'21 INTEGRATED ANNUAL REPORT

Capricorn Group

We are catalysts for sustainable opportunities that bring positive change. We strive to have an organisational culture that encourages exceptional performance, accountability and a strong sense of responsible behaviour. We want to improve lives through leadership in financial services by being Connectors of Positive Change.

A year of positive change

Namibia is home to 2.5 million (2019) people of which almost half rely on subsistence farming. Our country enjoys about 300 days of sunshine annually with a subtropical desert climate characterised by great differences in day and night-time temperatures, low rainfall and overall low humidity.

This year was different. With very few exceptions, the region enjoyed abundant rainfall – the highest since the 2010/11 season. The rain replenished surface and groundwater, provided grazing for livestock and brought lilies to bloom in the desert. Nature restored herself and brought balance, harmony and colour to our landscapes.

For Capricorn Group, this symbolises the start of a positive growth phase following the hardship brought about by the COVID-19 pandemic. We capture this spiral of growth potential in our cover design and throughout the report. It references the sequence in all living things described by the Italian mathematician Leonardo Fibonacci.

About this report

This integrated annual report ("the report") is a reflection on the performance, activities and engagements of Capricorn Group Ltd ("the Group" or "Capricorn Group") to bring positive change during the financial year from 1 July 2020 to 30 June 2021 ("the year"). The report is aimed primarily at providers of financial capital.

The financial and non-financial information contained in this report relates to the entities that constitute the Group, as set out on page 4.

The principle of materiality guided the selection of content for this report. Read more about the process we followed on page 20.

We reviewed and adjusted our reporting suite for conciseness and to package information for specific audiences. As a result, we are publishing standalone reports on governance and risk management, with the full annual financial statements available in a separate download. The 2021 reporting suite consists of the following separate elements (including the frameworks and legislation to which they adhere and comply), all available on our website at http://www.capricorn.com.na/Pages/Reporting-Centre.aspx:

Integrated annual report with summarised annual financial statements	• The International Integrated Reporting Council ("IIRC") Integrated Reporting <IR> Framework, January 2021 • King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™"[1]) • The Namibian Companies Act, 28 of 2004 ("Companies Act of Namibia") • The Namibian Stock Exchange ("NSX") Listing Requirements
Annual financial statements	• International Financial Reporting Standards ("IFRS") • The Namibian Banking Institutions Act, 2 of 1998 • The Botswana Banking Act, 13 of 1995
Risk report	• King IV™
Governance report	• King IV™ • Companies Act of Namibia • NSX Listing Requirements
King IV™ index	• King IV™

Additional information is available online at www.capricorn.com.na/Pages/Reporting-Centre.aspx. For more information or feedback on this report or any other elements listed above, contact Marlize Horn on investorrelations@capricorn.com.na or +264 (61) 299 1226.

Forward-looking information

This report contains certain forward-looking statements regarding the results and operations of the Group, which by their nature involve risk and uncertainty because they relate to events and 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.

Approval of this report

The board sustainability and ethics committee ("BSEC") initiated a formal assessment against the compliance requirements of the <IR> Framework this year. We identified four areas of improvement for this report:

1	Guiding principle: Strategic focus and future orientation Content element: Strategy and resource allocation Read more in the strategy section from page 33.
2	Guiding principle: Stakeholder relationships Read more in the stakeholder section from page 14.
3	Content element: Business model Read more in the business model section from page 36.
4	Guiding principle: Materiality Read more about our material matters and how we define them from page 20.

Our core reporting team works with content owners from functional areas and business entities as well as with Group principal risk owners in compiling the different reporting suite elements. The executive management team approved the information and data contained in the reports. Thereafter, the audit, risk and compliance committee and the BSEC reviewed the elements before submitting them for approval by the board. The board of directors ("board"), which is responsible for the quality and integrity of the reporting suite, including the integrated annual report, approved the elements on 7 September 2021. The board concluded that the reporting suite is presented in accordance with the frameworks and regulatory requirements listed above. Detail of the members of the board is set out on page 63.

Assurance of reporting content

The external auditors of Capricorn Group, PwC, provided assurance on the financial aspects of the reporting suite. Their opinion, available on page 3 of the full annual financial statements, states that the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Capricorn Group and its subsidiaries as at 30 June 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act of Namibia.

Non-financial data contained in the reporting suite was not subject to external assurance. The board relied on the Group Combined Assurance Framework to ensure the integrity of such data and statements.

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Group at a glance

Capricorn Group is a Namibian-owned financial services group listed on the NSX. We have two banking subsidiaries operating in Namibia and Botswana, with other subsidiaries such as Capricorn Asset Management and Entrepo, as well as associates, providing associated and complementary financial products and services.

Our customers range from personal to corporate, and small and medium enterprises in between. Our value proposition is built around customers rather than products or channels. We apply data and digital technology in banking services, products and functionality to enhance our processes and services and thereby address current and future customer needs.

Our Purpose

Improving lives through **leadership** in **financial services** by being **Connectors of Positive Change**.

We improve lives by making a positive difference. We do this by constantly pushing the boundaries through innovation and improvement.

Leadership is the benchmark for everything we do and the way we do everything.

The sector we play in.

Our ambition is to be the undisputed best in delivering offerings with a clear and meaningful difference. Being Connectors of Positive Change is the outcome of our purpose.

What it means to be Connectors of Positive Change

- We connect our customers to products and services that positively impact their lives
- We bring positive change to our communities by being a responsible corporate citizen
- We encourage employee volunteerism through the Changemaker initiatives
- We connect our customers, partners and suppliers with opportunities for growth
- We seek to find innovative ways in which to bring together our customers and their aspirations
- We collaborate with the like-minded to bring about positive change in the countries in which we operate
- We are catalysts of sustainable opportunities

The Capricorn Way

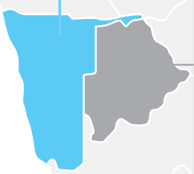
We realise our purpose by making deliberate strategic choices and working according to The Capricorn Way. The Capricorn Way directs us towards positive change and is underpinned by three beliefs:

1. **We believe that**
Purpose Inspires Leadership

2. **We believe that**
Diversity Ignites Quantum Leaps

3. **We believe that**
Being Connected Helps Us Grow

Our footprint



94% of the Group's profit from continued operations attributable to shareholders derives from Namibia. The main contributors are:

Bank Windhoek
66 %

Capricorn Asset Management and Capricorn Unit Trust Management Company
6 %

Entrepo
12 %

Namibian associates
10 %

Botswana through Bank Gaborone
6 %

Our three strategic choices

We will transform our business using data and digital to achieve superior customer experience, lower cost to serve and scalable competitive advantage

We will grow through entrepreneurial action in order to contribute to a sustainable organisation

We will prioritise diversity, equity and inclusivity focusing on race and gender to represent the demographics in our chosen markets, including future-fit leadership, as a catalyst for growth

