2026

Risk Report

Capricorn Group

About this risk report

We are pleased to present our risk report for 2026, 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™")[1].

We describe how risk management contributed to the Group delivering on its strategy and ensured that risk management continued to create value for the financial year from 1 July 2025 to 30 June 2026 ("the year"). The report is aimed primarily at providers of financial capital.

The entities that constitute the Group are set out on page 25 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 15 September 2026. 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 Marlize Horn, tel: +264 61 299 1226 or investorrelations@capricorn.com.na.

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Message from the Chief Risk and Compliance Officer

Capricorn Group managed risk in a challenging operating environment by maintaining strong capital and liquidity, adapting to regulatory requirements, strengthening risk management capabilities and embedding a resilient risk culture. Our disciplined approach to safeguarding long-term value supports the successful execution of the Group's strategy.

Macroeconomic context

While inflation eased across much of the region during the first half of the year, global uncertainty was elevated by geopolitical conflict in the Middle East and rising energy prices, and global growth expectations for 2026 were revised down to around 3.0% only partly offset by artificial intelligence ("AI")-driven demand in the global technology cycle.[1]

Namibia's economic growth moderated to an estimated 1.6% in 2026 as mining output weakened and higher fuel prices lifted inflation, while Botswana faced sustained pressure from the prolonged downturn in the global diamond market, affecting growth, fiscal performance and liquidity. South Africa's economy recorded modest growth, supported by incremental structural reforms despite subdued confidence.

In Namibia, the repo rate was cut during the year before a late hike returned it to 6.75%, while in Botswana the policy rate rose without a corresponding adjustment in prime lending rates, adding pressure to bank margins and funding costs. Credit conditions were further shaped by climate-related pressures, including drought and flood risk in the region and Foot-and-Mouth Disease outbreaks affecting agricultural borrowers in both markets. Across the region, central banks prioritised price stability in response to renewed inflationary pressures, while differing exchange rate regimes continued to shape monetary policy.[2]

Bank Windhoek grew its funding base to N$48.7 billion (2025: N$45.2 billion), while Bank Gaborone's funding increased to BWP8.46 billion (2025: BWP8.25 billion). Funding costs were managed well, although they moved in different directions across the two banks, reflecting the differing market conditions in Namibia and Botswana. At Group level, sound liquidity buffers were maintained, with a loan-to-funding ratio of 83.6% (2025: 88.8%), reflecting an improving trend from the prior year.

Our approach to risk management

Managing risks well enables Capricorn Group to execute its strategy with confidence and discipline. Through our Group Risk Internal Control and Assurance Framework ("GRICAF"), we apply a consistent enterprise-wide approach while tailoring implementation to the size and regulatory requirements of each subsidiary, enabling clear accountability across the Group.

A strong capital position and sound liquidity reinforce risk management. The Group's total capital ratio of 19.4% remains well above the 12.5% regulatory minimum, providing a substantial buffer to absorb shocks while continuing to support strategy execution. This capital strength is a deliberate enabler of our growth ambitions, ensuring the Group can responsibly pursue portfolio expansion from a position of resilience. Combined with a clearly defined risk appetite, this provides a solid foundation for navigating uncertainty and supporting sustainable growth.

Our GRICAF is directed to anticipate and respond to emerging challenges and long-term shifts in our operating environment, notably the shifts in market conditions in Botswana and the ongoing digital and technology transformation of the business. While uncertainties in the environment remain, we see opportunity in adaptability.

Adapting to regulatory evolution

Financial inclusion is a regional priority. Governments are expanding access to financial services through digital banking, modernised payment systems and simpler financial products, while strengthening consumer protection and responsible lending frameworks. Although these developments increase regulatory and compliance requirements, they support a more inclusive and trusted financial system. In Namibia, regulatory reform accelerated with the implementation of the Financial Institutions and Markets Act ("FIMA") and the revised Namibia Financial Institutions Supervisory Authority ("NAMFISA") Act, which aim to strengthen risk-based governance and consumer protection. The Bank of Namibia also advanced payment system modernisation through ISO 20022 messaging standards and instant payments to improve interoperability and financial inclusion. Following the remediation of all strategic deficiencies, Namibia was removed from the Financial Action Task Force ("FATF") grey list of jurisdictions under increased monitoring in June 2026.[3]

In Botswana, the publication of the Banking Regulations, 2025 introduced more detailed prudential requirements under the Banking Act, 2023, covering licensing, capital, liquidity and fit-and-proper assessments, while the new Cybersecurity Act, 2025 gazetted on 11 November 2025 but not yet commenced, raises the bar for cyber governance, incident reporting and third-party technology risk management. Payment system reforms also supported greater interoperability and broader access to financial services.

Improved risk management capabilities

Strengthening the quality of risk information that supports strategic decision-making meant challenging how often, how precisely, and how broadly we tested the resilience of our balance sheet. Technology and data were central to that shift. We moved from annual to quarterly stress testing for credit and liquidity risk, improved the predictive strength of our integrated stress testing model, and expanded its scope to a broader range of scenarios, notably rating agency country downgrades. We also refined our credit risk grading model to a more granular scale, allowing us to identify increases in credit risk earlier and supporting sharper, more targeted decision-making.

Environmental risk management was further integrated into the GRICAF through tailored risk appetite and reporting arrangements for subsidiaries, enhanced reporting tools and the progressive incorporation of environmental considerations into relevant business and risk processes.

We also completed an independent assessment of our conformance with the Basel Committee on Banking Supervision's Principles for effective risk data aggregation and risk reporting ("BCBS 239") according to our roadmap for further improvements in risk data governance and reporting.

Independent review and assurance remain central to the integrity of our Risk Management Framework. This year, an independent ethics assessment, an external assessment of our compliance function, and an external review of our Financial Crime Management Framework each provided objective assurance over key areas of our control environment. The compliance assessment concluded that we generally conform to the revised Generally Accepted Compliance Practice ("GACP"), with particular strength in anti-money laundering ("AML")/Combating the Financing of Terrorism ("CFT"), Foreign Account Tax Compliance Act and core banking legislation compliance, while the Financial Crime Framework review identified further opportunities to strengthen our risk and control environment. These findings, together with internal audit outcomes, also informed self-assessments of our Market, Credit and Operational Risk Frameworks during the year.

Building a healthy risk culture has been a long-term investment, supported by the Certified Risk Culture Builder Programme, attended by 36 volunteers from Namibia and Botswana in 2026, and the integration of risk objectives into performance management.

Closing

The Group's board-approved risk appetite framework continued to operate effectively throughout the year. Instances where individual risk positions were outside appetite were identified, actively managed and reported through the appropriate governance structures, with remediation plans subject to board oversight. Capital and liquidity levels remained within regulatory and internal thresholds, with continued focus on capital efficiency to drive long-term value.

The board expressed its satisfaction that the Group's risk governance arrangements were effective and continue to support the achievement of strategic objectives while safeguarding sustainable value creation.

The pages that follow explain our principal risks, the effectiveness of our control environment and the progress made in strengthening the Group's resilience in 2026.

Nico van der Merwe
Chief Risk and Compliance Officer

1 *International Monetary Fund, World Economic Outlook Update, 2026.*
2 *Bank of Namibia Monetary Policy Statement, June 2026; Bank of Botswana Monetary Policy Statement, 2026.*
3 *FATF, Outcomes of the FATF Plenary, 17 – 19 June 2026.*

Our risk philosophy and approach

How Capricorn Group embeds risk management into strategic decision-making and day-to-day business activities. Explains the Group's risk philosophy and enterprise-wide framework, including the three lines model and our approach to managing principal risks in line with our risk appetite and tolerance.

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, with a deliberate focus on "what must go right" to enable the safe and responsible execution of our strategy. This approach is supported by sound corporate governance, active board and senior management oversight, and a formal risk management system anchored in the three lines model. It promotes clear accountability, appropriate risk responses, and informed decision-making at every level of the organisation. By deliberately building a sound risk culture, we aim to create a risk-aware environment in which risk management is owned by the business and embedded in day-to-day decisions, rather than being viewed as the responsibility of central risk and assurance functions alone.

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 shaped by our strategic choices, supported by our ongoing focus on strengthening an ethical culture and entrepreneurial spirit, and reinforced by our commitment to transparency. As we continue to strengthen our use of technology and data, we are enhancing our practices to identify, assess and manage risk exposures and the capital requirements associated with them.

Our Group Risk Internal Control and Assurance Framework

The GRICAF is our framework for Enterprise Risk Management ("ERM") and adopts conventional risk management practices from Basel II/III, the King Corporate Governance Principles and sound practices. It supports an enterprise-wide and integrated approach to risk management, where risk is considered in the context of strategy, performance, decision-making and value creation. Risk management practices are guided by business strategy and objectives, and by formal risk capacity, appetite and tolerance ("RCAT") statements that clarify the nature and level of risk the Group is willing and able to accept in pursuit of its objectives.

The application of GRICAF is tailored to each Group subsidiary according to the size, complexity, local operating conditions and regulatory environment of the business. This proportional application ensures that risk management remains practical, embedded and fit for purpose, while common standards provide the consistency needed to compare and aggregate risk profiles across the Group.

We apply the IIA's three lines model (The Institute of Internal Auditors, 2020) to support clear accountability, oversight and assurance. This is aligned with sound risk governance practice, including the Institute of Risk Management's emphasis that risk management is everyone's responsibility and should be embedded in how the organisation is governed, managed and assured. Operating units form the first line and are responsible for owning and managing risks as part of day-to-day business activities. Central risk and compliance management functions form the second line. They are responsible for risk management policies, standards, and infrastructure, as well as oversight and constructive challenge of first-line conformance. Under the Group's combined assurance model, assurance activities are coordinated across the lines to support appropriate assurance coverage and reduce unnecessary duplication. Group Internal Audit, as the third line, provides independent assurance, while management assurance and compliance monitoring provide additional assurance and oversight from functions with varying degrees of independence from operating units.

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 sound 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 RCAT

Principal risks

The main risk types across the Group are referred to as principal risks. The Principal Risks Policy and the individual Group Principal Risk Frameworks define the Group's risk management and control system. The Principal Risks Policy sets out the risk types and the roles and responsibilities associated with managing the principal risks, while the individual Principal Risk Frameworks describe the requirements, controls and practices specific to each principal risk. These Group risk frameworks are adopted and, where necessary, adapted by Group subsidiaries to ensure alignment with Group standards while remaining appropriate to each entity's size, complexity, operating context and regulatory environment.

