



OUR PERFORMANCE SUMMARY FOR 2018



# CONNECTORS OF POSITIVE CHANGE



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

This summary of our 2018 performance provides you with a quick overview of the milestones and challenges that Capricorn Group faced for the financial year from 1 July 2017 to 30 June 2018. When we refer to the group, it includes our financial services operations in Namibia, Botswana and Zambia, as well as the resource centre in Johannesburg. It also includes our performance in terms of investments in Santam Namibia, Sanlam Namibia and newly acquired Entrepo and Nimbus. Our operations are primarily focused on banking, insurance, wealth and asset management, and microfinance.

For our full integrated report, the full financial statements and more detail on all aspects included in this summary, please go to [www.capricorn.com.na](http://www.capricorn.com.na) or make contact with Marc Backhaus on [investorrelations@capricorn.com.na](mailto:investorrelations@capricorn.com.na) or +264 (61) 299 1281.

## Performance summary

Despite Capricorn Group facing a new, low growth economic reality, the group delivered solid results in the past financial year. In this environment, our strategic choices guide us to find opportunity in a regional approach, new products and service offerings, while achieving operational excellence and increasing integration between the entities in the group.

We made several acquisitions to diversify our revenue streams and reduce reliance on interest income.

We continued integration and alignment between the entities in the group. Our foundation is strong: a mature governance framework, embedded risk culture and a performance approach guided by The Capricorn Way.

Bank Windhoek continued to be a resilient performer, with good growth from Bank Gaborone and Capricorn Asset Management. Cavmont Bank's performance was disappointing, however the group has taken the necessary actions to turn this around.

We remain committed to being a connector of positive change and creating opportunities for all our stakeholders to enjoy the benefits of the shared value we are able to generate.

“Following a prolonged period of substantial growth, the group’s results for the last two financial years have been sobering. A stagnant economy and challenging market conditions have rung in a new era for the regional financial services industry: one of stifled growth and reduced returns. We remain positive that the economy will show growth in the medium to long term and that our group will successfully navigate the challenging market landscape until then.”  
– Johan Swanepoel, Group chairman

### TOTAL COMPREHENSIVE INCOME

**+5.9%**  
**to N\$986M**

(2017: N\$931M)

### NET ASSET VALUE

**+11%**  
**to N\$5.6BN**

(2017: N\$5,1BN)

### PROFIT AFTER TAX

**+1.8%**  
**to N\$934M**

(2017: N\$918M)

### CAPITAL ADEQUACY

**15.4%**

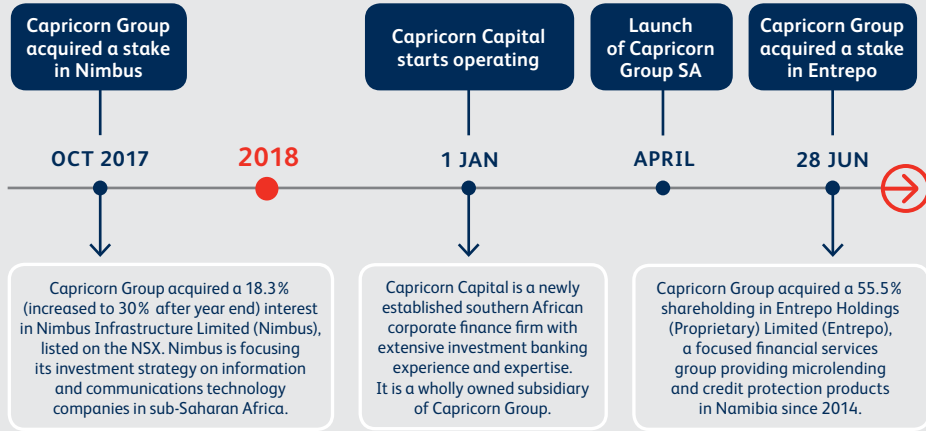
(2017: 16.6%)

### DIVIDEND PER SHARE

**60 CENTS**

(2017: 68 CENTS)

## WHAT'S NEW IN 2018?



The Bank Windhoek EasyWallet, launched in 2017, exceeded all expectations. The e-wallet solution enables customers to send money to any MTC number via a mobile phone. Recipients do not need a Bank Windhoek account and can immediately withdraw cash at any Bank Windhoek ATM or access prepaid services and buy airtime or electricity. The points of presence for cashing out EasyWallets increased to 349 locations in Namibia by the end of the financial year.