Our material matters

- Meeting customer needs and expectations
- Enhancing and optimising management and operational systems
- Financial and cybercrime risk management
- Credit risk management and mitigating losses due to bad debt

- Ethical leadership (business and management)
- Demand for specialist skills driving focused development, training and diversity

- Responding to a changing regulatory and operating context
- Fintech, Insurtech, and evolving digital assets

Our stakeholders

Customers
Suppliers
Regulators

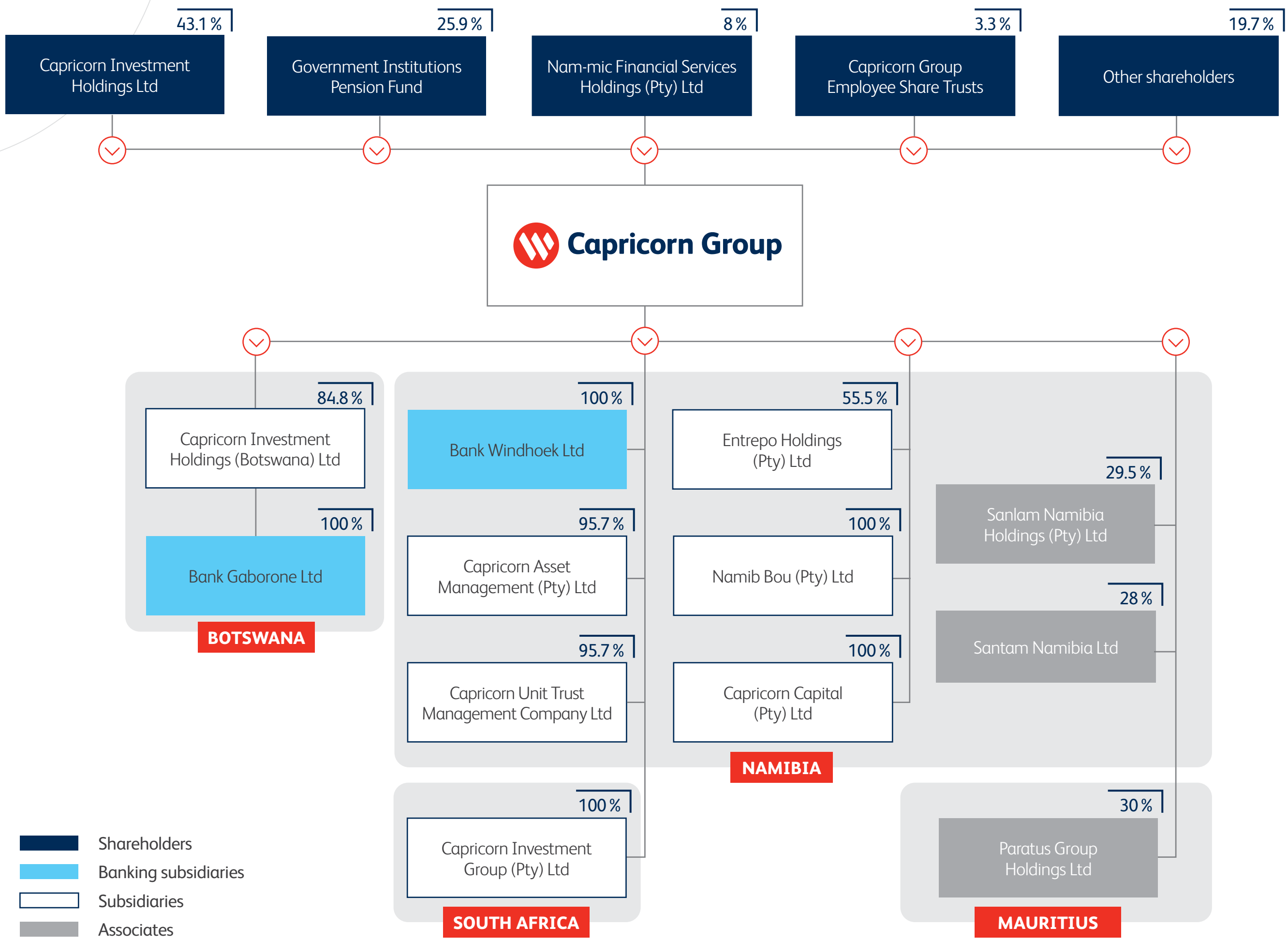
Shareholders
Strategic alliance partners

Communities
Media
Employees
Government

Our principal risks

1. Capital
2. Compliance
3. Credit
4. Finance and tax
5. Financial crime
6. Investment management
7. Legal
8. Liquidity
9. Market
10. Operations
11. People
12. Reputation
13. Strategic
14. Technology

Capricorn group operating subsidiaries and associates as at 30 June 2021



Bank Windhoek

Bank Windhoek is Capricorn Group's flagship brand. It is the largest lender in Namibia and was the first commercial bank in southern Africa to issue green and sustainability bonds. Bank Windhoek is the only bank in Namibia that is a member of the Nasdaq Sustainable Bond Network.

Bank Windhoek offers a wide range of banking products and services covering the personal, corporate, and small and medium enterprises market segments. Our offering includes transactional, investment and lending products, and digital and electronic banking services. A wide spectrum of financial solutions for business clients includes structured finance, working capital finance and tailor-made term financing options.

Bank Windhoek offers a broad selection of treasury services, including money market and foreign currency exchange services. Our international banking services comprise foreign payment products, trade finance and foreign currency accounts.

Bank Windhoek offers bancassurance options that include short-term, life, travel and commercial insurance, and guarantees.

Bank Windhoek's private banking offering is provided through Capricorn Private Wealth, a joint venture between Bank Windhoek and Capricorn Asset Management ("CAM"). Capricorn Private Wealth caters to the affluent market's banking, wealth, insurance and investment needs.

Bank Windhoek received two accolades from the International Business Magazine Awards in 2021. Managing director ("MD") Baronice Hans was awarded the Best Banking Chief Executive Officer of the Year in Namibia, and Bank Windhoek was selected the 2021 Best Corporate Bank in Namibia. Bank Windhoek has also been named the Best bank in Namibia award for two consecutive years by PSG Namibia.

Bank Windhoek was named the Best Bank for Corporate Investment Services in Namibia in 2021 by the London-based Global Banking & Finance Review®. Brand Africa also named Bank Windhoek the Most Admired Local Financial Services Brand 2021.

Head office: Windhoek, Namibia
MD: Baronice Hans
Date of establishment: 1982

Contribution to Group profit from continued operations
59 %
(2020: 66 %)

Number of permanent employees
1,609
(2020: 1,639)

Number of ATMs in Namibia
144
(2020: 137)

Number of branches in Namibia
56
(2020: 55)

Bank Gaborone

Bank Gaborone is a client-centric bank in Botswana. Bank Gaborone operates through a highly relevant, convenient and responsive network of people and channels that enables opportunities to be created, financed, transacted and secured. Bank Gaborone has a network of 12 branches and 18 ATMs nationwide, offering financial solutions across a full range of banking and related financial services.