GPROs are appointed senior executives who are accountable at Group level for the governance, oversight and continued development of the relevant principal risk. Subsidiary principal risk owners ("PROs") are appointed executives within each subsidiary. They are accountable for the management, oversight and reporting of the relevant principal risk within that subsidiary, in line with the adopted and, where necessary, adapted Group risk frameworks. For each principal risk, a formal risk and control framework outlines the risk management system, including relevant key controls ("KRIs") and thresholds, and roles and responsibilities. Governance requires reporting on each principal risk at least quarterly, covering the risk profile, emerging trends and red flag areas.

There are currently 15 identified principal risks. The Principal Risks Policy and the identification of principal risk types are reviewed periodically to ensure they remain appropriate to the Group's strategy, operating environment and evolving risk profile. These are reported on in more detail from page 15.

Our regulatory context for risk

How Capricorn Group strengthened regulatory governance by responding to evolving requirements in Namibia and Botswana. Outlines progress in regulatory compliance and preparedness for emerging regulatory developments that support the Group's resilience and long-term strategy.

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 under 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. The implementation of the Basel III capital framework has since been completed and is fully effective.

Bank of Namibia published a determination ("BID-6A") on Basel III Liquidity Requirements for Domestic Systematically 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 Basel III liquidity requirements have been implemented, with banking institutions required to comply with the applicable LCR and NSFR requirements as prescribed by the determination.

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:

- LCR: The LCR became a regulatory requirement effective December 2025. Bank Gaborone monitors its LCR compliance monthly through the assets and liability committee ("ALCO"). A submission is made to the Bank of Botswana monthly and quarterly to ensure regulatory compliance.
- NSFR: The NSFR has not yet been introduced as a regulatory monitoring requirement. Current focus remains on strengthening industry understanding and compliance with the LCR, the Bank of Botswana is expected to guide the rollout of the NSFR in due course. We await communication from the Bank of Botswana.
- The Capital Directive (2016 Directive on the Revised International Convergence of Capital Management and capital standards for Botswana (Base II/III)) was revised in December 2025 to align with Basel III requirements. However, the date of commencement/implementation is not yet communicated.

Priorities for 2026 and progress made

In Namibia, banking institutions are required to build up additional capital during periods of rapid credit growth. The new requirements relating to countercyclical buffers ensure that institutions have the resilience to absorb losses and continue lending during economic downturns. This proactive measure helps smooth the financial cycle, mitigates systemic risk, and strengthens confidence in the banking sector's ability to withstand shocks.

In Botswana, the LCR became a regulatory requirement effective December 2025. Bank Gaborone monitors its LCR compliance monthly.

Regional regulatory risk matters

Anti-money laundering and greylisting

In the Namibian jurisdiction, 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 and effectiveness gaps. In response, Namibia enacted extensive legislative amendments, implemented a National Action Plan and strengthened institutional coordination through, among others, the Financial Intelligence Centre ("FIC") and the National Focal Committee. Notwithstanding these proactive measures, the FATF officially placed Namibia under increased monitoring, commonly referred to as greylisting, on 23 February 2024, due to strategic deficiencies in the effective implementation of international standards on AML, CFT and Combating Proliferation Financing ("CPF").

Following the greylisting, Namibia was required to address 13 agreed action items by May 2026. An on-site assessment took place in Windhoek on 23 and 24 April 2026.

At the FATF Plenary held in Paris from 17 to 19 June 2026, the FATF removed Namibia from its list of jurisdictions under increased monitoring. The reasons supporting Namibia's removal include strengthened risk-based supervision and inspections, improved application of preventive measures by financial institutions and designated non-financial businesses and professions, enhanced beneficial ownership transparency, stronger sanctions for non-compliance, increased reporting obligations for legal persons and arrangements, improved cooperation between the FIC and law enforcement agencies, and additional resources, funding and training to strengthen financial intelligence analysis, investigations and prosecutions.

Although Namibia's removal from the FATF grey list is a positive development expected to strengthen investor confidence, support correspondent banking relationships and reduce enhanced scrutiny over time, continued vigilance remains required. Namibia will need to sustain the effectiveness of the reforms through ongoing supervision, enforcement and cooperation with ESAAMLG.

As at the date of this report, Namibia remained included on the European Union's high-risk jurisdiction list, having been added on 10 June 2025. Namibia's FATF delisting has triggered an EU legislative process expected to remove Namibia from the EU's own list by year-end, pending a European Parliament vote.

In Botswana, AML/CFT/CPF developments are also expected to remain a key regulatory focus in anticipation of Botswana's scheduled mutual evaluation by ESAAMLG in January 2027. The evaluation will assess Botswana's technical compliance with the FATF Recommendations and the effectiveness of its AML/CFT/CPF framework. In preparation, continued focus should be placed on sustaining recent legislative and regulatory reforms, strengthening implementation by accountable institutions, and ensuring that supervisory, enforcement and reporting practices can demonstrate effective application of the framework in practice.

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 DSIBs. The guidelines further provide disclosure requirements, meant to ensure that customers and other key stakeholders are provided with meaningful information about their risk exposure and management of climate-related financial risks. Reporting to the Bank of Namibia commenced at the end of September 2025.

Ministerial review of the Government Payroll Deduction System

The Namibian Ministry of Finance and Public Enterprises, in collaboration with the Bank of Namibia and NAMFISA, initiated a review of the Government Payroll Deduction Management System ("PDMS") to assess whether the system remains relevant, fit for purpose and appropriate in light of its current impact. Pending the outcome of the review, the Ministry imposed a moratorium on the issuance of new payroll deduction codes, excluding statutory deduction codes.

Subsequent Ministry communications and media reports indicated that Government intended to discontinue discretionary payroll deductions from the government payroll and not renew its arrangement with Avril Payroll Deduction Management Company (Pty) Ltd beyond 30 November 2025, with no new voluntary deductions to be loaded and existing loan deductions to continue to be serviced internally by the Ministry until repaid. The Ministry later extended the stakeholder consultation period on the proposed PDMS reforms to 28 February 2026. It confirmed that deduction code holders may continue using the system in the interim, subject to compliance with applicable legal requirements, including the Labour Act, 2007, the State Finance Act, 1991, Treasury Instructions and the Microlending Act, 2018.

Media reporting has also highlighted concerns raised by regulators regarding the integrity of the national payment system, affordability assessments and reliance by some microlenders on payroll-based collection safeguards. In December 2025, the High Court ordered the continued operation of the PDMS and restrained the Ministry from preventing the loading of new deductions, pending determination of the relief sought in proceedings brought by Entrepo Finance. As Entrepo and BW Finance rely on the PDMS for loan collections, these developments continue to introduce uncertainty regarding the future of the mechanism. They may affect the risk profile, collections strategy and business model of the respective subsidiaries.

Regulatory changes in Botswana

The Botswana regulatory environment continues to evolve in areas that are material to Bank Gaborone's prudential, governance, payment-system and operational resilience obligations. The developments highlighted below represent significant regulatory changes that require continued monitoring, implementation oversight and proactive engagement with the relevant regulators to ensure that the business remains appropriately positioned to meet emerging supervisory expectations.

The most significant development is the publication of the Banking Regulations, 2025 on 15 August 2025 under the Banking Act, 2023. These regulations support the implementation of the new banking framework and introduce detailed requirements relating to licensing, mergers and acquisitions, controlling interests, prudential requirements, capital, liquidity management, large exposures, fit-and-proper assessments, outsourcing of internal audit and recovery of administrative penalties.

The Cybersecurity Act, 2025, which was gazetted on 11 November 2025 but has not yet commenced, establishes Botswana's national cybersecurity framework and strengthens regulatory expectations relating to cyber resilience, governance, incident reporting, protection of critical information infrastructure and third-party technology risk management. Management continues to implement initiatives aimed at strengthening cybersecurity governance and operational resilience.

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") directed an external, independent evaluation of the boards, committees, directors, chairpersons and the Group's company secretary. The process included completing an online questionnaire providing personal insights and views on board processes and effectiveness, followed by an in-depth discussion with each director. A detailed report with recommendations was issued and presented to each of the five participating boards of directors and a total of 20 board committees.

The evaluation indicated a satisfactory 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.

Following the publication of IoDSA King V™ Report on Corporate Governance for South Africa, 2025 (King V)[1] on 31 October 2025, management has commenced analysing the 13 principles and the 150 recommended practices, as well as the implications of adopting King V once permitted by the NSX. It was decided to continue reporting and disclosure based on King IV for the 2026 financial year and to aim for adoption of King V in 2027.

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How we govern and manage risk

How Capricorn Group governs and manages risk through a robust enterprise-wide framework that embeds accountability and supports consistent oversight. Details enhancements to risk management capabilities, technology and governance practices that enabled informed decision-making and resilient execution of the Group's strategy.

King V™ reinforces the board's responsibility to govern risk in a way that supports the achievement of strategic objectives, sustainable value creation and responsible corporate citizenship. 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 applicable laws, regulations and voluntary codes, including the governance outcomes and recommended practices contemplated under King V™. The Group is currently performing a gap analysis against the King V™ requirements to identify any enhancements required to its governance arrangements, policies, frameworks and reporting practices.

The board allocates the responsibility for oversight and governance of risk management to the Group board audit, risk and compliance committee ("BARCC"). The Group CEO is the senior executive responsible for implementing a sound risk management framework.

Group BARCC

The BARCC is a Group board committee mandated to oversee audit (combined assurance), risk management, and compliance management, including risk appetite. Oversight of IT risk is deferred to the Group board IT committee ("GBITC"), with relevant matters referred to the BARCC where appropriate. The Group Financial Director ("Group FD"), Group Chief Risk and Compliance Officer, head of internal audit and external auditors attend all BARCC meetings and have unfettered access to the BARCC chairperson and the board. More information about the BARCC mandate and activities is available in the governance report, available online.

The Group Chief Risk and Compliance Officer has delegated authority to:

- Facilitate the recommendation of GPROs and PROs
- Develop appropriate risk and control frameworks for each principal risk

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.

The centralised risk function provides Group-wide risk management infrastructure, including guidance, policies, standards, and tools, to support the implementation of the GRICAF. The function also provides oversight, challenge and assurance over risk management practices across the Group. Subsidiaries remain responsible for the day-to-day ownership and management of risks within their respective businesses, supported by subsidiary-specific risk functions.

Embedding a risk culture

An effective risk culture is fundamental to the successful management of risk within the Group. Our corporate culture provides the foundation for how we manage risk, make decisions and act in line with The Capricorn Way, which encapsulates our common beliefs and desired behaviours. Through the GRICAF, the Group embeds the appropriate understanding of, and attitude toward, risk and risk management at all levels, supporting the Group's strategy, business model, operational practices and processes.

Risk culture is not a standalone initiative; it is reflected in how employees behave, make decisions and hold themselves accountable. Risk is everyone's responsibility, from frontline employees to executives, with each person expected to identify, assess, manage and escalate risk within their operating context while considering the broader impact of their actions across teams, departments and stakeholders.