“Our key objective is to develop a culture in which leadership and employees work as teams, holding shared assumptions and beliefs about the importance of balancing economic success with social responsibility and environmental accountability.”

– Thinus Prinsloo,  
Group managing director

**IFRS  
9**

We adapted our accounting to be compliant with IFRS 9 from 1 July 2018, which meant that we had to do a significant amount of modelling and analysis to develop a new impairment model, validated by our external auditors.



Bank Gaborone opened a new branch in Kasane, and completed the construction of its new head office which it subsequently moved into during early September 2018. To drive awareness and align with the monolithic brand applied by Bank Windhoek and Capricorn Asset Management, Bank Gaborone rolled out its refreshed branding in September 2017.



The first Capricorn Connector conference was held in March 2018 with 105 employees from four countries. The connectors were identified as key influencers who could create awareness around The Capricorn Way and the AsOne 2020 strategy and play a role in shifting our employee mindset to a more future-focused, open, collaborative and regional approach to the business.



Capricorn Group now has a 55.5% shareholding in Entrepo Holdings (Proprietary) Limited. Entrepo is a focused financial services group providing microlending, life insurance and credit protection products in Namibia since 2014. Its client base consists of government employees and transactions are facilitated by a direct deduction code agreement with government. It offers loans up to N\$50,000 over a minimum term of 12 months and a maximum term of 60 months, as well as insurance products such as death, disability, funeral and job loss protection. Entrepo complements Bank Windhoek's own microlending activities through BW Finance, which focuses mainly on union members.

## WHAT'S NEW IN 2018?



Bank Windhoek increased the language options on its ATM network to eight – making it the first and only Namibian bank to enable transactions in indigenous languages. The introduction of additional languages followed the upgrade of Bank Windhoek's ATMs in November 2017 to align with the new corporate identity, which included modern animated screens to enhance the customer experience.



Bank Windhoek launched a Women in Business offering, which is a targeted package that includes combined personal and business current accounts as well as multiple named savings purse options.



At Bank Gaborone, new Church and Lebandla accounts were developed. The Church account is targeted at churches and designed to resolve their specific bank-related challenges. The Lebandla account is designed for groups.



Bulk payments and collections through Bank Gaborone's e-pula internet banking channel were piloted to offer a hassle-free option for paying multiple beneficiaries.



Bank Gaborone's Rotlhe funeral policy was revamped to increase benefits while maintaining affordable premiums.



We opened a new in-house customer contact centre, providing a 24-hour inbound service for all three banks. This will significantly improve customer service by delivering seven new additional services, first-time call resolution and an outbound sales and social media capability.



We launched The Capricorn Way employee recognition platform. This aims to shape our business culture, unlock potential and recognise exceptional performance. The platform will be rolled out according to two phases and includes formal and informal monetary and non-monetary rewards.

## OUR CHALLENGES IN 2018

Significant challenges this year related to the deterioration in the Namibian economy and the concomitant strain on business growth and loan repayments, as well as the performance of Cavmont Bank, which did not meet expectations.

Bank Gaborone experienced low growth in its customer base, which reduced opportunities for cross-selling, and limited the available funding to invest in technology.

We recognise that Capricorn Group is in a position to bring positive change throughout the region, and are aware of the environmental, social and governance challenges we face.

