Priorities for 2025 and progress made

The treasury system in Bank Windhoek, launched in 2023, was embedded and has improved real-time market risk management across all products, including derivatives.

### Priorities for 2026

The market risk module will continue to be enhanced, with a focus on value-at-risk capabilities, stress testing, and scenario analysis tools.

Implementing the treasury system in Bank Gaborone.



## Outlook

Interest rates are expected to remain relatively stable at current lower levels over the next year. The excess liquidity in the Namibian market brought opportunities to improve the funding mix, and this reaped benefits as evidenced in the reduced cost of funding. The 50bps differential between the Namibian and the South African repo rate is likely to remain, with discussion around the spread between Namibian repo rate and banks' prime lending rate ongoing. Interest rate basis risk remains on assets linked to the Namibian prime rate and a portion of the liability book linked to the three-month JIBAR. Bank Windhoek will transition to the new South African Rand Overnight Index Average ("ZARONIA") benchmark by the market due date of June 2026. Bank Gaborone experienced higher interest rate volatility as liquidity in the market reduced as lower diamond prices reduced inflows into the economy. Currency market volatility to continue as global inflation and geopolitical uncertainty remain.

## More information

Read more about market risk in note 3.3 of the annual financial statements from page 56.

## Residual risk

The risk profile is moderate (Amber) with a stable trend. The built-for-purpose, best-in-class treasury system facilitates better automated processes, real-time information and enhanced risk analytics. However, a couple of items are not fully embedded or fully utilised. Continued enhancements for ever-changing markets remain a priority. Implementation of the system in Bank Gaborone is expected to further reduce residual risk.



## Operations risk

This is the risk of failure to deliver the intended outcome regarding facilities, processes, business continuity, physical cash management and payment management. It also includes risks arising from third-party dependencies and supply chain disruptions, which may impact the availability, integrity, or timelines of critical services and resources. Losses due to payment errors or poor physical security, operational breakdowns caused by vendor failures or delayed supply chain inputs are examples of this risk.

### How we mitigate this risk

The Group has strategically aligned its operations risk management framework with the GRICAF, the Basel Committee's recommendations and recognised best practices. This alignment underscores our commitment to proactively identifying and assessing operations risks, while continuously implementing appropriate mitigation measures to safeguard business continuity and resilience. In recognition of the increasingly interconnected nature of operations risk, the framework explicitly integrates cross-functional dependencies, particularly the reliance on IT systems, data integrity, and cyber resilience. These elements are critical enablers of operational continuity and are embedded into our risk identification and control processes. For example, the framework incorporates controls for business-critical data availability, and the secure storage and destruction of physical and digital records, as outlined in the Operations Risk Framework.

Operations risk thresholds are reviewed and approved annually, with quarterly reporting on risk exposure provided through a risk management report. This report includes quantified assessments and trend analysis. The systematic collection of operations risk events enhances the effectiveness of the control environment and informs the ongoing refinement of our risk mapping and assessment processes. The Business Recovery Plan ("BRP") and Business Continuity Management ("BCM") protocols, recently updated and approved, ensure that recovery strategies are aligned with both operational and cyber risk scenarios, reinforcing the Group's ability to respond to disruptions across all critical functions.

Facilities across the Group are maintained in accordance with minimum standards prescribed by both internal business requirements and external regulatory obligations. All lease agreements are actively managed and renewed in line with established internal procedures, ensuring compliance and operational readiness.