The Group's Risk Culture Builder Programme targets all employees. It aims to build the awareness, capability and confidence required to make informed risk-based decisions, strengthen accountability and embed risk management into everyday business activities. This is reinforced through continuous learning, collaboration, information-sharing and performance goals that promote transparency and collective learning across the Group.

Priorities for 2026 and progress made

Embedding of our risk culture

The Group is currently at a mid-level 4 (of five levels) risk culture maturity. The Risk Culture Builder Programme is ongoing with communication and training initiatives to improve even further.
The Group's internal voluntary Certified Risk Culture Builder Programme, now in its seventh year, continues to equip volunteer participants with better risk management skills. 36 volunteers from Namibia and Botswana were enrolled in the 2026 programme. We have 37 volunteers enrolled in the 2026/7 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 voluntarily. Risk culture building goals and objectives were included in employee performance assessments for all employees since the start of the programme, and updated guidance materials were published at the start of the current performance review cycle.

Technology and data

Under banking regulations, stress testing remains a key Pillar 2 requirement and an important tool for assessing the resilience of the Group's banking subsidiaries under plausible adverse conditions. Integrated stress testing has been embedded for Bank Windhoek, enabling the bank to assess risk impacts across product portfolios, the balance sheet and income statement in a more connected and forward-looking manner. Enhancements to the stress testing model are in progress to support similar integrated stress testing capability for Bank Gaborone, taking into account its business profile, regulatory context and available data. The Group also initiated an assessment of conformance with the sound principles for risk data aggregation and reporting. Although the associated Basel principles, including BCBS 239, are not currently regulated in Namibia or Botswana, the assessment has informed planned improvements to risk data governance, aggregation and reporting.

Priorities for 2027

Operational risk management enhancement

The review of the Operational Risk Management Operating Model was completed during 2026 and resulted in a revised operating model that centralises the ORM function at Group level. The revised model is intended to strengthen Group-wide oversight of operational risk, provide clearer accountability, and support more consistent application of ORM policies, standards and reporting requirements across subsidiaries. It also enables more practical and proportionate support to subsidiaries in embedding operational risk management practices within their respective operating contexts. The focus for 2027 will be to embed the centralised ORM function and ensure that the revised operating model is effectively implemented across the Group.

Governance, Risk and Compliance ("GRC") system enhancement

The Group aims to enhance the system capability that supports operational risk management across the Group. This includes assessing options to improve the consistency, efficiency and visibility of operational risk information, including operational risk events, key controls, KRIs, action plans and emerging risk themes. The aim is to reduce reliance on manual processes and enable more effective monitoring, reporting and oversight of operational risk information for management and governance purposes.

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.

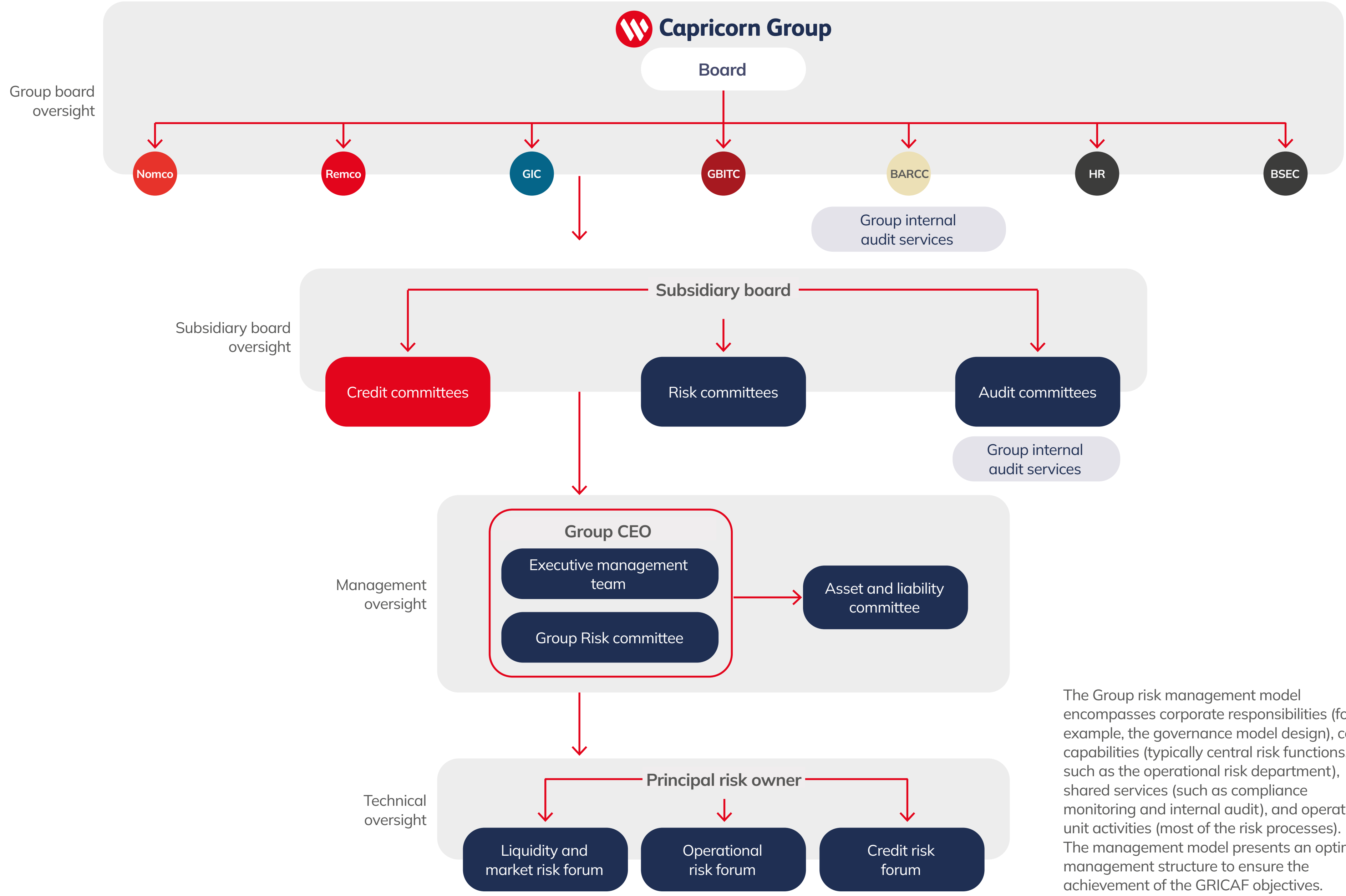
The GRICAF processes and enabling infrastructure allow us to proactively identify and act on risks and opportunities that may impact the Group's strategic actions. The GRICAF target maturity level is one of dynamic risk management. A dynamic maturity level is characterised by continuous improvement of 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 Group's banking subsidiaries assessed the Basel risk-type frameworks 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 quarterly 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 and internal audit), 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 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 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 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 statements were reviewed, updated and approved in alignment with the approved budget.

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. It 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 fairly and transparently and, therefore, has no appetite to deviate from the commitments made to customers
- The Group has no appetite for deviations from approved King IV Principles 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

Risk management enablers

Enablers of a dynamic risk management system		
Technology The Group has deployed technology to support its risk management activities in addition to the inherent risk management functionalities in business systems. Dedicated systems support each risk management function. ERM has a rich data environment that is continuously being enhanced and expanded.	**Group risk committee and GPRO role** The Group risk committee is an executive-level committee with membership of subsidiary heads 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 every quarter. The Group risk committee fulfils its oversight role through rigorous discussion of the aggregated risk profile and the 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 2026.	**Centres of expertise** 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.

2026
Group risk profile

An overview of Capricorn Group's principal risks, showing a stable overall risk profile within the Group's risk appetite. Summarises the status and outlook of our key risk categories and how each risk is managed to support strategic objectives and growth.

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 risks, 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 2026 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	Stable	Not assessed	In progress
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

Improving	The risk profile improved during the year.
Stable	The risk profile remained largely unchanged over the year.
Deteriorating	The risk increased during the year.
Red	The risk has exceeded the board risk capacity and appetite thresholds.
Amber	The risk is within appetite and closely monitored due to its proximity to the board risk capacity and appetite thresholds. For some risks, this could indicate an optimised risk/reward relationship.
Green	The risk is comfortably within appetite, and, for certain principal risks, this could indicate a capacity for more risk-taking.

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.

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

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.

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, informed by the ICAAP and including readiness for potential strategic interventions.

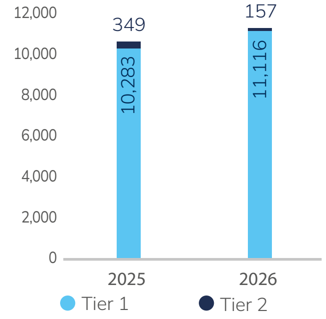
Capricorn Group	RAG status		
Descriptor	Red	Amber	Green
Regulatory capital adequacy compared to minimum regulatory capital adequacy ratio of 12.5%	<14.5%	14.5% – 15.0%	>15.0%

The Group and its banking subsidiaries remained adequately capitalised in terms of local regulations throughout the reporting period. Additionally, banking subsidiaries remained adequately capitalised in terms of the ICAAP, while non-banking subsidiaries remained adequately capitalised according to their respective requirements.

Key risk indicators

Key regulatory capital figures for Capricorn Group	2026	2025	Variation
Tier I ratio	**19.2%**	17.5%	1.7%
Total capital ratio	**19.4%**	18.1%	1.3%
Leverage ratio	**13.9%**	13.8%	0.1%
Tier 1 (N$'million)	**11,116**	10,283	8.1%
Tier 2 capital (N$'million)	**156**	349	(55.3%)
Total capital (N$'million)	**11,272**	10,632	6.0%
Risk-weighted assets (N$'million)	**58,011**	58,731	(1.2%)

Total capital – Capricorn Group (N$'million)



Priorities for 2026 and progress made

The Group maintained a capital adequacy ratio well above regulatory requirements, providing a strong buffer to support growth and strategy execution, while also absorbing potential shocks. This robust capital position supported resilience amid weakened economic conditions in Botswana.

Outlook

In 2026, the Group further strengthened its capital position despite a special dividend paid in October 2025. The capital outlook for 2027 remains stable, supported by strong financial performance, a resilient balance sheet, and capital levels well above regulatory requirements.

Residual risk

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

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 programme, which aligns with the revised Generally Accepted Compliance Practice ("GACP") issued by the Compliance Institute of Southern Africa ("CISA"). The programme is maintained across all subsidiaries, appropriately 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.

A board-approved Group Compliance Monitoring Plan guides monitoring and assurance activities. 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 programme 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/CFT/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 proactive compliance.