## OUR CONTEXT IN 2018

Banks continue to reshape their footprints and offerings as they face increased competition from a range of new market entrants, including digital banks, fintechs and institutions offering high-touch and high-tech branch services, e-commerce and telecommunications firms and, in some markets, platform banking providers. Megatrends such as urbanisation, enabling technology and globalisation contribute to changing customer demographics, needs and expectations. Needs range from advice on personal financial options to tools to increase financial literacy, access to infrastructure and a range of convenience expectations. A further megatrend relates to the consumer shift towards personal trust relationships enabled by technology.



# WE CONNECT FOR POSITIVE CHANGE



## Connecting business entities with mutual opportunities

Through funding and technical assistance obtained from the Sustainable Use of Natural Resources and Energy Finance (SUNREF) initiative, Bank Windhoek was able to connect financial institutions and clients to a range of solar and energy projects that will address some of Namibia's long term challenges. These include N\$38 million for a solar plant at Aussenkehr, N\$100 million for one at Trekkopje, close to Arandis, N\$100 million for a wind farm at Namdeb Elizabeth Bay Diamond Mine, close to Lüderitz, and N\$100 million for a solar plant at Okatope, close to Ondangwa.



## Creating connections for support and assistance

Through a new partnership with SPES – a Namibian charity established to help less fortunate children and youth step out of poverty through encouragement, education and support – the group funded infrastructure and facilities that will improve learning environments for children and teachers while creating employee volunteering opportunities.

Through a partnership with Imago Dei, a not-for-profit organisation that aims to bring together the community of needs, with the community of means, Capricorn Group is involved in a number of welfare projects. In addition to financial support, Capricorn Group's Brand and Corporate Affairs team has assisted the Imago Dei team with design, copywriting and events management support. Employees are encouraged to volunteer their time to assist the projects supported by the group under the theme "I am a Changemaker".

Employees joined hands with the Namibia Blood Transfusion Services in its national blood drive to raise critically low levels of blood reserves and educate people about the health benefits of blood donation. During the year under review, employees donated blood 374 times at on-site clinics hosted by our branches to potentially save 1,122 lives.



## Creating relationships through development and information sharing

Capricorn Group hosted a three-part financial journalism workshop where Namibian media practitioners from the broadcast, print and digital disciplines could improve their financial reporting skills. This included insight into interpreting financial data, understanding accounting, technical financial language and following economic trends. The workshop resulted in collaborative information sharing to educate and benefit the group and its media stakeholders.

Our employee survey said:  
 "Capricorn Group employees experience high levels of cohesion, trust and mutual support among team members. They are aware of The Capricorn Way and recognise its impact. Employees understand the vision and strategy of the group."



## Capricorn Private Wealth

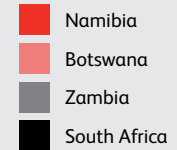
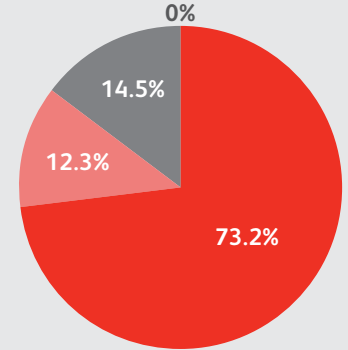
Launched in 2017, Capricorn Private Wealth is a joint offering between Bank Windhoek and Capricorn Asset Management, creating a boutique wealth and investment management experience aimed at high net worth individuals.

To support the Capricorn Private Wealth launch, uniquely branded internet banking and mobile app channels were developed.

Our bancassurance offering has now also been incorporated into Capricorn Private Wealth. Bancassurance includes short-term, long-term and travel insurance, and guarantees.

Following the successful launch of Capricorn Private Wealth, Bank Windhoek launched Visa Gold and Platinum credit cards. The chip-based cards offer online transacting and single-view management of accounts on the bank's electronic banking channels, and can be used globally. Several unique, customised debit cards were also launched.