Through Bank Gaborone's diversified business units, we offer a tailored financial services offering to different market segments, including:

- Personal and business banking to individual clients and small and medium-sized enterprises ("SMEs"), including transactional products, mortgage lending, card products, vehicle and asset finance
- Wholesale banking services to clients, including governments, parastatals, larger corporates and financial institutions
- Bancassurance including short and long-term insurance
- Digital banking, including internet banking, mobile app and SMS banking, bulk payment services, ATMs and point-of-sale ("POS") devices

The bank increased its market share by 1.1% over the past three years to 7.5% this year.

Head office: Gaborone, Botswana
MD: Sybrand Coetzee
Date of establishment: 2006

Contribution to Group profit from continued operations
6%
(2020: 5%)

Number of permanent employees
298
(2020: 305)

Number of ATMs in Botswana
19
(2020: 16)

Number of branches in Botswana
12
(2020: 12)

Number of BG Finance offices
2
(2020: 2)

Capricorn Asset Management

Capricorn Asset Management ("CAM") is a Namibian-owned asset manager offering a wide range of investment products and services across the risk spectrum to retail, corporate and institutional investors as well as financial intermediaries and their clients. CAM is one of the largest asset managers in Namibia, with more than N$31.8 billion of assets under management ("AUM").

The *Capricorn Unit Trust Management Company Ltd ("CUTM")* was established in 2000 with the launch of the Capricorn Selekt Fund. CUTM's latest market share is approximately 31.7% with 13 unit trusts covering all major asset classes, including cash, bonds, property, equity and international equities. CAM is the asset manager and administrator of all Capricorn Unit Trust funds.

CAM aims to meet the investment needs of individual investors, financial advisers, businesses and institutional investors including pension funds and insurance companies. CAM's offering includes wealth services, in addition to investment advisory, financial planning, estate planning and fiduciary services. It manages investments covering all major asset classes in markets around the world.

Capricorn Private Wealth, a combined offering of CAM and Bank Windhoek, focuses on servicing the needs of the affluent market segment of the Capricorn Group in one integrated offering.

CAM is a registered Linked Investment Service Provider ("LISP") and provide easy access via CAM Online to the full range of Capricorn Unit Trusts and selected funds from other third party unit trusts.

CAM, as a registered Unlisted Investment Manager, manages the *Caliber Capital Trust* which is an approved unlisted special purpose vehicle in terms of Part 8 of the Pension Funds Act, 24 of 1956. It enables CAM to provide Namibian pension funds and other institutional investors with an alternative to unlisted equity investments to diversify risk. *The Caliber Capital Fund* invests in Namibian companies that aspire to the aims of the Harambee Prosperity Plan II and Vision 2030, which include job creation, import replacement, and industry and infrastructure development. The Fund has provided in excess of N$300 million of aggregated funding since its launch.

Head office: Windhoek, Namibia
MD: Tertius Liebenberg
Date of establishment: CUTM 2000 and CAM 2006

Contribution to Group profit from continued operations
6%
(2020: 5%)

Number of permanent employees
46
(2020: 45)

Value of AUM
N$31.8 billion
(2020: N$31.3 billion)

Entrepo

Entrepo is a focused and innovative financial services group, providing lending and credit protection products to government employees in Namibia. Its business activities are conducted through two separate legal entities regulated by the Namibia Financial Institutions Supervisory Authority ("NAMFISA"): Entrepo Finance (Pty) Ltd, a registered micro lender, and Entrepo Life Ltd, a registered long-term insurer.

Entrepo's tailor-made products are simple and clear, competitively priced and provide comprehensive and suitable benefits to the chosen target market. Entrepo Finance is a responsible lender and accepts loan applications that are considered against clear and unassailable rules regarding affordability and minimum take-home pay. Entrepo Life offers credit protection, including death, disability, funeral and job loss protection benefits.

Head office: Windhoek, Namibia
Chief executive officer: Leonard Louw
Date of establishment: 2014

Contribution to Group profit from continued operations
20%
(2020: 19%)

Number of permanent employees
39
(2020: 36)

More information about our associates is available online:

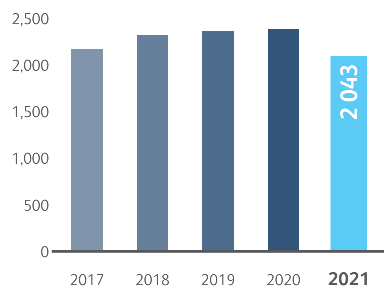
Paratus Group Holdings Ltd: www.paratus.africa
Sanlam Namibia Holdings (Pty) Ltd: www.sanlam.com/namibia
Santam Namibia Ltd: www.santam.na

Five-year review

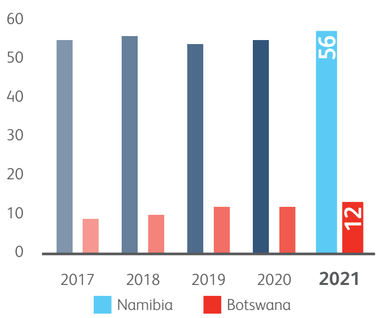
Statement of Comprehensive Income (N$'000)	2017	2018	2019	2020	2021
Total income	2,647,682	3,044,065	3,492,357	3,505,610	3,731,214
Operating profit	1,194,679	1,168,117	1,325,772	1,300,362	1,290,531
Profit after tax	917,621	934,435	1,015,299	856,412	983,027
Total comprehensive income	931,055	986,240	1,023,901	926,827	877,445
Earnings per share (cents)	180.4	180.7	181.6	148.6	170.7
Headline earnings per share (cents)	181.6	157.9	181.5	157.2	173.4
Dividends per share (cents)	68	60	66	50	60
Statement of financial position					
Total assets	42,920,914	47,433,686	50,677,955	56,338,126	56,012,991
Total loans and advances to customers	33,433,922	36,234,418	38,049,583	40,078,622	40,829,687
Total deposits	31,571,561	33,948,091	36,984,725	39,323,264	40,179,699
Net asset value per share (cents)	1,003	1,099	1,136	1,232	1,294
Performance indicators (%)					
Return on average equity	19.5	17.3	16.3	12.6	13.5
Return on average assets	2.4	2.1	2.1	1.6	1.7
Impairment charges to average gross loans and advances	0.19	0.23	0.30	1.01	1.07
Non-interest income as % of operating income	38.5	41.3	40.2	44.5	44.9
Cost to income ratio*	52.7	59.0	55.6	52.7	53.5
Closing share price (cents) at 30 June	1,809	1,723	1,600	1,399	1,300
Price to book ratio at closing price per share	1.80	1.6	1.4	1.1	1.0
Price earnings ratio at closing price per share	10.0	9.5	8.8	9.4	7.6
Capital adequacy (%)					
Total risk-based capital ratio	16.8	15.4	14.9	14.7	15.0

* *Impairment is excluded in the calculation of cost to income ratio in line with industry norms.*

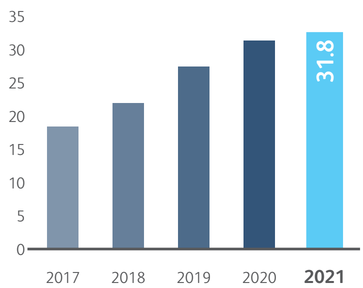
Number of employees*



Number of branches



Assets under management (N$ billion)



* *2017 – 2020 employee numbers include those of Cavmont Bank.*
2021 – Sale of Cavmont Bank.