Priorities for 2026 and progress made

During 2026, the Group strengthened compliance risk management through improved AML reporting, with GoAML reporting stabilised in Namibia and Phase 2 enhancements foreseen in Botswana to further strengthen data quality, governance, and reporting processes.

Compliance monitoring capabilities were successfully embedded in Botswana, with a formal annual compliance monitoring plan approved and implemented to support structured oversight and assurance activities.

Group compliance standards aligned to the revised GACP were finalised and approved, strengthening consistency across the Group's Compliance Risk Management Framework.

In addition, enhanced compliance reporting standards were developed and approved, improving the quality, consistency, and transparency of reporting to subsidiary management and board risk committees, including BARCC.

An external assurance and quality assessment of the Group compliance function was completed, confirming that the function "Generally Conforms" to the GACP framework and achieving a maturity rating of Level 3 – Established.

In parallel, the Compliance Risk Management Framework was updated to incorporate objective KRIs, strengthening risk profiling capabilities and supporting more proactive and data-driven management of compliance risk across the Group.

Priorities for 2027

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

The Group continues implementing enterprise-wide customer reverification programmes to strengthen KYC practices, enhance data integrity, and ensure sustained compliance with regulatory expectations across all jurisdictions.

Framework and assurance

Focus during 2027 will be on addressing the targeted improvement areas identified through the external assessment. This will include strengthening the effectiveness and consistency of monitoring activities, enhancing integration of compliance risk management into business processes, and advancing a more proactive, risk-based compliance approach across the Group.

In parallel, priority will be placed on the full embedment and operationalisation of the revised Compliance Risk Management Framework, including the implementation and calibration of objective KRIs.

GRC system enhancement

A formal Request for Proposal ("RFP") process was initiated during the period to assess whether the Group's current GRC system remains fit for purpose and capable of supporting evolving operational, regulatory and digital requirements. This initiative aims to enable a more integrated, automated, and scalable GRC capability, improve governance visibility, reduce manual processes, and strengthen regulatory compliance and assurance across the Group. During the next period, focus will be placed on concluding the evaluation process and obtaining the necessary governance approvals to progress towards possible implementation of a preferred solution.

Outlook

Regulatory scrutiny is expected to intensify in 2027, particularly in the area of AML/CFT/CPF compliance, in light of the upcoming mutual evaluation of Botswana by ESAAMLG in January 2027. Namibia's exit from the FATF grey list during the June 2026 FATF plenary underscores both the progress achieved and the need for sustained focus to maintain these outcomes. Ongoing compliance with outsourcing regulatory requirements in Namibia, alongside steady advancement in the implementation of the Data Protection Act in Botswana, further highlights the evolving regulatory landscape. Read more about regional regulatory developments on page 46 of the integrated annual report.

Residual risk

Compliance risk remains at a moderate level (Amber with a stable trend), reflecting elevated regulatory exposure amid ongoing challenges and heightened supervisory scrutiny. This positioning is driven by an increasingly dynamic regulatory environment, particularly in areas such as data protection and AML/CFT/CPF compliance. The Group's structured issue remediation process continues to drive the timely resolution of findings, reinforcing a proactive approach to compliance management and sustained 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 challenging economic environment across its key markets, characterised by varying growth dynamics, recent inflationary pressures and evolving credit conditions in both Namibia and Botswana.

In Namibia, the operating environment was characterised by easing inflation, lower interest rates and low economic growth, supported by continued investment in the mining sector and improved agricultural conditions. The Bank of Namibia reduced the repo rate from 6.75% to 6.5% during the financial year, although by the end of the financial year, the repo rate was increased by 25 basis points. Commercial banks were also required to lower the margin between the repo rate and prime lending rates by a cumulative 25 basis points during the period under review. Despite the more accommodative interest rate environment, credit risk remained high, and pressure was most pronounced in the retail segment, driven by high living costs and rising utility expenses.

In Botswana, economic conditions remained challenging, with the economy contracting amid a prolonged downturn in the diamond sector, which continued to weigh on business activity and consumer confidence. Inflation accelerated during the year, prompting tighter monetary conditions and increasing pressure on household affordability and debt-servicing capacity. Credit risk was further influenced by Foot-and-Mouth Disease outbreaks, which placed additional strain on agricultural borrowers and related sectors.

Risk appetite

The 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).

Credit Transformation

The Group continued to advance its Credit Transformation Programme, aimed at unlocking operational efficiency, enhancing data-driven decision-making and improving the overall client experience. The programme focuses on reducing manual interventions, simplifying credit workflows and enabling greater automation across the end-to-end credit lifecycle to support more consistent and timely credit decisions.

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.

Governance oversight

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

Key risk indicators

Key regulatory credit risk figures	2026 (June)	2025 (June)	Variation
NPL as a percentage of gross loans and advances (%)	**5.63%**	4.70%	0.93%
IFRS 9 stage 3 provision/specific impairment provision (N$'million)	**1,228**	1,217	0.9%
Impairment charges in income statement (N$'million)	**457**	315	45.1%

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

Priorities for 2026 and progress made

Digitisation and automation

- Completed the design of the end-to-end credit ecosystem future state to support targeted digitisation and automation of credit processes
- Developed a new-to-bank automated lending workflow for personal loans

Customer support and business rescue

- Developed and implemented a formal framework within the Business Turnaround Manual to guide the proactive and timely disposal of assets for distressed clients
- Strengthened early intervention and recovery strategies to support sustainable turnaround outcomes, improve recovery prospects and enhance support for clients experiencing financial distress

Strengthened credit risk management

- Expanded credit analytics for early-warning identification through Significant Increase in Credit Risk ("SICR") models
- Enhanced collateral risk management through the strengthening of collateral governance frameworks, standards and monitoring practices to improve risk oversight and support prudent lending decisions
- Integrated data-driven models to enhance decision-making and efficiency

Priorities for 2027

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

Digitisation and automation

Continue with: Developing and implementing automated credit approvals and pre-approvals.

- The phased credit transformation journey, progressing from future-state design into technology enablement and structured implementation of selected credit products and journeys
- Use AI to strengthen tracing capabilities and arrears management engagements

Strengthened credit risk management

- Strengthen credit risk management in Botswana to stabilise NPLs
- Enhanced collateral risk management by implementing tools to enable automated verification of insurance status and collection of premiums

Enhanced Customer Risk Profiling

- Strengthen customer/segment risk profiles, enabling improved risk differentiation, proactive identification of emerging risks across segments, and improved risk-based pricing

Outlook

Pressure on arrears and impairments is expected to persist, particularly in the retail segment and sectors facing heightened vulnerability, such as diamond mining and agriculture. Credit risk in the agricultural portfolio remains exposed to adverse weather conditions, including potential impacts from an elevated El Niño event, which could negatively affect production and cash flows. In addition, outbreaks of Foot-and-Mouth Disease could disrupt livestock markets, reduce export earnings and further weaken the repayment capacity of affected borrowers. The potential impact of rising inflation and increasing interest rates is anticipated to pressure repayment ability on the credit book.

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

Residual risk

The risk profile reflects a moderate level of risk with elevated uncertainty (Amber), driven by persistent pressures in the retail segment, vulnerabilities within the diamond and agricultural sectors and exposures to external shocks. While the operating environment remains challenging, the risk 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 the failure, unauthorised access, or misuse of its information systems and data assets. It includes the potential for operational disruption, reputational damage, or data compromise arising from cyber threats.

How we mitigate this risk

Cyber risk remains inherently high and continues to evolve in complexity, driven by increased digital adoption, interconnected systems, and the rapid advancement of emerging technologies. Financial institutions remain key targets, with threat actors leveraging automation and AI to scale and enhance attack techniques.

The Group maintains a strong focus on cyber resilience, supported by ongoing board oversight and an enterprise-wide Cyber Resilience Programme that continues to enhance the maturity of cyber capabilities. The programme is adaptive and designed to respond to emerging threats, including increasingly sophisticated and targeted attacks.

Cybersecurity strategy, governance and standards

The Group's cybersecurity strategy is aligned to internationally recognised frameworks, including ISO 27001 and 27002, the National Institute of Standards and Technology Cybersecurity Framework ("NIST CSF"), Payment Card Industry Data Security Standard ("PCI-DSS"), and applicable regulatory requirements.

The strategy is operationalised through a structured Cyber Resilience Programme and Cyber Risk Framework, aligned to the five NIST CSF functions: Identify, Protect, Detect, Respond, and Recover. Cyber risk is embedded within the ERM framework and is monitored through regular reporting to executive and board-level risk committees. This includes oversight of KRIs, control effectiveness, and progress on strategic initiatives.

Incident response and reporting

The Group maintains a formal Computer Security Incident Response capability, enabling the timely detection, containment, and response to cyber incidents. Incidents are reported through established governance channels, with material events escalated to board-level committees should they occur. Post-incident reviews are conducted to strengthen controls, improve response effectiveness, and enhance overall resilience.

Human capacity and awareness development

Cyber resilience is supported through continued investment in people and skills development. The Group maintains a structured training programme for cybersecurity professionals, complemented by a Group-wide awareness programme aimed at strengthening user vigilance against evolving threats such as phishing, social engineering, and fraud. Simulation exercises and targeted interventions are used to measure and improve employee readiness.

Cyber insurance coverage

The Group maintains cyber insurance aligned to its risk profile as part of its broader risk mitigation strategy.

Key risk indicators

- External cyber posture (e.g. exposure management and internet-facing defences) – Improving
- Internal cyber posture (e.g. endpoint protection, identity and access management, vulnerabilities) – Improving
- Third-party cyber posture (e.g. supplier risk management and assurance) – Improving
- Aggregation of cyber metrics (e.g. detection and response effectiveness, user awareness outcomes) – Improving

Governance oversight

Cyber risk is overseen at board level by the GBITC and BARCC, with additional oversight provided through management-level risk and governance structures across the Group.

Priorities for 2026 and progress made

The Group continued to advance its cyber resilience capabilities by strengthening detection and response effectiveness, enhancing security monitoring and analytics across key platforms, and expanding resilience testing across critical systems. In parallel, third-party risk management was further deepened, while increased focus was placed on integrating automation and intelligence-driven capabilities within the cyber defence environment.

Priorities for 2027

Looking ahead, the Group will continue to enhance its cyber capabilities through the adoption of AI-powered cyber defence.

Outlook

The cyber threat landscape is expected to intensify, driven by the increasing use of AI by threat actors, the growth in digital platforms, and rising geopolitical and financial motivations for cybercrime. The Group remains focused on maintaining a resilient and adaptive cyber capability, supported by ongoing investment, governance, and continuous improvement.

Residual risk

Residual cyber risk remains rated as amber with an improving trend, reflecting the continued maturity of controls and resilience capabilities. However, the dynamic nature of cyber threats requires sustained vigilance and investment.