## Permanent employees



A total investment of close to

**N\$4,5 million**  
 was made in training  
 initiatives, with a further

**N\$3,1 million**

allocated to external bursaries  
 and studies for employees.

## OUR STRATEGIC RESPONSE

In 2017, the board approved the AsOne 2020 strategy, which is based on four strategic choices:



Focus on building and extending the group's foundation in Namibia, Botswana and Zambia.



Explore strategic partnerships in Namibia, Botswana and Zambia.



Develop all-round capabilities in effective strategy execution that improves customer service.



Explore technological/borderless/cyber opportunities that will define banking in the next 10 – 15 years.

All group entities have now aligned their strategies according to the group methodology. This includes centres of expertise strategies.

Through operational excellence, the group is able to build a business that makes a difference to broader society, ensuring that it will be around for generations, while creating a business with a culture that employees identify with and want to be a part of.

The AsOne 2020 strategy roll-out is supported by a new performance development approach, increased communication and the launch of the Connector Programme.

Facilitated by the sustainability and ethics board committee, we selected five social SDGs and one natural capital goal to provide contextual direction for the group's sustainability objectives:



## WHAT OUR STAKEHOLDERS SAY

This year we engaged with a broad range of stakeholders on our material matters: those matters that impact our ability to create value for them. In this process we were able to establish the following:

- we tested our assumptions about what is material to our stakeholders, in terms of robustness, relevance and gaps
- we started building and owning relationships with material stakeholders
- we identified new stakeholder concerns and expectations as well as topics for future engagement

The engagements confirmed that our eight material matters are material to stakeholders, with some refinements and shifts in emphasis. Our matters for 2018 are:

-  Meeting individual customer needs and expectations
-  Fintech, insurtech and evolving digital assets
-  Demands for specialist skills driving focused development, training and diversity initiatives
-  Liquidity, credit risk and regional economic growth prospects
-  Mitigating financial crime, corruption and fraud
-  Environmental, social and governance challenges
-  Enhancing and optimising management and operational systems
-  Responding to a changing regulatory and operating landscape