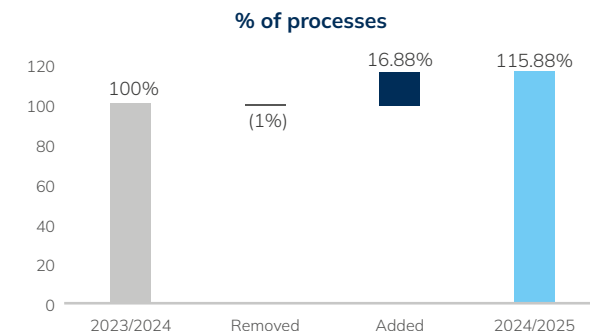
Future focus areas include:

- > Branch optimisation.
- > Improved processes to remove variation and ensure customers experience consistent high-quality service.
- > Implemented measures to improve our capacity to minimise and absorb losses.
- > Customer contact centre capability enhancement.
- > Automated cash services.
- > Back-office automation and optimisation.
- > New features and channel growth and migration enabled by the #gobeyond programme.
- > Implement initiatives to reduce the environmental footprint relating to electricity usage and water consumption.

### Key risk indicators

- > Service level agreement ("SLA") monitoring to ensure adequate service delivery.
- > Business process management.
- > Operational losses.
- > Payments and cash penalties.
- > Trained firefighters and fire marshals.
- > Back-up sites tested.

New Group-wide processes were adopted while other processes were removed to retain stable, optimised operations. The Group added 15.21% new processes in 2024/2025. Few processes were removed this year, as efforts focused on introducing or enhancing processes through technology and regulatory or operational changes.



### Governance oversight

The bank's operations risk team plays a critical role in the day-to-day management of operations risk by providing support, independent monitoring and constructive challenge to risk owners across the business. Monthly risk reports are submitted to the respective subsidiary management risk committees, which in turn escalate key matters to their quarterly BARCCs.

At Group level, an enterprise-wide operational risk profile is compiled quarterly, consolidating insights from all subsidiaries. This consolidated report is submitted to the Group risk committee and the BARCC to support strategic oversight and informed decision-making.





## Priorities for 2025 and progress made

- > The Group has made significant strides in strengthening and embedding its BCM framework to ensure operational resilience and preparedness across all critical functions. In alignment with evolving risk landscapes and regulatory expectations, the BCM approach was comprehensively reviewed and enhanced during the reporting period.

Key improvements include the refinement of the overarching BCM strategy, the formalisation of testing protocols, and the implementation of digitised checklists to streamline execution and oversight. In addition, contingency and recovery plans for core services, key systems, and priority business processes were revisited and updated to reflect current operational realities and interdependencies.

These enhancements are not static; they are integrated into the Group's ongoing management routines. Continuity strategies and recovery plans are subject to regular review and validation to ensure they remain relevant, effective, and aligned with both business needs and regulatory requirements. This proactive approach reinforces the Group's ability to respond to disruptions with agility and confidence, safeguarding stakeholder interests and maintaining service continuity.

- > The rollout of the #gobeyond programme, now implemented in 25% of branches, with an additional 8% underway, directly supports the strategic goal of branch optimisation while also reinforcing operations risk management. By streamlining processes and introducing consistent standards across branches, the programme helps reduce operational variability and potential risk exposures. This proactive approach not only enhances the overall risk and control environment but also contributes to a stronger risk profile for the Group by embedding robust controls and improved oversight within branch operations.
- > The credit productivity model and associated time studies were successfully completed, providing valuable insights into workflow efficiency and areas of operational risk. In addition, tailored productivity models were developed for the collateral and enquiry functions to support performance benchmarking and resource planning. These initiatives have enabled the Group to identify process bottlenecks, establish clear performance standards, and ensure optimal resource allocation. By introducing more robust measurement frameworks and improving transparency in key operational areas, these models have directly enhanced the operations risk profile and strengthened the control environment, allowing for more proactive risk mitigation and better oversight of critical processes.
- > A comprehensive future-state design for the Customer Service Centre ("CSC") has been developed, outlining the envisioned service offerings, client engagement approach, and the integration of service channels. While this does not signal an immediate shift in the current operating model, the focus remains on optimising existing processes, leveraging technology to enhance efficiency, and advancing toward a more personalised and elevated customer experience. Concurrently, a review of current supply planning is underway, alongside an assessment of the skills and capabilities required to support this strategic direction.
- > Thirty process areas were improved and standardised to ensure faster, more compliant execution. This includes the removal of outdated procedures and the addition of group-wide processes to maintain operational stability.
- > Access control measures were enhanced.