Environmental risk

Environmental risk refers to the potential financial and non-financial impacts arising from environmental factors, dependencies or transition dynamics. These risks may affect the Group's counterparties, suppliers, operations, collateral values, funding access or reputation. Environmental risk is treated as a driver of existing principal risk types, including credit, operational, market, liquidity, compliance, legal, reputational and strategic risk.

How we mitigate this risk

The Group Environmental Risk Management Framework provides the foundation for managing environmental risk across Capricorn Group and its subsidiaries. The framework reflects relevant local voluntary climate-related risk management guidance, stakeholder expectations and the Group's exposure to material physical and transition risks.

The framework establishes a phased and proportionate approach to identifying, assessing, monitoring, managing and reporting environmental risk. Implementation is aligned to each subsidiary's business model, exposure profile, materiality and local regulatory context.

Bank Windhoek and Bank Gaborone remain the primary focus areas due to their lending and investment activities. Where reliable data is available, climate risk heatmaps and dashboards are used to assess physical and transition risk by sector, concentration and time horizon, and to identify priority sectors and counterparties for further review.

Group and subsidiary PROs oversee quarterly reporting, consolidation and escalation of material matters through existing governance structures. Standard reporting templates, guidance and training support consistent implementation and interpretation across the Group.

Environmental risk considerations are progressively being incorporated into credit, operational, investment, stress testing and risk appetite processes where material and practically feasible. More detailed physical risk assessment, scenario analysis, residual risk assessment and risk appetite metrics will be developed in phases as data quality and internal capability mature.

Key risk indicators

The Group has not yet embedded formal environmental KRIs into the Group Risk and Control Assessment Tool or Risk Appetite Framework. Interim monitoring is performed through heatmap-based reporting, including exposure to High and Extreme climate vulnerability sectors, priority sector concentration, counterparty concentration and movements in physical and transition risk exposure.

The next step is to formalise a limited set of practical KRIs, thresholds or escalation triggers where climate-related financial risk is assessed as material.

The Group recognises that environmental risk is broader than climate risk and may include climate change, biodiversity and ecosystems, water and marine resources, resource use, pollution and waste. For the current implementation cycle, the Group is prioritising climate-related financial risk, given the relative maturity of regulation, data, methodologies and stakeholder expectations.

Governance oversight

Environmental risk is governed through the Group's existing risk structures, including Group RiskCo and BARCC. BSEC retains oversight of sustainability-related matters relevant to its mandate. Subsidiary EMTs and risk committees oversee local implementation, with subsidiary PROs responsible for maintaining local reporting and escalating material matters.

The GPRO for Environmental Risk coordinates the Group framework, reporting approach, methodology guidance and Group-level consolidation. Subsidiary PROs remain responsible for local implementation, data coordination, dashboard updates, commentary and reporting to their respective governance forums.

Priorities for 2026 and progress made

The Group has adopted a phased approach to environmental risk management, moving from framework development and initial capability building in 2025 to more structured implementation and reporting in 2026. The table below summarises the progress achieved and the priorities that will guide further integration.

Focus area	2025, inaugural phase	2026, progress achieved	2027 and beyond
Framework and governance	Group Environmental Risk Management Framework introduced, with initial roles assigned to Group and subsidiary PROs.	Annual framework review completed, with clearer accountability, proportional implementation and reporting responsibilities.	Maintain the annual review cycle and refine requirements as regulation, data and capability mature.
Risk assessment and tools	Physical risk maps, transition risk scorecards and sector heatmaps introduced.	Climate risk dashboards and heatmaps used to assess physical and transition risk across sectors, concentrations and time horizons.	Progress toward more granular physical risk assessment, residual risk measurement and mitigation tracking.
Reporting and oversight	Early-stage reporting aligned with the framework initiated.	Standardised quarterly subsidiary reporting introduced, with Group consolidation and escalation through existing governance structures.	Improved reporting quality, evidence of mitigation and action tracking.
Risk integration	Initial integration into credit, operational and investment risk processes commenced.	Environmental risk considerations are progressively being incorporated into relevant risk and business processes, where material and practical.	Further embed environmental risk into credit, investment, operational, stress testing and risk appetite processes.
Metrics and scenario analysis	KRIs, risk appetite metrics and environmental stress testing approaches were designed.	Practical metrics, thresholds and scenario analysis approaches are being refined, supported by training and implementation guidance.	Embed KRIs into the Group RCAT and test proportionate climate stress scenarios, including ICAAP alignment where material.

Conclusion

The Group has made clear progress in establishing governance, assessment tools and reporting processes for environmental risk. The next phase will focus on improving data quality, strengthening risk measurement and embedding environmental risk more consistently into existing business and risk management processes.

Outlook

Environmental and climate-related risks are expected to become increasingly relevant over time as physical climate impacts, evolving stakeholder expectations, regulatory developments and market transitions reshape the operating environment. These risks include water scarcity, drought, energy security challenges and changing weather patterns, which have the potential to affect economic activity and portfolio performance within the Namibian and Botswana economies. The Group's immediate focus is to build practical, decision-useful capability, starting with climate-related financial risk and prioritising physical risk where it is most relevant to its operating environment.

The Group will continue to improve data quality, reporting, materiality assessment, residual risk analysis, risk appetite integration and scenario analysis in a phased manner. Beyond strengthening risk management, these capabilities will support a deeper understanding of sustainability-related risks and opportunities, enabling the Group to identify and respond to emerging commercial opportunities that create long-term value.

Residual risk

Residual risk has not yet been formally assessed. Refer to page 60 of the Group integrated report for more information.

Finance and tax risk

Financial reporting 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 financial reporting and tax. 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:

- Clear and formal 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 executive management and board audit committees and boards of directors on a separate and consolidated basis.

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 before submission and payment. Where complex tax matters arise, external tax specialists are consulted. Additionally, tax professionals conduct periodic internal and external audits 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 KRIs.

Governance oversight

Monthly risk reporting is submitted to management risk committees, with consolidated quarterly reporting to the Group risk committee and the Group BARCC to support oversight of financial reporting and tax risk across the Group.

Priorities for 2026 and progress made

The Group implemented an enhanced accounting platform, first used during the 2026 financial year for the 30 June 2025 annual and 31 December 2025 interim financial statements. The system improved efficiency, strengthened data integrity, and reduced reliance on manual processes, lowering the risk of human error. The platform will be further extended to management and board reporting to enhance consistency and governance.

Outlook

The Group anticipates the introduction of dividend taxes in Namibia in the near future, alongside a reduction in the corporate income tax rate to 28%.

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. Intra-Group 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

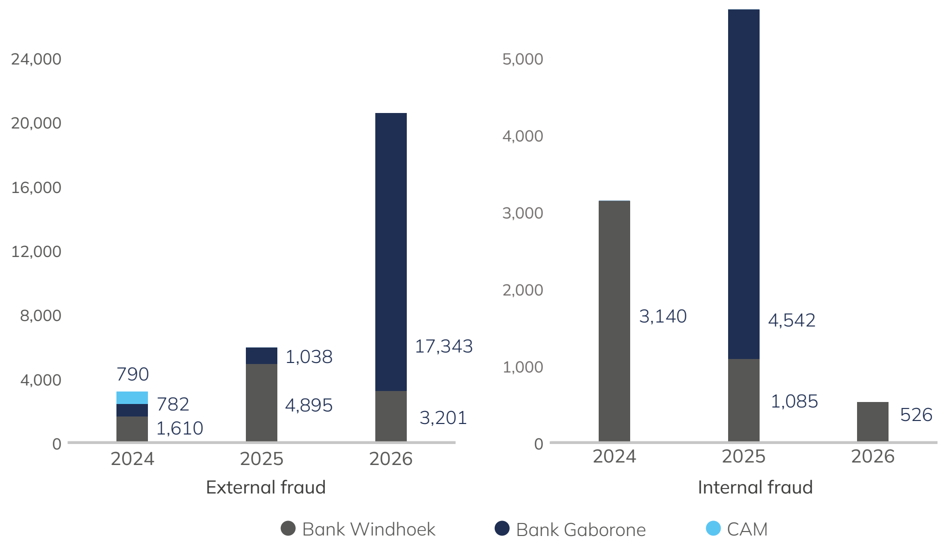
- Monitor internal controls in high-risk areas
- Raise employee awareness through training and communication
- Track internal fraud trends

External crime

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

Key risk indicators

Net losses due to financial crime (N$'000)*



* *The Bank Gaborone financial crime amounts for FY2024 and FY2025 have been restated to reflect the correct currency conversion from BWP to N$.*

Priorities for 2026 and progress made

Concluded enterprise-wide external independent financial crime risk framework assessments, to identify opportunities to strengthen the risk and control environment further.

Evaluated how we organise ourselves to prevent and combat financial crime and identified changes which would strengthen our capabilities.

Completed ethics training across the Group, reinforcing a sound risk culture and continued awareness of expected ethical conduct.

Priorities for 2027

Continue embedding the enhancements identified through the independent fraud risk assessment.

Further enhance KRIs in line with recent regulatory assessment findings to strengthen the objectivity, consistency and effectiveness of financial crime risk monitoring and reporting.

Implement enhancements to our operating model to improve our capability to prevent, detect and respond to the evolving financial crime risk landscape.

Prioritise the procurement of a proactive fraud detection and prevention system to strengthen the Group's ability to detect, prevent and respond to financial crime across products, services and customer interaction channels.

Outlook

Financial crime risk continues to evolve, driven by increasingly sophisticated, syndicated fraud, accelerated digitalisation of products and services, and the growing use of AI to enable more complex and rapidly executed criminal activity. These developments are reshaping the Group's inherent risk profile in both magnitude and speed of execution. Continued focus on implementing enhancements to the Fraud Risk Framework, including strengthening KRIs, enhancing fraud detection capabilities, and improving our operating model, will support the Group's resilience in 2027.

Residual risk

Residual financial crime risk is assessed as Amber, reflecting a medium risk outlook in light of the continued prevalence of financial crime and increasing levels of criminal activity in the external environment. While the risk remains elevated, financial crime losses have mostly remained within quantitative appetite over the past three years, apart from Bank Gaborone recording an increase in the current period that exceeded its quantitative appetite threshold, indicating a broadly stable trend.