Customers



Employees



Government and regulators



Shareholders

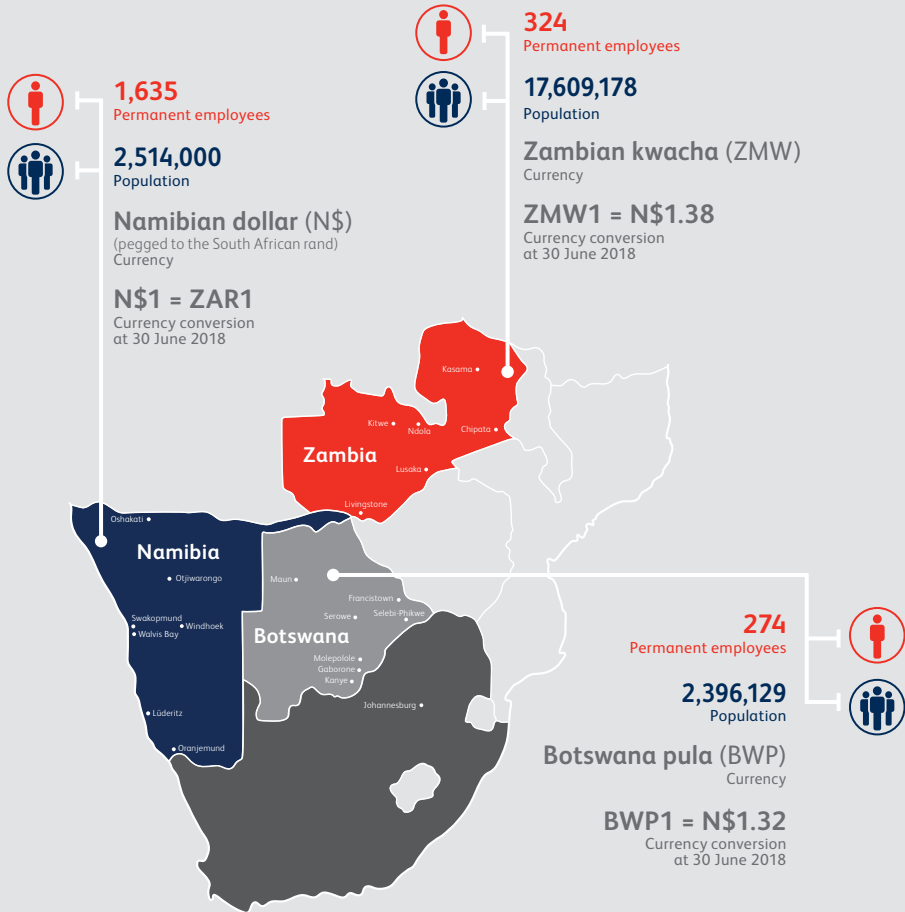


Communities

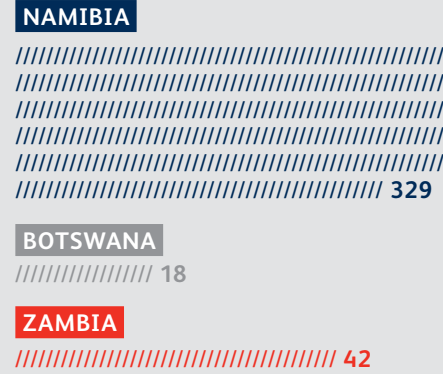


Funders

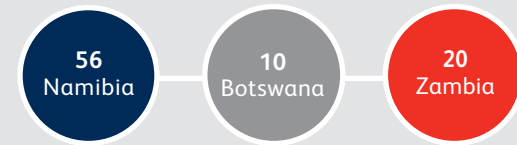
# Geographic footprint



## Total ATMs and Cash Express machines



## Total branches

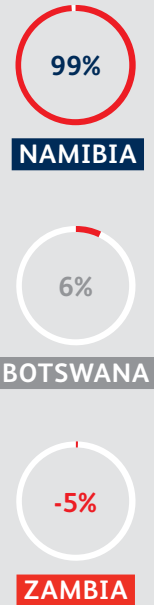


**1.2%**  
 Expected GDP growth for 2018  
**NAMIBIA**

**4.7%**  
 Expected GDP growth for 2018  
**BOTSWANA**

**4.1%**  
 Expected GDP growth for 2018  
**ZAMBIA**

## Contribution to net profit after tax



## FINANCIAL SUMMARY FOR 2018

Statement of comprehensive income (N\$'000)	2018	TREND
Total income (N\$'000)	3,044,065	↑
Operating profit (N\$'000)	1,168,117	↓
Profit for the year after tax (N\$'000)	934,435	↑
Total comprehensive income for the year (N\$'000)	986,240	↑
Earnings per share (cents)	181	↑
Dividends per share (cents)	60	↓
Net asset value per share (cents)	1,099	↑
Return on average equity (%)	17.3	↓
Return on average assets (%)	2.1	↓
Cost-to-income ratio (%)	60.6	↑
Capital adequacy ratio (%)	15.4	↓