Investment case

Operating profit
N$1.3 billion
(2020: N$1.3 billion)

Profit after tax
N$983.0 million
(2020: N$856.4 million)

Net asset value per share
1,294 cents
(2020: 1,232 cents)

Capital adequacy ratio
15.0 %
(2020: 14.7 %)

Dividend per share
60 cents
(2020: 50 cents per share)

Return on equity ("ROE")
13.5 %
(2020: 12.6 %)

Earnings per share
170.7 cents
(2020: 148.6 cents)

Headline earnings per share
173.4 cents
(2020: 157.2 cents)

Price to book ratio*
1.0
(2020: 1.1)

Price earnings ratio*
7.6
(2020: 9.4)

Dividend yield*
4.6 %
(2020: 3.6 %)

* *Based on closing share price as at 30 June.*

Our 2021 results demonstrated how Capricorn Group, as a Namibian-owned group, used the advantage of being local, nimble and responsive. We were able to preserve and grow value despite the economic and social shock brought about by COVID-19, based on:

The diversified nature of the Group: In a low-interest environment where the Group's banking entities are under pressure, asset management, microlending and telecommunication activities are doing well. We disposed of our loss-making bank in Zambia, but remain geographically diversified and plan to use our footprint in Botswana to expand our offering, gain market share and increase profitability.

Capricorn Group entities' and associates' diversified profit attributable to shareholders

	2017	2018	2019	2020	2021
Bank Windhoek	83.0 %	86.0 %	76.0 %	85.0 %	68.0 %
Cavmont Bank	0.3 %	(5.0 %)	(2.0 %)	(18.0 %)	(4.0 %)
Bank Gaborone	4.0 %	6.0 %	5.0 %	6.0 %	6.0 %
Capricorn Asset Management and Capricorn Unit Trust Asset Management	4.0 %	5.0 %	5.0 %	6.0 %	7.0 %
Associates	9.0 %	8.0 %	7.0 %	8.0 %	11.0 %
Entrepo	–	–	9.0 %	13.0 %	13.0 %

Investment case continued

We have a strategic and responsive investment approach: Our investments have offered important lessons over the past two decades. This comes with hindsight being a perfect science, and as stated by our previous chairperson: investing in a bank or starting a new bank is very much a vote of confidence in a country's economy. The Zambian economy deteriorated significantly over the past 10 years. The exchange rate weakened, we saw double digit inflation, government debt increased significantly with bond and treasury bill rates in excess of 20%, liquidity shortages were evident and the country defaulted on its foreign debt. Within this environment, Cavmont Bank never really managed to gain any real scale. The Group managed to conclude the sale of the bank during the current financial year, which will bring a significant drag on human and financial resources to an end.

Entrepo continues to be a great acquisition, significantly outperforming the investment case and doing better than expectations. Entrepo is complementary in terms of our financial services offering, with an entrenched market, good scale and excellent management.

Our investment in Paratus started with the acquisition of 18.3% in Paratus Namibia Holdings Limited (previously Nimbus Infrastructure Limited) in 2018, followed by a further acquisition of 30% in Paratus Group Holdings Ltd in July 2019. These investments started our expansion outside traditional financial services with a specific focus on the telecommunications sector, given the convergence between financial services and telecommunications and the exponential growth in the demand for data. In line with our initial intention to only have one investment at Paratus Group in order to benefit from the group's diversification into Africa, we have agreed to sell our investment in Paratus Namibia Holdings during June 2021 realising a gain of N$7.7 million in the separate financial statements.

We have a strong focus on Botswana and want to build on the foundation that has been developed over the last number of years. This entails actively looking into new ventures, partnerships, products and markets to increase the contribution from Botswana.

The quality of our operations: Bank Windhoek continues to garner awards in Namibia and internationally, showcasing the high standard of its business and leadership. The bank introduced the first green bond in southern Africa in 2018 and was also the first to launch a sustainability bond this year. Bank Windhoek received the Green Bond Pioneer Award from Climate Bonds in 2019 and received the Sustainable Development Award as the best Green Financial Institution in Namibia in May 2021.

In its 2020 Banking Review, PSG Namibia ranked Bank Windhoek the best bank in Namibia, outshining other banks in terms of profitability, advances growth and market share, cost efficiency and its management of credit risk.

All our businesses have performed better than expectations and have managed to grow or maintain market share during the year under review.

Continuous development of customer-centric solutions and services: We launched strategic projects to drive digital transformation, business development and trade finance. Our focus is on customer convenience, security, and cost saving offerings. This includes investing in future-fit architecture to support a digitally enabled bank.

We are stable, reliable and well capitalised: Capricorn Group has two shareholders of reference – the Government Institutions Pension Fund ("GIPF"), the largest institutional investor in Namibia, and Capricorn Investment Holdings ("CIH"), the founding holding company of Bank Windhoek. They ensure stability, liquidity and access to capital.

We have a strong ethical culture, entrepreneurial spirit and commitment to transparency: Ethical decision-making is demonstrated by the board and entrenched by governance structures and controls. We have zero tolerance for unethical behaviour and for non-compliance with core legislation and regulations in the jurisdictions where we operate.