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 Legal Risk Framework supports the Group Principal Risks Policy by describing how legal risk is managed across the Group and by setting minimum standards of internal control. Each subsidiary is required to manage legal risk in line with the framework, as localised for its nature, scale, scope, sophistication and legislative environment. 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, supported by minimum control objectives and metrics embedded through the risk process:

Legal documentation	Ensuring that legal documentation is enforceable as intended, contains appropriate protection mechanisms and is drafted in accordance with applicable laws, regulations and legal principles. Standard legal templates are approved by the legal function, published on a central repository and used consistently, with vendor contracts monitored for legal soundness, renewal and secure storage.
Litigation	Monitoring and managing civil litigation, claims and alternative dispute resolution processes, including arbitration and mediation, to support appropriate outcomes for the Group and to manage legal proceedings and associated costs effectively.
Legal advice	Ensuring that decisions are based on valid legal principles, that legal advice is obtained through the mandated legal function, and that approved external legal service providers are used where required. Legal functions are expected to have sufficient capacity and expertise to support legal requests effectively.
Intellectual property	Maintaining appropriate processes for identifying, registering, protecting and centrally managing intellectual property in accordance with Group principles and policies.

Priorities for 2026 and progress made

During 2026, the Group Legal Risk Framework was reviewed and amended to ensure continued alignment with the Group Principal Risks Policy, the legal risk appetite statements, and the minimum control requirements applicable across subsidiaries. The amendments clarified governance expectations, refined the articulation of key legal risk drivers and control objectives, and reinforced the requirement for appropriate localisation across the Group's operating entities. In parallel, an assessment of the legal operational system was conducted as planned, with no material deficiencies identified.

Priorities for 2027

A review of the Technology supporting the legal process did not identify any material deficiencies. A decision will be made during 2027 whether to explore an updated system. Standard customer legal documentation is continually being reviewed as required.

Outlook

Legal risk is expected to remain within appetite, supported by defined legal risk appetite assertions and continued oversight through subsidiary and Group governance structures. No adverse litigation trends have been identified that require remediation; however, potential litigation arising from Competition Commission matters may materialise depending on the outcome of submissions currently under consideration.

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, localisation principles and governance practices.

Liquidity risk

Liquidity risk is inherent in the Group's business. It is defined as the risk of failing to meet payment obligations when they fall due, replace funds when they are withdrawn, repay depositors, and 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 the 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 proactively monitored using a comprehensive suite of quantitative and qualitative early warning indicators embedded within the framework. The indicators are reviewed regularly to align 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 in the market
- The balance between long-term and short-term funding requirements in the Group
- The adequacy and immediacy of access to committed funding lines
- Compliance with regulatory liquidity thresholds and ratios
- Regional macroeconomic and market dynamics
- The strength and diversification of depositor relationships

To bolster resilience, Capricorn Group maintains a buffer portfolio of liquid assets. It 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.

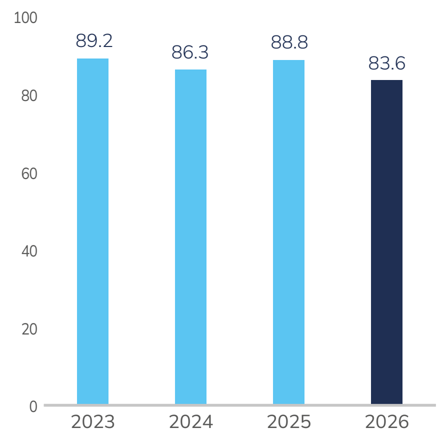
Both banking subsidiaries conducted externally facilitated liquidity stress testing simulation exercises during the first half of the financial year. These simulations were completed successfully and provided valuable insights into the strengths and weaknesses of liquidity management under stressed conditions. The outcomes are being used to further enhance contingency planning and response actions. The simulation also confirmed that the N$1 billion contingency funding facility is appropriately sized. The Group retains the flexibility to increase the facility in future if required.

Despite economic headwinds, liquidity risk was well managed. Bank Windhoek maintained strong liquidity, supported by favourable market conditions in Namibia. In contrast, the Botswana market faced tightening liquidity since December 2024. Bank Gaborone management implemented a focused initiative to strengthen liquidity during the 2026 financial year. Having met our liquidity objectives, the trade-off was an increase in the cost of funding. Liquidity levels at Bank Gaborone remain strong, with a near-term focus on reducing the cost of funding.

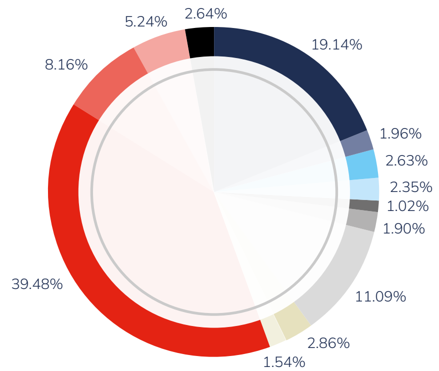
Read more about liquidity risk in note 3.4 in the annual financial statements from pages 62 to 66.

Key risk indicators

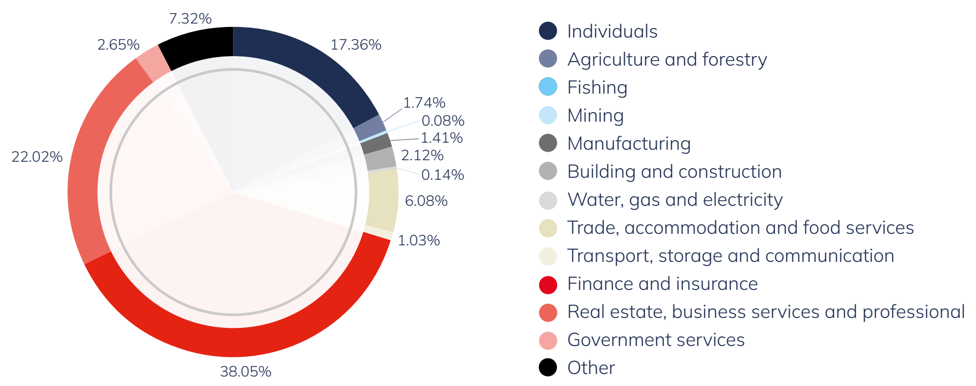
Loan to funding ratio (%)



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, and risk committees. At the Group level, oversight is maintained through the Group ALCO, the Group risk committee (a management-level forum), and the Group BARCC, which receives quarterly updates on liquidity risk exposures, trends, and mitigation strategies.

Priorities for 2026 and progress made

- Despite tightening liquidity conditions in Botswana, Bank Gaborone improved its liquidity position within approved risk appetite limits and did not require activation of the Group's contingency funding facility. The higher liquidity levels ensured operational continuity in a constrained environment, albeit at an elevated cost of funding that put pressure on net interest margins.
- In Namibia, funding costs remained well managed, supported by an improved depositor mix that helped protect margins, particularly in a declining interest rate environment.

Priorities for 2027

Across both jurisdictions, the Group will continue to focus on optimising funding costs in response to evolving market conditions, particularly within a lower interest rate environment, while further reducing concentration risk associated with top depositors. Specific emphasis will be placed on lowering Bank Gaborone's cost of funding, while maintaining liquidity levels within the approved Risk Appetite Framework.

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, a favourable funding environment was experienced over the financial year. 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, while protecting net interest margins.

In Botswana, the Group is cautiously optimistic that liquidity conditions may improve. The focus is currently on reducing the cost of funding and improving net interest margins, while maintaining liquidity within the board-approved thresholds.

Residual risk

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

Market risk

Market risk represents the potential for losses arising from adverse movements in market conditions that affect the value of financial instruments and on- and off-balance sheet exposures. The bank manages this risk proactively across both the banking and trading books.

The key risks managed under market risk are:

- **Interest rate risk** is the main risk managed by the bank and arises from changes in interest rates, mismatches in repricing dates, shifts in the shape of the yield curve and basis risk arising from imperfect correlation between the asset and the hedge. The banking book has the largest exposure to interest rate movements, with limited exposure in trading books.
- **Currency risk** or foreign exchange risk arises from fluctuations in exchange rates between currencies. The banks have limited open positions in the currency markets.
- **Commodity price risk** arises when market prices of commodities fluctuate unpredictably. The bank holds no open positions in commodities.

How we mitigate this risk

Interest rate fluctuations globally and locally can have a large impact on the profitability of the bank if the risks are not adequately monitored, managed and hedged. The net interest margin within the banking book, being the difference between the return received on loans and investments, and the cost of liabilities, is the key metric to determine the effectiveness of interest rate risk management. Namibian interest rates are strongly correlated with those of South Africa, mainly due to the Namibian dollar's currency peg to the South African rand. The bank prices loans predominantly off Namibian rates, such as prime or mortgage lending rates, while pricing of liabilities is strongly correlated with movements in the South African yield curve. The spread between the Namibian repo rate and prime rate was reduced by 25 basis points to 350 basis points in line with other CMA economies, which also impacted the interest rate margin in the banking book.

Basis risk arises from using these different base rates, as they are not perfectly correlated. Hedging bank exposures using South African benchmark rates such as Jibar specifically increases the basis risk. The transition from Jibar to the new ZARONIA benchmark by the end of 2026 is being actively managed to ensure minimal impact on the bank's market risk. The increase in the Botswana policy rate, without allowing for an increase in banks' prime rates, introduced additional basis risk into the market as funding costs increase without the ability to reprice loans.

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 sub-committee, guides discussions on the global and local economic climate in conjunction with an analysis of the latest yield curves to reach a consensus on the most likely interest rate scenario for the months ahead.

The liquidity and market risk forum, another ALCO sub-committee in Bank Windhoek, consists 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 KRIs 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 balance sheet exposures by considering the following:

- Actual market information
- Market expectations on the state of the local economy (central government borrowing plan, central bank reports and economic data reports)
- Expected future monetary policy changes

Market risk is also managed through close monitoring of the limits set out in the Treasury Dealing Limits Policy. Both on- and off-balance-sheet foreign currency exposures are measured against the bank's qualifying capital and reported regularly to ensure risk remains within appetite.

Models and stress testing are used to strengthen understanding of the market risk environment. Foreign exchange positions are managed through stop-loss orders and spot-market derivatives to reduce or hedge unwanted exposures.

Key risk indicators

Maximum duration value, value at risk ("VaR"), currency exposures and interest rate mismatches (behavioural and contractual) are KRIs monitored among others.

Key metrics

Metric	Definition	2026	2025*	Change
IRRBB Sensitivity (±200basis points)	Change in economic value of equity under parallel interest rate shocks	**N$431 million**	N$370 million	16.5%
RWA from market risk	Risk-weighted assets attributed to market risk	**N$529 million**	N$1.05 billion	(49.6%)

* *2025 data has been updated to include BG.*

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 2026 and progress made

The Bank Windhoek Market Risk Framework was reviewed and refined, updating KRIs, thresholds and enhanced controls. The BRCC approved the updated framework. Continued enhancements were made to the Bank Windhoek treasury system, including adding futures as a product, improving real-time market risk management and embedding VaR.