## DID YOU KNOW?

- Bank Windhoek, the group's flagship brand, is the largest locally owned bank and the second largest commercial bank in Namibia. Bank Windhoek's scale is evident from its network of 56 branches and agencies, 121 automated teller machines (ATMs) and 228 Cash Express ATMs in Namibia.
- Capricorn Group has two strong shareholders of reference that ensure stability, liquidity and access to capital. They are the GIPF, the largest institutional investor in Namibia with a net asset value in excess of N\$100 billion, and Capricorn Investment Holdings (CIH), the founding holding company of Bank Windhoek, established in 1982.
- Capricorn Group retained its credit rating of AA(NA) and A1+(NA) for the long term and short term respectively with a stable outlook.
- The Capricorn Group share price has increased from its public offer price of N\$8.75 at listing in June 2013 to N\$17.23 on 30 June 2018, thereby achieving a compound annual growth rate of 14.51%.
- Our black economic empowerment shareholder, Nam-mic Financial Services Holdings (NFSH), owns 8% of Capricorn Group. The net asset value of NFSH based on the full value of its investments amounted to N\$1.3 billion at 30 June 2018, making it the most successful and strongest broad-based BEE company in Namibia. More than 93,000 previously disadvantaged Namibian people have enjoyed the benefits of N\$234.7 million distributed as dividends to NFSH since its inception years ago.
- The Capricorn Investment Fund is the largest unit trust in Namibia with N\$7.4 billion under management.



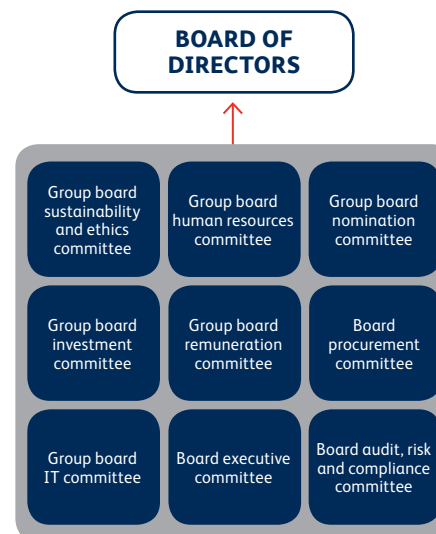


## OUR KEY RISKS AND OPPORTUNITIES

<b>Capital risk</b>	This relates to our implementation of Basel III requirements and the capital impact of IFRS 9. The latter had a material impact on Cavmont Bank.
<b>Credit risk</b>	We maintain tight control over non-performing loans, which is challenging due to the macroeconomic deterioration in the region.
<b>Liquidity risk</b>	Bank Windhoek has proactively implemented expected compliance requirements related to Basel III while stress testing was completed for all three banks and the group.
<b>Market risk</b>	We started implementing a new funds transfer pricing methodology at Bank Windhoek.
<b>Operational risk</b>	An automated governance, risk and compliance (GRC) system was implemented to support dynamic and forward-looking risk management.
<b>Technology risk</b>	Disaster recovery technology is being implemented and group business plans were aligned with the Group IT integrated plan.
<b>Compliance risk</b>	Additional monitoring capacity was created and procedures were reviewed and enhanced.
<b>Legal risk</b>	This relates inter alia to contract management and intellectual property. All historic records were migrated to a new system and automation commenced.
<b>Reputational risk</b>	New policies include Group Media Management and Group Social Media. The Group Reputation Risk Management Framework was enhanced and a Group Strategic Stakeholder Engagement Plan developed.
<b>Investment risk</b>	The investment approach was aligned with stricter mandates implemented in a range of unit trust funds.

## OUR GOVERNANCE APPROACH

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



## GOVERNANCE MILESTONES FOR 2018

The Group Code of Ethics and Conduct policy was reviewed and adapted. We aimed to describe both the ethical values and conduct we expect from employees and non-executive directors in this policy. Ethics involves the core values of the group that serve as the moral foundation for all other rules and policies. Changes were made to the policy to describe in detail the desired ethical behaviour of non-executives, including fiduciary duties, conflicts of interest and duties to display reasonable skills and care.

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Johan Swanepoel, previously vice-chairman of the board became board chairman on 1 July 2017 in line with long-term succession planning.

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Koos Brandt, previously chairman of the board, remains a non-executive director.

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Frans du Toit, previously lead independent director, retired as a director of Capricorn Group at the AGM held on 31 October 2017. He continues to serve as a director on the board of Bank Windhoek Limited and serves on the group board remuneration committee.