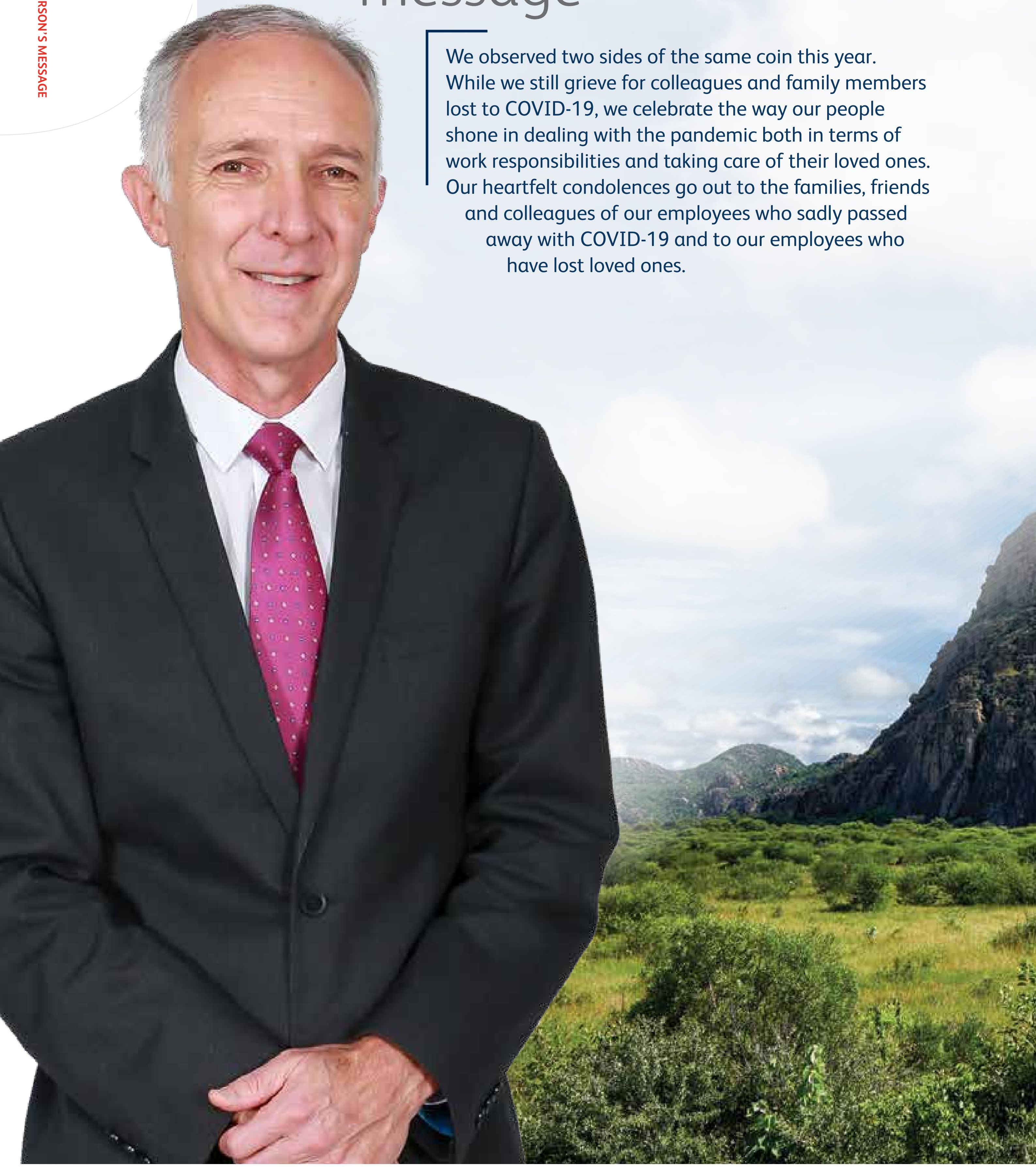
Capricorn Group is well positioned to weather the lasting impact of COVID-19 due to its strong capital and liquidity position, diversified operations, deep local knowledge and strong relationships.

In September 2020, GCR Ratings affirmed the Namibian long and short-term issuer ratings of Bank Windhoek Ltd at AA(NA)/A1+(NA). At the same time, the South African national-scale long-term issuer rating has been revised upward to A(ZA), from A-(ZA). The outlooks are stable.

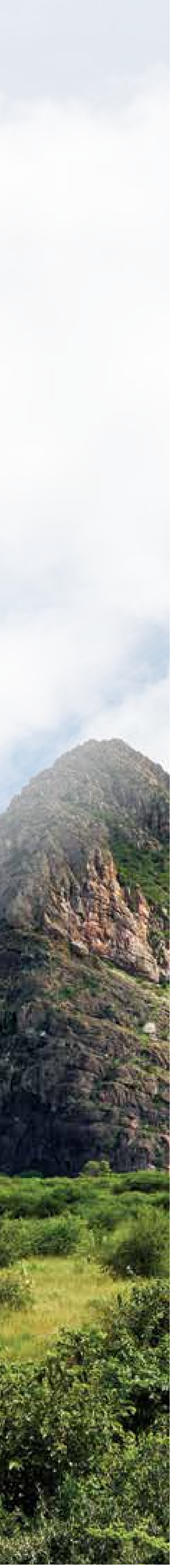
Capricorn Group Ltd's Namibian long and short-term issuer ratings have been affirmed at AA-(NA)/A1+(NA), with the outlook regarded as stable.

"Capricorn Group's credit profile benefits from a strong market status in the Namibian banking sector (through the core banking subsidiary, Bank Windhoek), geographic and product diversity provided from banking operations in Botswana, asset management and insurance businesses in Namibia and good track record of stable earnings. Risk is viewed to be well contained, with low credit costs and market-aligned non-performing loans ("NPLs") reflecting sound asset quality, although comparatively lower capital and leverage do restrain the ratings. Funding and liquidity is broadly in line with industry norms and neutral to the rating." – GCR Ratings, September 2020

Group chairperson's message



We observed two sides of the same coin this year. While we still grieve for colleagues and family members lost to COVID-19, we celebrate the way our people shone in dealing with the pandemic both in terms of work responsibilities and taking care of their loved ones. Our heartfelt condolences go out to the families, friends and colleagues of our employees who sadly passed away with COVID-19 and to our employees who have lost loved ones.



Key observations for 2021

- Performance exceeded expectations in a year overshadowed by pandemic-induced uncertainties.
- Liquidity risk continues to be high on the board's agenda as liquidity remains under pressure in Namibia and Botswana. The Group has ample liquidity buffers and contingency funds in place to mitigate this risk.
- The successful disposal of Cavmont Bank allowed us to invest more time in digital transformation and in growth opportunities in Botswana.
- Navigating the extremely challenging market and economic conditions again highlighted the value of competent, skilled and experienced human capital that is highly committed and motivated.
- We continue improving the lives of stakeholders as we live the Group's purpose.

Reflections on the year

A year ago, a few days after the board's annual strategy review, Namibia's first COVID-19 lockdown was announced. Our immediate response was to put together a COVID-19 task force to drive a dynamic pandemic response plan. Looking back, we took quick decisions and moved our planning horizon to the short term. As we adapted to new and uncertain conditions and made sure our people were safe and our customers were looked after, we were able to again take a longer-term view and commit to deliver on our strategic choices.

The Group's performance for the year was much better than anticipated 12 months ago, and our financial results were up 1.2% on last year and 1.0% lower than pe-pandemic 2019. One of the most important learnings was that we can contain costs without sacrificing growth ambitions.