The same treasury solution was successfully rolled out to Bank Gaborone in August 2025.

Priorities for 2027

A commodities module and additional enhancements and products will continue to be rolled out within Bank Windhoek during the 2027 financial year.

Botswana will continue to focus on disciplined pricing practices and strategic balance sheet initiatives to manage and respond to challenging economic environment effectively.

Outlook

Interest rate environment

The Namibian repo rate ended the year unchanged at 6.75%. However, following a reduction in the spread between policy and lending rates, the prime rate of Namibian banks declined by 25 basis points to 10.25%. In Botswana, prime lending rates remained unchanged despite a 3.6% cumulative increase in the monetary policy rate during the year.

Market volatility and inflation outlook

Renewed geopolitical tensions in the Middle East and Ukraine, together with ongoing tariff uncertainty, remain the main drivers of volatility in global commodity and currency markets. Higher oil prices have increased import costs and added to regional inflationary pressures, shifting the interest rate outlook away from further cuts and toward the possibility of near-term increases.

Namibia outlook

Despite these pressures, Namibia's growth outlook remains positive. Oil and gas exploration, green hydrogen initiatives, and continued strength in the mining and tourism sectors are expected to support economic activity. Market liquidity remained relatively high, limiting pressure on deposit rates, although these rates returned to a spread above South African levels in the second half of the year. Yields on Namibian government instruments also widened in some cases relative to comparable South African benchmarks.

Interest rates in Namibia are expected to remain broadly stable over the coming year. At the same time, elevated market liquidity should continue to create opportunities to improve the funding mix and lower the overall cost of funding.

Botswana outlook

Botswana continues to face liquidity constraints, subdued domestic growth, sector-specific vulnerabilities, and an uncertain global environment. The government's transformation programme, aimed at reducing debt and diversifying the economy beyond diamonds into sectors such as mining, agriculture, technology, and logistics, is expected to support recovery over time. However, global inflation and geopolitical uncertainty remain important factors in determining the pace and resilience of that recovery.

Read more about market risk in note 3.3 of the annual financial statements from pages 56 to 62.

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. Continued enhancements and additional modules for ever-changing markets remain a priority. The recent implementation of the system at Bank Gaborone is expected to reduce residual risk further.

Operations risk

This risk relates to the failure to deliver the intended outcome regarding the management of data, business continuity, facilities, physical cash, processes and procedures, payments (including losses due to payment errors or system incidents) and other matters relevant to the day-to-day operations, for example physical security and serving of customers through the Customer Service Centre ("CSC").

How we mitigate this risk

The Group has strategically aligned its Operations Risk Management Framework with GRICAF while continuously implementing appropriate mitigation measures to safeguard business continuity. In recognition of the increasingly interconnected nature of operational risk, the framework explicitly integrates cross-functional dependencies, particularly reliance on IT systems and cyber resilience. These elements are critical enablers of operational continuity and are embedded into 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 Management 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. Operations risk events are captured and analysed to enhance the effectiveness of the control environment and inform the ongoing refinement of the risk mapping and assessment processes. The Business Recovery Plan ("BRP") and Business Continuity Management ("BCM") protocols 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. To this end, annual reviews of the Business Continuity Plans ("BCPs") are undertaken, and testing of critical business unit BCPs is conducted.

Future focus areas include:

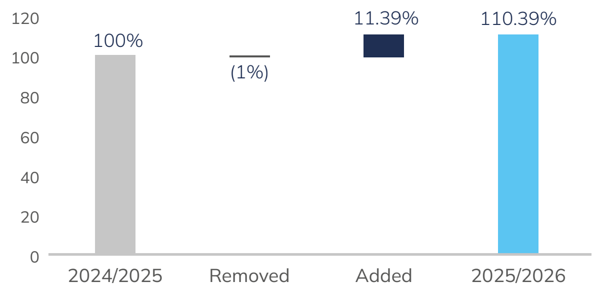
- Instant Payment Programme
- Credit Processes Optimisation
- Branch optimisation
- Improved processes to remove variation and ensure consistent, high-quality service and customer experience
- Customer Contact Centre capability enhancement
- New features and channel growth and migration enabled by the #gobeyond digital transformation programme
- Implement initiatives to reduce the environmental footprint relating to electricity usage and water consumption

Key risk metrics

At a minimum, Group subsidiaries are required to design, implement and maintain controls and metrics in the risk process to address control objectives for all level 2 risks as per the Group Operations Risk Management Framework.

New Group-wide processes were adopted while other processes were removed to retain stable, optimised operations. The Group added 11.39% new processes in 2025/2026. Few processes were removed this year, as efforts focused on introducing or enhancing processes through technology and regulatory or operational changes.

% of processes



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 2026 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.

Business Continuity enhancements 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 33% of branches, 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 helped 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. New features and channel growth and migration enabled by the #gobeyond programme.

- Mitigates competitive risk by enabling channel growth and digital adoption
- Customer attrition risk where services remain branch-dependent
- Operational concentration risk in physical channels
- Execution risk by aligning branch capabilities with the broader digital transformation programme goals

With the #gobeyond programme coming to an end, these measures will continue to be implemented under business-as-usual and any future branch renovations.

Productivity models continue to support performance benchmarking and resource planning. These models continue to prove invaluable in identifying process bottlenecks and establishing clear performance standards, thereby ensuring optimal resource allocation.

A comprehensive future-state design for the 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.

Priorities for 2027

Future focus areas include:

Instant Payment Programme

The following risks and compliance-related issues will be addressed by this initiative:

- Regulatory and compliance risk linked to national payments modernisation and interoperability requirements
- Competitive risk from delayed participation in instant payments
- Financial inclusion and market relevance risk
- Revenue leakage risk from customer migration to alternative payment rails

Credit Processes Optimisation

- Anticipated to mitigate credit risk through stronger decisioning, monitoring and portfolio insight
- Operational risk from manual, fragmented and paper-based processes
- Compliance risk through traceable decision trails
- Customer/competitive risk from slow turnaround times and inconsistent lending experiences
- Branch optimisation
- Improved processes to remove variation and ensure consistent, high-quality service and customer experience

Customer Contact Centre capability enhancement

- Mitigates customer dissatisfaction and complaints risk caused by slow or inconsistent support
- Competitive risk by enhancing this channel into a full-service, AI-enabled capability
- Reputational risk from poor responsiveness
- Operational resilience risk during service peaks
- Improving access to accurate, consistent and timely customer assistance

Branch front office optimisation

- Mitigates operational execution risk in branch processes
- Customer experience risk from inconsistent service and long queues
- Control risk caused by manual hand-offs and unclear ownership
- Channel migration risk where branches remain overloaded with activities better suited to digital or assisted channels

Automated cash services

- Mitigates physical cash handling risk, including fraud and reconciliation errors
- Staff and customer safety risk
- Operational continuity risk from manual cash processes
- Cost and control risk associated with high volume physical cash handling and servicing

Outlook

We will continue to enhance the 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 Management Framework, we expect a forward-looking stable trend. Automation and AI are expected to play an increasingly significant role in shaping the future of banking operations. As digital solutions, advanced analytics and AI-enabled tools continue to evolve and become more accessible, organisations will be able to achieve greater operational efficiency through the automation of routine processes and enhanced access to data that manual workflows have traditionally constrained. This transformation will enable more timely, accurate and data-driven decision-making across the business.

The ongoing digitisation of business processes will extend beyond operational efficiencies to fundamentally influence the control environment and risk management framework. As processes become increasingly automated, risk identification, monitoring and mitigation capabilities will become more integrated, proactive and responsive. This evolution will strengthen the management of operational risk through improved data quality, enhanced visibility and more sophisticated risk insights.

At the same time, the adoption of digital solutions and autonomous technologies will require the Group to reassess how governance, controls and oversight mechanisms are designed and implemented. Effective guardrails, monitoring frameworks and accountability structures will be critical to ensure that automated and AI-driven processes operate within defined risk tolerances, regulatory requirements and ethical standards. Maintaining robust oversight of technology-enabled processes will remain a key priority as the digital landscape continues to evolve.

The increasing reliance on technology will also drive demand for a workforce with strong digital, data and technology competencies. As organisations accelerate the adoption of both legacy automation and AI-enabled solutions, building capability in technology risk management, data governance and digital controls will become essential. Developing these skills across the Group will support the sustainable implementation of innovation while ensuring that emerging risks are effectively identified, managed and mitigated.

Residual risk

The risk is regarded as moderate (amber) with a stable trend. Our digitisation programme and new payment rails continue 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
Talent: Skills, hiring and retention of critical talent.	This includes hiring the right people, developing their skills, and managing performance, while retaining talent through rewards and growth opportunities and addressing skill gaps through succession planning and regular assessments
Execution: Risk of performance failures or human error.	This risk can be mitigated by implementing clear procedures, providing adequate training, and strengthening oversight and quality controls to reduce errors and improve execution consistency.
Capacity: Risk of insufficient workforce availability or over-reliance on key individuals.	This includes effective workforce planning, cross-training employees, and reducing dependency on key individuals through succession planning and knowledge sharing.
Culture: Risk of misalignment with Group values or disengagement.	This requires promoting clear values and behaviours, strong leadership, and employee engagement initiatives to ensure alignment and commitment across the organisation.
Industrial relations: 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.	By enforcing clear codes of conduct, strengthening ethical leadership, promoting open communication, and implementing fair performance, discipline, and grievance processes to manage behaviour and workplace conflict, we strive to mitigate this risk.
Wellness: Risk of reduced productivity or increased absenteeism due to mental, physical, or financial stress.	By promoting employee well-being through support programmes, fostering a healthy work environment, and providing access to mental, physical, and financial wellness resources to reduce stress and absenteeism.

Key risk indicators

Annual turnover rates

Turnover remained low at 7.74%, below the international financial services industry benchmark range of approximately 8% to 14% and within the Group's people threshold. This demonstrates the effectiveness of the Group's people practices and supports workforce stability and business continuity, reflecting effective retention and engagement strategies.

Internal promotion rates

At 11.64%, internal promotions highlight our strong focus on developing and advancing internal talent through succession planning and growth initiatives. This is significantly higher than the average annual promotion rate across industries, which is approximately 6% according to SHRM benchmarking data.

Completion of mandatory learning

Completion stood at 85.6% on a target of 75%. Although participation exceeded the target, action plans are underway to boost participation through targeted communication and more efficient tracking.

Engagement survey scores

Remained consistent at 83%, and the "fully engaged" score remained unchanged at 55%. The score compares favourably to the international financial services industry median of approximately 74%, reflecting a highly engaged workforce and a strong organisational culture.

Grievance case volumes

Zero grievance cases moved past ground-level discussions, reflecting stable employee relations. Each case is reviewed to address root causes and reduce recurrence.