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Gerhard Fourie became lead Independent director on 31 October 2017.



Hellmut Gottlob von Ludwiger (50) – Company secretary,  
Dirk Johannes Reyneke (56) – Independent non-executive director,  
John Mueneni Shaetonhodi (69) – Non-executive director,  
Esi Malaika Schimming-Chase (48) – Independent non-executive director,  
Kephas Brian Black (63) – Independent non-executive director,  
Daniel Gerhardus Fourie (60) – Lead independent non-executive director,

Matheus Kristof Shikongo (68) – Independent non-executive director,  
Johannes Jacobus Swanepoel (58) – Non-executive chairman,  
Jacobus Christiaan Brandt (75) – Non-executive director,  
Gida Nakazibwe-Sekandi (65) – Independent non-executive director,  
Marthinus Johannes Prinsloo (47) – Group managing director

“We will continue to invest in opportunities that will enable us to achieve operational excellence and maintain a high-performance culture. Through our strategic choices, the group expects to improve efficiencies, realise cost savings, expand and diversify revenue streams, and manage risks responsibly.”

– Thinus Prinsloo, Group managing director

Two new directors were appointed to the board following regulatory approval early in the new financial year. Heinrich Mihe Gaomab was appointed as a non-executive director from 21 August 2018 and Jaco Esterhuyse was appointed as an executive director from 1 September 2018 in the role of financial director.

# BUSINESS MODEL: CONNECTOR OF POSITIVE CHANGE

As a connector of positive change

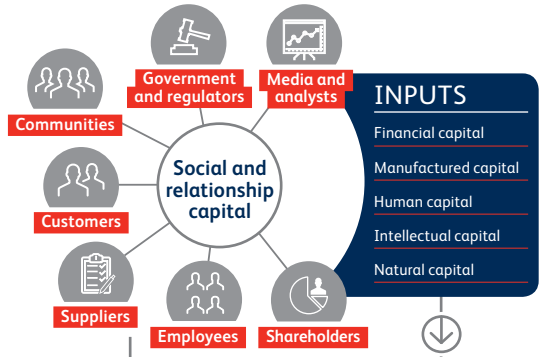
**THE CAPRICORN WAY**

Our purpose  
Our beliefs  
Our values  
Our norms  
Our behaviours  
Our workplace

1. Meeting individual customer needs and expectations
2. Fintech, insurtech and evolving digital assets
3. Demands for specialist skills driving focused development, training and diversity initiatives
4. Liquidity, credit risk and regional economic growth prospects
5. Mitigating financial crime, corruption and fraud
6. Environmental, social and governance challenges
7. Enhancing and optimising management and operational systems
8. Responding to a changing regulatory and operating landscape

### FOUR STRATEGIC CHOICES

1. Focus on building and extending the group's foundation in Namibia, Botswana and Zambia.
2. Develop all-round capabilities in effective strategy execution that improves customer service.
3. Explore strategic partnerships in Namibia, Botswana and Zambia.
4. Explore technological/borderless/cyber opportunities that will define banking in the next 10 – 15 years.



works according to

which create future risks and opportunities. Read more in the outlook statement in the leadership report, our strategic landscape section and the risk and compliance report.

as a way to create competitive advantage through

### OUR CORE CONNECTOR COMPETENCIES

- Enterprise architecture
- Technology
- Relationships
- Institutional and market knowledge

within a context shaped by our material matters and is guided by

to individual and commercial clients, public and private institutions

that determine our requirements for which are applied and transformed by our regional operations

### POSITIVE CHANGE OUTCOMES FOR ALL STAKEHOLDERS

Capricorn Group creates value by being a trusted connector of people, money and opportunities, allowing them to trade, preserve and grow their assets securely over the short and long term.