Reflecting on the year, several aspects stand out:

Liquidity concerns continue. The unprecedented low interest rates in the wake of monetary response to the pandemic has caused severe liquidity strain in Namibia and Botswana, with investors looking for higher yielding alternatives to bank deposits. This was further exacerbated in Namibia with a sharp increase in Government borrowings draining market liquidity. As a result, money market shortages became a common occurrence in Namibia with banks funding shortfalls through the overnight lending facility of the Bank of Namibia. Bank Windhoek fortunately has, in terms of its liquidity risk management and funding strategy, built ample liquidity buffers and put in place substantial contingency funding facilities over recent years. This enabled Bank Windhoek to carry surplus liquid funds throughout the year and to assist other banks with funding.

With the disposal of Cavmont Bank on 4 January 2021, we terminated a substantial drain on our bottom line and removed a big distraction from our board and executive team's agenda. Our investment in Zambia was part of an ambitious and aggressive growth strategy and we acquired Cavmont Bank while we were still in the early stages of embedding a start-up banking business in Botswana. What stands out from the board's post-mortem on our experience in Zambia is the recognition that new investments need dedicated focus and resources, and that you need to be very sure of the prospects of a country when investing.

We launched a comprehensive digital transformation programme called #GoBeyond. Launched in October 2020, the programme's purpose is to deliver a future-fit distribution model, leveraging data, digital and a customer-centric design to enhance the customer experience and lower our cost to serve. It will enable us to establish a truly sustainable future-fit business model.

We are pursuing new business ventures to complement our existing business in Botswana. Although Bank Gaborone is growing, with new to bank customers that we were unable to attract previously, we see the potential for a step-change in growth. The board has approved the launch of a new microlending business in Botswana, with more investment opportunities under consideration.

For both the digital transformation and Botswana growth initiatives, we continuously test decisions against our strategic choices. In both cases, the Group is dealing with multiple execution ecosystems and platforms. The aim is always to meet three victory conditions: an increased customer experience, revenue improvement and cost optimisation. Several governance processes, especially in the execution space, support integration and risk management.

Succession planning is a priority for the board. A more holistic, disciplined and data-driven process focusing on competencies, potential, skills and experience has been launched to ensure we have an objective view of talent across the Group. Competency profiles were developed for high-risk roles across the entities, explicitly aimed at executive level.

At board level, we had two changes during the year. Mr Brian Black, appointed to the board in 2007, retired at the annual general meeting ("AGM") in October 2020. Advocate Esi Malaika Schimming-Chase resigned as an independent non-executive director ("NED") on 1 April 2021 to take up the position of Judge of the High Court of Namibia. Both these directors served the Group with distinction and their wise counsel and valuable contributions to the board and its committees will be sorely missed.

The Bank of Namibia issued a revised BID-1, which regulates the appointment, duties and responsibilities of directors of banking institutions and controlling companies, on 18 September 2020. BID-1 included several new restrictions including the limitation of tenure of directors to 10 years, limitation of the number of directorships to two and the prohibition on the appointment of politically exposed persons. These limitations in a young and very small economy like Namibia, where there is a severe lack of depth of skills in the market, has created a significant challenge for banks and bank controlling companies to recruit directors with the required skills and experience. As a consequence, the attempts to fill the two board vacancies have not been successful up to now. We continue to discuss the impact of BID-1 with the Bank of Namibia and trust that we will find practical solutions.

Ethics and anti-corruption remain national and Group priorities.
The Group supports the Harambee Prosperity Plan II and the outcomes defined under effective governance architecture. This includes holding ourselves and government accountable to the public commitment of zero tolerance against corruption. The so-called 2019 fishrot scandal in the fishing industry brought the need for an ethical culture in government, business and society to the fore as a national priority. Capricorn Group continues to strengthen internal ethics management through ethics risk assessments, periodical ethics surveys, annual commitments to codes of ethical conduct, ethics awareness campaigns, training, specific ethics management roles and a confidential tip-off line.

Group chairperson's message continued

A view forward

As we embark on the future, the stability and sustainability of the Group for the benefit of all stakeholders remains our key priority. We believe that economic growth in Namibia and Botswana will accelerate as COVID-19 infections subsides and vaccination accelerates.

We are encouraged by government's initiatives to set up new institutions such as the Namibia Investment Promotion and Development Board ("NIPDB") to support investment and economic growth. We strongly believe that these institutions will achieve their objectives with political support and collaboration with the private sector. Collaboration between the public and private sectors is essential to create sustainable solutions to most of Namibia's challenges. Our Group is committed to play an active role in this collaborative process to support the initiatives to grow our economy and to deliver on the Harambee Prosperity Plan II. Our Group chief executive officer ("Group CEO") has been appointed by the president as the chairperson of the Business Rescue Task Force, which will review Namibia's insolvency laws and make recommendations on business rescue options to aid economic recovery and protect jobs. The Group is actively involved in and are assessing options to consider financial support to public private partnerships forged to address the national health care crisis in the wake of the pandemic. We have also accepted invitations for our employees to act on governmental working committees to address constraints to economic growth.

In terms of our business priorities, the new customer segmentation model and new products and services including integrated cash management, e-commerce, the corporate credit card and the banking app, are all positioning the Group for new business inflows. We expect the Group's revenue-earning capability to expand. Our banks are local, but they compete regionally and internationally, which means that our product and service offerings must be competitive on a global level.

We are excited about the new opportunities that our investment in the digital transformation programme will unlock. We recognise that successful change of this magnitude depends on our people and our customers adopting and embracing change. It will also require that we redefine structures and roles to create a truly excellent future customer experience. We believe this will secure the long-term success of our group for all our stakeholders.

A word of appreciation

Our employees are at the forefront of opportunities to be Connectors of Positive Change. We remain grateful for their personal commitment and efforts to go above and beyond for our customers and communities. They continue to set the example for doing things the right way, positioning the Group as a good corporate citizen and ensuring that we create and protect value. I want to use this opportunity to again express my gratitude to our Capricorn citizens for their dedication, tenacity, sacrifices and mammoth effort to salvage a commendable performance by the Group against all the odds.

I also want to thank my fellow board members for their ethical and effective leadership. Your integrity, competence, sense of responsibility and accountability as well as fairness and transparency continue to strengthen our governance and raise our ethical standards. The delivery on strategy and the results we have achieved is testimony to your effective leadership.

My thanks also go to our shareholders for their continued trust and support. Finally, thank you to our loyal customers for the privilege of serving you. As testimony to our appreciation we will continue striving to create a better future and improving the lives of all our stakeholders.

Johan Swanepoel
Group chairperson

As we embark on the future, the stability and sustainability of the Group for the benefit of all stakeholders remains our key priority. We believe that economic growth in Namibia and Botswana will accelerate as COVID-19 infections subside and vaccination accelerates.”