Disciplinary case volumes

14 cases progressed to a hearing, and six cases are ongoing or resigned pending disciplinary enquiry or a warning issued.

Overtime hours per employee (averaged)

Overtime costs averaged N$1,669.59 per employee who worked overtime during the financial year, which is within acceptable parameters. Ongoing monitoring is maintained to safeguard employee well-being and effectively manage workload demands and associated overtime expenditure.

Governance oversight

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

Priorities for 2026 and progress made

- Strengthened the organisational, talent investment and leadership frameworks, including standardised succession processes, talent reviews, assessments and updated competency frameworks aligned to current and future needs
- Expanded young talent pipelines by appointing five new graduates, offboarding the first graduate cohort, placing eight graduates in the graduate retention pool, and onboarding a new cohort of 15 Emerging Bankers
- Reinforced an inclusive, values-led culture through Group-wide performance development principles, targeted DE&I campaigns, line-leader training, ethics awareness and policy implementation
- Enhanced the employer and young talent brand through campus activations, career fairs, Career Starter weeks and an internal brand audit
- Refined The Capricorn Way by strengthening the Group purpose, brand values and behaviours to support a shared culture of being Connectors of Positive Change
- Built leadership capability through nano-learning, executive thought leadership, focused leadership sessions, knowledge-sharing forums, a leadership masterclass for 183 middle managers and the LeadersConnect platform

Priorities for 2027

- Improve our employer brand through targeted brand campaigns
- Continue to focus on leadership development with the introduction of an academy
- Strengthen leadership capabilities by implementing a mentorship programme
- Continue with nano learning initiatives
- Further 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 Group advances its strategy and transformation agenda, People Risk will continue to be shaped by talent competition, evolving workforce expectations, technology change and economic and regulatory pressures. Focus will remain on attracting, developing and retaining critical talent, building workforce capacity and capability, sustaining a values-driven culture, maintaining constructive employee relations and supporting well-being and resilience.

Emerging trends such as specialised skills shortages, workforce mobility, digitalisation and automation may increase risks relating to retention, execution capacity, culture, engagement and wellness. The Group is enhancing People Risk indicators to identify emerging risks earlier, support timely interventions and inform decision-making. Continued investment in leadership development, talent management, succession planning, well-being and culture initiatives will support resilience and sustainable performance.

Residual risk

People risk remains acceptable (Green) with a stable trend. The results inform this assessment of Risk and Control Self-Assessments, internal assurance activities, audit outcomes, and regular reporting on key people risk indicators. These assessments indicate that key controls across the Talent, Execution & Capacity, Culture, Industrial Relations, and Wellness (our People Risk category's level 2 risks) risk areas are operating effectively, with identified gaps and improvement opportunities being actively managed through agreed action plans.

Ongoing oversight of critical talent retention, succession planning, workforce capacity, organisational culture, employee relations, and wellness initiatives continues to strengthen the control environment. The planned enhancement of People risk metrics and KRIs is expected to further improve the Group's ability to identify emerging risk trends, enhance management responsiveness, and maintain People risk within acceptable levels.

Reputation risk

Reputation risk is the risk that the Group's conduct, decisions, service delivery, stakeholder relationships and communication could adversely affect trust in Capricorn Group and its subsidiaries. This may result in regulatory scrutiny, litigation, financial loss, reduced customer confidence or erosion of stakeholder support. Reputation risk exposure is present across the Group, particularly in public-facing activities, media engagements, digital channels and matters involving customers, employees, regulators and communities. The Group has no appetite for conduct that places its reputation at risk.

How we mitigate this risk

Reputation risk is managed through the Group's Reputation Risk Framework, which sets out the core elements of reputation risk management, including stakeholder engagement, media monitoring, crisis communication, escalation protocols and defined roles and responsibilities. The Framework is embedded across the Group's entities and supports a consistent approach to identifying, assessing, managing and reporting reputation-related exposures.

The board has approved a qualitative risk appetite statement for reputation risk. Responsibility for monitoring and managing reputational risk falls with the PRO for each entity, supported by the Group principal risk owner ("PRO") for Reputational Risk. Potential reputational risk events are identified, monitored and escalated through established governance structures. The Group PRO oversees the Group's reputation risk profile. It reports to the Group risk committee, while also maintaining and enhancing the Reputation Risk Framework and providing entity PROs with guidance, best practices, case studies and crisis management support. Given the increasing risk of reputational impact due to cyber-related incidents and financial crime, the Group maintains close collaboration between brand, communication, risk and cyber risk functions. The Group maintains coordinated awareness, preparedness and response to cyber fraud, online impersonation, misinformation, social media activity and other digital risks that could affect stakeholder confidence.

The Group mitigates reputation risk by:

- Monitoring compliance with the Group's brand manual (visual identity guidelines) and brand endorsement strategy across all entities, supported by regular training on any updates to the visual identity guidelines
- Conducting customer satisfaction surveys, dipstick brand audits and stakeholder engagement assessments to monitor brand health, customer experience and stakeholder perceptions
- Implementing the Group's brand and communication strategy to address risks and opportunities through brand and stakeholder research
- Reviewing and testing the Group's crisis communication plan annually to strengthen preparedness and response capability
- Implementing and enhancing the Group's strategic stakeholder engagement plan, informed by ongoing stakeholder feedback and engagement outcomes
- Enhancing internal reputation risk awareness with a focus on cybersecurity risks
- Monitoring the Group and subsidiaries' online presence across traditional and social media channels to identify emerging issues and shifts in public sentiment
- Appointing and communicating approved spokespersons for the Group and subsidiaries each year
- Rolling out fraud awareness campaigns to educate employees and customers on vishing/phishing, impersonation scams and other forms 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

- Media and social media sentiment, including the percentage of negative, neutral and positive coverage
- Number and severity of material reputation risk incidents
- Overall customer satisfaction as measured through the annual Determinants of Service Quality ("DSQ") research
- Number, nature and trend of customer complaints
- Percentage of negative media coverage relating to each subsidiary per month

Governance oversight

The Group and subsidiary boards receive reports on material reputation risk matters through the BARCC or the relevant board risk committee. Quarterly reputation risk profiles are prepared for all entities and submitted to the BARCC, supporting board-level oversight of trends, emerging issues, mitigation actions and the effectiveness of controls.

Priorities for 2026 and progress made

- Monitored the effectiveness of the Reputation Risk Framework across the Group
- Bank Windhoek conducted a comprehensive brand audit to assess the perceptions of key stakeholders of the Group and the Bank
- Conducted customer satisfaction surveys (DSQ research) to measure and track the customer experience
- Reviewed and enhanced the Group's Crisis Communication plan
- Launched a comprehensive financial fraud awareness campaign themed "your bank will never" to educate employees and customers proactively
- Strengthened Group PRO oversight of reputation risk management
- Improved entities' compliance with the Group's brand manual (visual identity guidelines)
- Reviewed and enhanced the Group's strategic stakeholder engagement plan informed by ongoing stakeholder feedback
- Developed an ethics communication plan to build a strong ethical culture and increase awareness of ethical behaviour
- Monitored media (traditional and social media) daily to assess any negative reporting on the Group or its entities or any changes in public sentiments towards the Group and its entities
- Maintained close collaboration with the Cyber risk department to build internal cyber risk awareness and support communication protocols for cyber-related incidents
- Expanding the scope of reputational risk to include misinformation and misrepresentation as drivers of reputation risk

Priorities for 2027

- Formal review of the Group's Reputation Risk Framework, including the enhancement of the Framework to incorporate Misrepresentation and Misinformation as drivers of reputation risk
- Based on the enhancements to the Reputation Risk Framework, review the Group's Crisis Communication Plan and crisis scenarios
- Explore the use of AI technology to enhance our media monitoring capabilities
- Maintain focus on educating employees and customers about cyber risks, financial fraud and safe digital behaviour

Outlook

The Group has no appetite for reputation risk and will therefore continue to proactively identify, monitor and manage matters that could affect stakeholder trust. The focus will remain on strengthening media and social listening capability, enhancing crisis preparedness, embedding consistent brand and communication practices and building awareness of cyber and fraud-related risks among employees and customers.

Residual risk

The residual risk profile remains green and stable, supported by an adequate and operating control environment, regular monitoring of media and stakeholder sentiment, established escalation protocols and ongoing crisis communication preparedness.

Technology risk

Technology risk is the risk that strategic technology investments are 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 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, PCI-DSS, the Bank of Namibia Determinations such as Determination on Information Security ("BID-30"), Determination on Cloud Computing ("BID-19"), Determination on Outsourcing ("BID-34") and Determination of the Operational and Cybersecurity Standards within the National Payment System ("PSD-12") and the Botswana Data Protection Act, Cybersecurity Act and Cybercrime and computer-related crimes Act 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 manage technology risks adequately 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 Group PRO for technology risk. The cybersecurity, IT risk, and compliance teams collaborate with the 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.

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.

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
- 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 IT operations capabilities
- Foster a culture of continuous learning through various training interventions, reinforcing our commitment to relentless improvement

Priorities for 2026 and progress made

- Developed effective IT employee retention and key man dependency initiatives. These include capacity building, succession planning and talent development.
- Leveraged architecture frameworks to ensure strategic alignment to data, digitalisation and automation initiatives.
- We continue to expand our digital services and footprint to enhance customer experience and broaden service accessibility.
- We reviewed our operational resilience to keep our services reliable, secure and consistently available.

Priorities for 2027

- We are positioning "Technology at our Core" as a continuation of our data and digital journey, with an increased emphasis on transforming our Group using technology to achieve our strategic objectives
- Strengthening cyber resilience and threat monitoring
- Improving availability and resilience of critical services
- Implementing AI governance, policy and controls

Key risk indicators

- IT systems availability, stability and observability
- Major IT incidents
- Disaster Recovery ("DR") capabilities

More information

Read more about IT governance on page 21 of the governance report.

Outlook

As the Group advances its strategic ambition of embedding technology at its core, rapidly evolving cyber threats, the pace of digital transformation, and advances in technologies such as AI will continue to shape the technology risk landscape. The Group will focus on actively strengthening cyber resilience, actively managing the ethical use of AI, and enhancing the reliability and availability of critical services. Increased regulatory expectations relating to data protection, operational resilience, cloud computing, and AI governance will require ongoing investment to ensure technology remains a strategic enabler of sustainable growth and competitive advantage.

Residual risk

The Group's technology risk profile remains moderate and stable amid a rapidly evolving environment. We are maturing our operational IT disciplines, improving operational resilience, and enhancing our cybersecurity capabilities. While technology advances, evolving threat actors, and increasing digital interconnectivity continue to present new risks, management remains focused on maintaining an effective control environment and proactively managing technology risks to ensure they remain at acceptable levels.

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