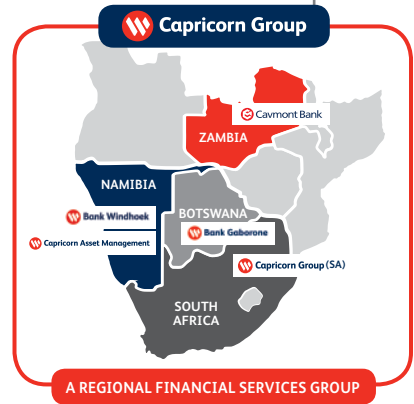
- N\$23.6m** invested in CSR
- N\$959.2m** paid as remuneration to employees
- N\$484.6m** paid as taxes to governments
- N\$516.9m** paid to suppliers for products and services

contributing to while reducing by-products and waste such as waiting time, losses and errors through

**FOCUS ON OPERATIONAL EXCELLENCE**

### OUTPUTS: PRODUCTS AND SERVICES

INVESTMENT AND ASSET MANAGEMENT	BUSINESS AND CORPORATE BANKING
RETAIL BANKING SERVICES	PROPERTY DEVELOPMENT
WEALTH MANAGEMENT AND PRIVATE BANKING	FOREX AND TRADE FINANCE
SPECIALIST ASSET FINANCE	BANK ASSURANCE



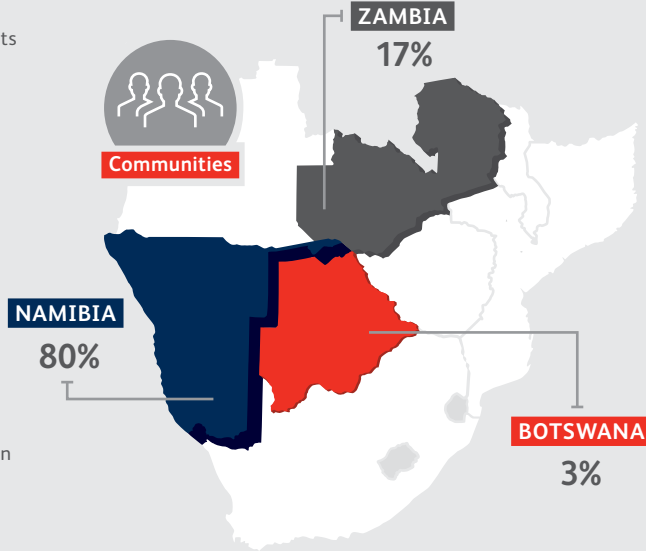
who offer a range of products and services

We are busy mapping the journey from traditional Corporate Social Investment (CSI) to Corporate Social Responsibility (CSR). This included a review of our CSI model against international and local best practices. It also assessed the functioning of our current programmes and the tangible benefits they delivered to all stakeholders, while maintaining a positive impact on business. As a next step, we are formulating a new CSR vision, philosophy and strategy - all to be embodied in a new CSR policy for the group.

## Capricorn Group corporate social investment overview

Our areas of contribution:

- Social Investment Fund projects in line with policy focus areas
- Health
- Consumer education and financial literacy programmes and initiatives
- Employee training and development
- Environmental projects
- Animal welfare
- Sport development
- Arts and culture development
- Agricultural projects
- Poverty and hunger eradication (social welfare)
- Youth development



50%

on employee training,  
development and  
bursaries to students

25.6%

on consumer education  
and financial literacy

9.4%

on sport development

6.4%

on social investment  
fund projects

“We foster a deep passion for inspiring those around us to become catalysts of positive change for themselves, and then for those in their personal spheres of influence.”

– Thinus Prinsloo,  
Group managing director

This summary is based on the full Capricorn Investment Group Limited 2018 integrated annual report which was approved by the board on 4 September 2018.

Any forward-looking statements in this summary report regarding the results and operations of Capricorn Group, involve risk and uncertainty, because they relate to events and depend on circumstances that may or may not occur in the future. These forward-looking statements have not been reviewed or reported on by the group’s external auditors.