## Priorities for 2026

Future focus areas include:

- > Branch optimisation.
- > Improved processes to remove variation and ensure customers experience consistent high-quality service.
- > Implemented measures to improve our capacity to minimise and absorb losses.
- > Customer contact centre capability enhancement.
- > Automated cash services.
- > Back-office automation and optimisation.
- > New features and channel growth and migration enabled by the #gobeyond programme.
- > Implement initiatives to reduce the environmental footprint relating to electricity usage and water consumption.

## Outlook

We will continue to enhance our management and mitigation of operations risk, with an emphasis on agile development and delivery. From the outset and given the stated risk appetite per the Operations Risk Framework, we expect a stable trend.

## Residual risk

The risk is regarded as Moderate (Amber) with a stable trend. Our digitisation programme continues to introduce changes in our operational practices and procedures, and these changes must be managed to ensure a safe and responsible transition.



# People risk

People risk is the risk of failing to achieve the Group's objectives due to people-related factors. It includes the potential for financial loss, operational disruption or reputational harm arising from issues such as skills shortages, unethical conduct, poor succession planning or workforce unavailability. As a cross-cutting risk, it affects all other risk categories. If not effectively managed, people risk can undermine the Group's ability to execute its strategy and maintain stakeholder confidence.

## How we mitigate this risk

The Group manages people risk through a structured framework that addresses six key dimensions:

	Mitigation
<b>Talent:</b> Employee potential or ability to perform work tasks, including having appropriate skills, hiring the right people and retaining the right talent.	Employer branding, structured recruitment, talent reviews and succession planning.
<b>Execution:</b> Risk of performance failures or human error.	Learning and development programmes, performance management and leadership development.
<b>Capacity:</b> Risk of insufficient workforce availability or over-reliance on key individuals.	Workforce planning, cross-training, and business continuity protocols.
<b>Culture:</b> Risk of misalignment with Group values or disengagement.	Culture surveys, leadership role-modelling and DE&I initiatives.
<b>Industrial relations and ethics:</b> A combination of conscious and subconscious elements that have a bearing on the attitude and behaviour of employees, including aspects such as complacency, industrial relations, poor performance, negligence, unauthorised activity, misconduct and workplace conflicts.	Ethics training, grievance channels, and whistleblowing mechanisms.
<b>Wellness:</b> Risk of reduced productivity or increased absenteeism due to mental, physical, or financial stress.	Wellness campaigns, employee assistance programmes, and targeted support for vulnerable groups.

## Key risk indicators

### Annual turnover rates

Turnover remained low at 7%, well within our people risk appetite and below industry norms, reflecting effective retention and engagement strategies.

### Internal promotion rates

At 42%, internal promotions highlight our strong focus on developing and advancing internal talent through succession planning and growth initiatives.

### Completion of mandatory learning

Completion stood at 74%. Action plans are underway to boost participation through targeted communication and more efficient tracking.

### Engagement survey scores

Remained consistent at 84%, and the "fully engaged" score increased by 2%. This is significantly above the industry benchmark, and action plans have been formulated to address areas of concern.

### Grievance case volumes

12 grievance cases were reported, reflecting stable employee relations. Each case is reviewed to address root causes and reduce recurrence.

### Disciplinary case volumes

17 disciplinary cases were managed in line with policy, supporting consistent standards and fair treatment.

### Overtime hours per employee (averaged)

Overtime levels averaged 9.45 hours per employee who worked overtime for the financial year, which is within acceptable ranges, with ongoing monitoring to protect employee wellbeing and manage workloads.



## Governance oversight

People risk is monitored through quarterly reporting to the Group risk committee, BARCC, and the human resources committee, following engagement with risk owners across entities.