– Johan Swanepoel, Group chairperson

Connecting for positive change

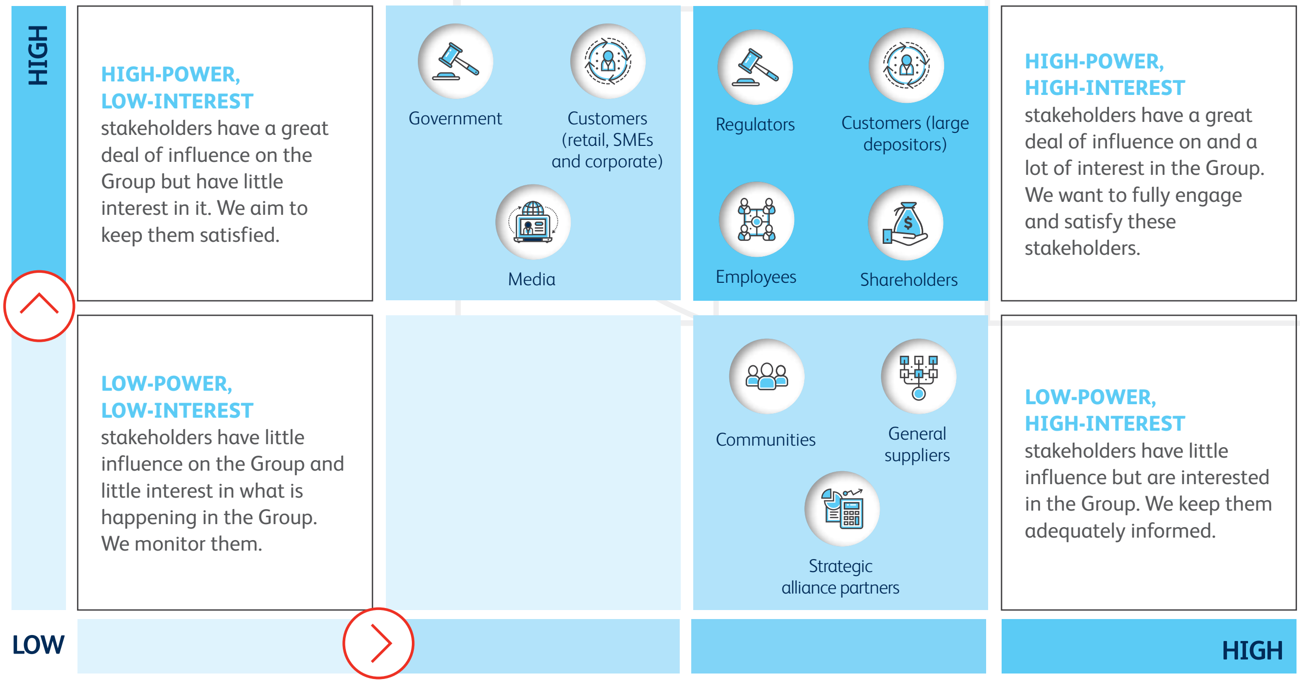
Our stakeholders

Our relationships with a wide range of stakeholders are shaped by The Capricorn Way and enable us to create opportunities while acting as catalysts and Connectors of Positive Change.

A stakeholder-inclusive approach

Our stakeholders are impacted by the Group's business activities and have an interest in our success. By understanding stakeholder issues and striving for solutions, we can gain internal and external support for our activities and growth plans, which helps generate stakeholder value. The effective engagement of stakeholders and the management of relationships are vital to the continued growth and success of the Group, and can contribute to competitive advantage.

Getting to know and understand our stakeholders



We identify our key material stakeholders based on their influence and power. We also assess the quality of our relationships to identify opportunities and allocate resources when planning our stakeholder events or contributions.

Relationship quality legend:

- 1 2 3 4 5 *Strong relationship of trust and mutual understanding*
- 1 2 3 4 5 *Good-quality, value-adding relationship*
- 1 2 3 4 5 *Good relationship but needs to improve to add value*
- 1 2 3 4 5 *Functional, poor-quality relationship*
- 1 2 3 4 5 *Poor to no relationship*

Shareholders 1 2 3 4 5

Capricorn Group has 4,054 shareholders who hold shares in the entity listed on the NSX. Find more detail about them in the shareholder analysis on page 74. We mainly engage with them through stock exchange news, results announcements and reports.

Employees 1 2 3 4 5

We have 1,712 permanent employees who contract with Capricorn Group to do specific work and set responsibilities against agreed remuneration. 59 % of our employees belong to trade unions, which form part of this stakeholder group. Read more about our engagement with them in the Group CEO report on page 40 and the material matters section on page 20.

Customers 1 2 3 4 5

Our customers are the individuals, groups, businesses or institutions that use our products and services, and hold accounts or policies with one of our banks or subsidiaries. We engage with them in the process of facilitating transactions and providing advice, and through various forms of electronic communication. Our call centres respond to queries and complaints, and customers contact the Office of the Ombudsman if their expectations are not met. Customer service levels are informed by the Customer Service Charter.

Suppliers 1 2 3 4 5

We procure goods and services from individuals or companies ranging from consumables in branches to information technology ("IT") platforms in the banks. We engage mainly through service-level agreements and contracts.

Government and regulators 1 2 3 4 5

In Namibia and Botswana, governments set and administer public policy and exercise executive, political and sovereign power through customs, institutions and laws. Regulators are established by government to ensure compliance with the provisions of the specific acts, for example the Banking Act, 13 of 1995. Our main regulators include the Bank of Namibia, NAMFISA and the Bank of Botswana.

Communities 1 2 3 4 5

Communities are groups or networks of people with a common agenda, cause or interest who collaborate by sharing ideas, information and other resources. They include non-profit organisations. We engage with communities through public events and respond to proposals or requests for support submitted to Group entities through the Bank Gaborone and Bank Windhoek corporate social responsibility ("CSR") initiatives and the Capricorn Foundation ("the Foundation").

Media 1 2 3 4 5

Media encompasses all communication channels through which news, entertainment, education, data, or promotional messages are disseminated. We host regular lunches and workshops to engage, build relationships and share information.

Strategic alliance partners 1 2 3 4 5

We have arrangements with companies or associates that enable us to share resources to undertake a specific mutually beneficial project. This includes, for example, Sanlam and Santam which enable us to offer clients bancassurance.

We protect our relationships

We apply the principles set out in King IV™ and the United Nations Global Compact ("UNGC") in governing stakeholder relationships. Read more about the former in the 2021 governance report and about the latter in the BSEC report from page 66.

We also adhere to the regulatory requirements for risk-based supervision (Basel II), whereby interaction and consultation with stakeholders, formal and informal, form an integral part of our risk management strategy.

The board is ultimately accountable for the stakeholder relationship management and engagement strategy of the Group. The board delegates these responsibilities to the executive committee to drive operational integration. The BSEC is a further platform established by the board to ensure the effective coordination of stakeholder engagement and management.