## Priorities for 2025 and progress made

- > Strengthened our Organisational Framework by implementing a Talent Investment Framework, Integrated Leadership Framework, and standardised succession processes.
- > Expanded our Young Talent Programme to include the Graduate Development Programme (20 graduates appointed), the Emerging Bankers' Programme (10 school leavers appointed in rural areas), and Work Integrated Learning and Internship opportunities.
- > Applied Group-wide standard performance development principles and reinforced a culture embracing DE&I.
- > Conducted talent reviews, assessments and mapping, supported by talent conversations and psychometric assessments to enhance talent identification.
- > Rolled out a comprehensive ethics awareness programme to reinforce integrity.
- > Enhanced external brand visibility for young talent through campus activations, career fairs and Career Starter weeks.
- > Completed an internal brand audit to identify areas for improvement.
- > Reviewed The Capricorn Way: Refined our purpose to "Being Connectors of Positive Change," adopted brand values (Open, Dedicated, Inspired), and defined behaviours to reinforce our values and purpose.
- > Leadership capabilities: Launched nano learning activities and thought leadership articles from Executives. Hosted a leadership masterclass, attended by 200 middle management employees, to rethink workplace culture. Introduced LeadersConnect for senior leaders to publish relevant content monthly via email and on MyCapricorn.
- > Held quarterly Group Onboarding sessions and shared cultural content on the MyCapricorn app to embed values and behaviours.
- > Implemented relevant policies that clearly outline ethical expectations.

## Priorities for 2026

- > Improve our employer brand through targeted brand campaigns.
- > Educate and empower line managers through communication plans and management huddles.
- > Launch a strategic leadership development initiative that is tailored specifically to Capricorn Group's strategic goals and organisational culture.
- > Track and embed The Capricorn Way as a shared cultural philosophy of Capricorn Group that brings together purpose, values, and behaviours.
- > Sustain efforts to attract, develop and retain young talent to build future leadership pipelines.
- > Further align talent mobility strategies with the Group's strategic priorities and evolving workforce needs.

## Outlook

As the operating environment evolves, people risk remains dynamic. The Group's proactive approach, anchored in leadership development, ethical conduct, and workforce resilience, positions it to manage this risk effectively.

## Residual risk

Rated within appetite (Green) with a stable trend, reflecting strong controls and ongoing investment in human capital resilience.





# Reputation risk

Reputation risk is the failure to understand, identify or manage events that could negatively impact the Group's reputation and lead to litigation, financial loss or a decline in the customer base. Reputation risk exposure is present throughout the Group, particularly in areas that are public-facing or involve media interactions. The Group has no appetite for conduct that places its reputation at risk.

## How we mitigate this risk

Reputation risk is governed in terms of the reputation risk framework, which describes the essential elements of reputation risk management, including stakeholder engagement and crisis communication plans, as well as the roles and responsibilities involved. The Framework is embedded and adopted by the Group's entities.

The board has a clearly defined and communicated qualitative risk appetite statement for reputation risk. Responsibility for monitoring and managing reputational risk falls with the PRO for each entity. Events which may impact reputational risk are identified and actively monitored. The Group PRO continuously monitors the reputation risk profile of the Group and reports to the Group Risk Committee. The Group PRO is responsible for the maintenance and evolution of the Reputation Risk Framework and provides each entity's PRO with reputation risk management best practices, case studies and tips on dealing with a crisis from a communication and media perspective.

Given the prevalence of cyber-related risks, a close working relationship is maintained with the Group's cyber risk department to manage reputational risks related to cyber fraud and the Group and its subsidiaries' social media and online presence.

The Group mitigates reputation risk by:

- > Continuously monitoring compliance with the brand manual (visual identity guidelines) and brand endorsement strategy among all entities and providing regular training on any updates of the visual identity guidelines.
- > Conducting annual customer satisfaction surveys, dipstick brand and stakeholder engagement audits to assess the brand's health and stakeholders' perceptions.
- > Implementing the brand and communication strategy to address the risks and opportunities associated with the Capricorn Group brand following the outcome of the brand audit.
- > Annually reviewing the Group's crisis communication plan.
- > Implementing and enhancing the Group's strategic stakeholder engagement plan with inputs from ongoing stakeholder engagement.
- > Enhancing internal reputation risk awareness with a focus on cybersecurity risks.
- > Using external consultants to monitor the Group and subsidiaries' online presence, including traditional and social media channels, to assess any change in public sentiments towards the Group and its entities.
- > Appointing and communicating approved spokespersons for the Group and subsidiaries each year.
- > Launching fraud awareness campaigns to proactively educate employees and customers on the risk of vishing/phishing and any other type of financial fraud.
- > Building a strong ethical culture through the implementation of the ethics communication plan to create awareness of the anonymous tipoff line and to encourage employee participation in anonymous ethics surveys.
- > Using the Capricorn Foundation's activities and the Changemaker programme (employee community outreach initiatives) to build a positive reputation for the Group as Connectors of Positive Change.

## Key risk indicators

- > Percentage of negative, neutral or positive reporting on social media.
- > The number of crisis reputation incidents.
- > Overall customer satisfaction as per the annual Determinants of Service Quality ("DSQ") research.
- > The number of customer complaints.
- > Percentage of negative media reports on the subsidiary per month.

## Governance oversight

The Group and subsidiary boards receive reports on material reputation risk issues via the BARCC or a Group board risk committee (as the case may be). Quarterly reputation risk profiles are compiled for all entities and reported to the BARCC.



### Priorities for 2025 and progress made

- > The implementation of the Reputation Risk Framework was continuously monitored.
- > Conducting a groupwide dipstick brand audit to assess the perceptions of key stakeholders of the Group and entity brands.
- > Conducting customer satisfaction surveys (DSQ research) to measure and track overall customer satisfaction.
- > Review and enhancement of the Crisis Communication plan.
- > Launch of a comprehensive financial fraud awareness campaign to proactively educate employees and customers.
- > Bank Gaborone contracted a public relations consultancy to support the Bank in addressing negative perceptions around the Bank.
- > Continued improvement of the Group PRO oversight of reputation risk management and enhancement of subsidiaries' reporting following training interventions.
- > Continued visible improvement in entities' compliance with the Group's brand manual (visual identity guidelines).
- > The Group's strategic stakeholder engagement plan was reviewed and enhanced following feedback from stakeholders through the comprehensive group-wide stakeholder audit completed in 2024.
- > The communication plan developed to build a strong ethical culture with the theme "Do the right thing" increased awareness of ethical behaviour.
- > Daily monitoring of media (traditional and social media) to assess any negative reporting on the Group or its entities or any changes in public sentiments towards the Group and its entities.
- > Maintaining a close working relationship with the Cyber Risk department to create internal awareness on cyber risks and to ensure that protocols are in place in the event of a cyber risk incident.

### Priorities for 2026

- > Onboarding of new media monitoring (traditional and social media) tools to enhance the Group's ability to track and monitor its online presence and mentions in traditional media such as newspapers.
- > Enhancing the Group's brand and communication strategy with the input from key stakeholders obtained in the dipstick brand audit, which was concluded in June 2025.
- > Maintaining the focus on educating employees and customers on cyber risks and financial fraud.

### Outlook

The Group has no appetite for reputation risk and therefore it will continue to proactively identify and manage any potential reputational risk and strengthening its capability to track, monitor and appropriately respond to its presence in online and traditional media.

### Residual risk

The risk profile remains green and stable as the control framework is adequate and is operating effectively.



# Technology risk

Technology risk is the risk that the strategic technology investment is not aligned with the Group's purpose or business strategy or that technology will catastrophically fail to deliver secure IT services that provide critical business services.

## How we mitigate this risk

The Technology Risk Framework outlines the governance, policies, guidance and procedures for the Group's IT risk management. The framework was revised in April 2025 with updates to the new level 2 technology risks, which include IT governance, IT operations, IT continuity, IT security, IT procurement and IT strategy and architecture.

The framework aims to ensure that the current technology risks are adequately identified, analysed, assessed, and treated following the applicable legislation, industry and international standards such as COBIT, ISO 27005, 31000 and the Payment Card Industry Data Security Standard ("PCI-DSS"), to ensure compliance and increase the benefits derived from the use, ownership, operation, and adoption of technology. Key technology controls and risk indicators implemented to adequately manage technology risks are managed within the framework. Technology risks are also managed and reviewed through the monthly Information Technology and security risk committee meetings.

## Governance and oversight

The Board IT Committee governs the Group IT function, and the executive management responsibilities vest with the Group chief information officer ("Group CIO"), who is also the PRO for technology risk. The cyber security, IT risk, and compliance teams collaborate with the technology Group PRO and subsidiary PROs to identify risks. These are communicated to managers who are responsible for executing remediation plans. An effective control environment was created to identify critical issues and deal effectively with severe incidents. Risks are tracked and reported within the risk governance structures. The Group employs a standardised architecture to combat threats and reduce the effort required to support and maintain all systems.

## Risk identification and monitoring

The Group mitigates technology risk by:

- > Formal governance and policy regarding technology risk.
- > A framework that outlines the key risks, controls, and key risk indicators.
- > Monitoring of the risk through formal reports, including key risk indicators with thresholds.
- > Continuing to enhance technology key risk indicators.
- > Ensuring business continuity by enhancing technology infrastructure resilience.
- > Regular software and hardware updates to mitigate the risk of security breaches or system failures.
- > Enhancing our development, security, and operations capabilities.
- > Foster a culture of continuous learning through various training interventions, reinforcing our commitment to relentless improvement.

## Key risk indicators

- > Enhancing IT systems availability, stability and observability, minimising outages and ensuring seamless access for customers.
- > Disaster Recovery ("DR") capabilities. Enhancements in our DR capabilities improved our resilience.

## Governance oversight

Technology risks are reported monthly to subsidiary management risk committees. Quarterly risk assessment reports, stability dashboards, and project portfolio management reports are submitted to the subsidiary board risk and compliance committees, the Group risk committee and BARCC. Material technology risks are reported to the Board IT Committee.

## More information

Read more about IT governance on page 22 of the governance report.

## Priorities for 2025 and progress made

- > Developed effective IT employee retention and key man dependency initiatives. These include capacity building, succession planning and talent development.
- > Leveraging both established and emerging architecture frameworks by accelerating data, digitalisation and automation initiatives. This includes state-of-the-art advances in automation and security.
- > Enhanced our software lifecycle management practices.

## Priorities for 2026

- > We continue to prioritise initiatives that improve our cybersecurity posture.
- > Continuously enhancing agile and development operations practices and principles for the platforms. The IT operating model drives value for the Group and its subsidiaries, as demonstrated by the delivery of the various strategic initiatives.
- > Transforming our distribution channels and developing a future-ready digital core based on modern technology architecture. This will leverage data assets with an emphasis on predictive/prescriptive analytics using Artificial Intelligence ("AI") and machine learning.
- > Increase adoption of AI for scalability, efficiency, and intelligent service management.

## Outlook

Through our comprehensive IT risk and governance, we strive to minimise the potential impact of IT risks and ensure the privacy, confidentiality, integrity, and availability of our information assets. We continuously enhance our practices to adapt to evolving technological threats and industry trends.

Generative AI transforms all facets of the work environment while boosting productivity. This introduces new risks and addressing these risks will involve implementing new rules, robust data protection measures, ensuring transparency, and adhering to relevant privacy laws and regulations.

## Residual risk

While the risk profile remains moderate (Amber) and stable, the rapid evolution of AI and digital threats necessitates continuous adaptation of controls and governance.





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or send an email to [investorrelations@capricorn.com.na](mailto:investorrelations@capricorn.com.na)