Tools and directives

The Group Stakeholder Relationship Management Policy reflects our values and beliefs and supports management's commitment to creating an enabling business environment. The policy underscores the importance of meeting the changing expectations of our stakeholders and encourages the kind of open, honest communication that fosters trust and cooperation.

The Capricorn Stakeholder Relationship Management Guide explains why stakeholder relationships are important, outlines steps to identify and map stakeholder groups, and shares tools and templates to capture stakeholder information and engagement activities. This ensures a feedback loop.

Our stakeholder engagement plans are designed to proactively respond to material matters and align with the Group strategy. Entity plans include specific activities, channels and desired outcomes, and are submitted to the BSEC quarterly, which reviews and monitors stakeholder issues.

We respond and support

Stakeholders communicate their interests and needs in different formats and through various channels. During the year, we received requests from a wide range of stakeholders, including the Namibia Standards Institution ("NSI"), the Gondwana Care Trust, MSR, Imago Dei and EduVision. We also responded to government imperatives, for example, following the launch of the Harambee Prosperity Plan II.

The Mirror survey invites employees to **give feedback that tracks their engagement** and **identifies opportunities** for **culture transformation**. We add new elements to the survey every year.

Read more about the latest results in the Group CEO report on page 40.

A dipstick brand survey was done in February 2021 with 652 customers from Bank Windhoek and Bank Gaborone and 553 employees. A similar survey was last done in 2018. The survey tested responses to potential name changes for the banks under a monolithic brand architecture. **Results were positive and emphasised improved customer perceptions and customer loyalty**. The survey affirmed our engagement with customers to ensure we **keep the Capricorn brand strong**, **reputable** and **visible**, with a **strong emotional connection** with internal and external stakeholders.

Bank Windhoek adopted the **Determinants of Service Quality** ("DSQ") research methodology to measure **customer satisfaction**. The DSQ assessment obtains feedback on customers' service experiences, satisfaction (relationship and channel) and loyalty and assists to devise initiatives and strategies to drive overall improvement. **The bank achieved an overall satisfaction score of 80%.**

A **communication audit** was done to understand employee communication patterns with the Group and to assess the effectiveness of current communication channels. More than 560 employees participated in the survey, which was completed in May 2021. The overall effectiveness with which information is shared within the Group received a positive score of 7.8/10. Employees feel that their information needs are being met, scoring 7.4/10. Concerns include the number of communication channels and the fragmentation of sources. Some employees expressed feeling overloaded with information and the need for the Group to better target information. The three most important topics for employees are **strategy**, **compliance-related information** and **messages from the Group CEO or MDs**. The 2022 Group communication plan will be informed by this feedback.

An **ethics survey** was concluded in October 2020 which established a baseline against which we can measure progress. We assessed three aspects, namely **ethical culture, ethical behaviour** and **ethics management practices** in addition to a handful of Capricorn Group-specific ethics matters. The ethics culture and behaviour assessments identified areas where we are performing well, for example, ethics awareness, openly dealing with unethical behaviour, top and middle management encouraging people to do the right thing, the commitment of especially non-managerial employees towards ethics, supplier relationships and management of conflicts of interest. The survey also assisted us in identifying areas where we can do better, such as **senior management visibility and communication on ethics**, setting good examples for ethical conduct and holding people accountable.

Our **material matters review process** included broad input via stakeholder owners to evaluate the relevance of the current eight material matters. These views formed part of the analysis, with the six material matters for 2022 reflecting a **strong alignment with different stakeholder groups**.

Read more on page 21.

Below we list a few events to illustrate the Group's commitment to responding to stakeholder needs.

Stakeholder group	Need or requirement	Capricorn Group response	Outcome
Communities	Donor funding and support	We created an engagement opportunity through a non-governmental organisation ("NGO") capacity-building workshop to provide a platform for NGOs to discuss the challenges they face and to introduce the Foundation. 800 people viewed this session online.	NGOs requested more sessions of this nature and would like more information on registration and the financial requirements for NGOs.
Government and regulators	Private sector relationships, technical expert support and guidance on important national discussions, such as corruption mitigation, fraud and other risks	Capricorn Group assisted the Namibia Standards Institute with risk training workshops in line with the newly gazetted NAMS/International Organization for Standardization 31000:2019 Risk Management Standard.	Namibia Standards Institute participants requested more training and expressed their gratitude for the opportunity to engage with Capricorn Group.
Customers in the agricultural sector	Information about sustainable agriculture, climate change and the role of banks	Bank Windhoek presented an online agriculture series in collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit, the Namibia Nature Foundation and the Namibian Organic Association. The agriculture sector is a pivotal stakeholder, as 70% of the Namibian population directly or indirectly depends on agricultural activities.	The series benefited youth and other farming entrepreneurs through guidance on various topics to apply practically in their businesses. The series is available on the Bank Windhoek YouTube page.
Employees	Employees want to be a part of giving back to their communities	The Group provides opportunities for Capricorn employees to volunteer through Changemaker initiatives. Read more about these in the section on material matters from page 20.	Volunteer sign-ups often exceed the required numbers of people, and the Changemaker initiative has expanded its reach beyond Windhoek.

Key focus areas

In the past year we focused on	In the next year we plan to focus on
Developing and sharing the Stakeholder Relationship Management Guide with entities	Conducting a comprehensive stakeholder audit to test the effectiveness of our stakeholder relationships and to identify stakeholder priorities
Developing entity stakeholder plans and aligning activities with strategic choices	Actively engaging with the Group's key suppliers to strengthen relationships
Enhancing collaboration between subsidiaries on key stakeholder engagements	Continuing to collaborate with subsidiaries on key stakeholder engagements
Reviewing and enhancing the Group Stakeholder Engagement and Management Policy	Exploring online stakeholder monitoring and reporting platforms

COVID-19 contributions and support

We continued providing community relief in addition to customer support, as our people faced continued hardship in Namibia and Botswana due to COVID-19 measures and impacts. Group entities contributed N$1,592,000 to projects, including a pilot project for COVID-19 detection dogs, a radio show about health in Botswana and the provision of soap for handwashing to vulnerable communities.

With the surging third wave of COVID-19 infections in Namibia in June 2021, the Group partnered with the Namibia Chamber of Commerce and Industry and other private companies to strengthen Namibia's critical oxygen supply. The Foundation pledged N$1 million to cover the cost of three 21 ton oxygen trucks, thereby securing 63 tons of life-saving medical oxygen for Namibians.

We took special care of our employees. They were provided with immune boosters and personal safety equipment, and could apply for special COVID-19 leave when awaiting results or having to care for family members. Wellness support included daily check ins with sick employees, help with medical claims, and increased access to psychological and spiritual counselling for employees and their families.

Read more about the Group's response to COVID-19 in the Group CEO report from page 40 and the material matters section from page 20.

Our operating context

Economic context

At the outset of the year, we emerged from the worst of the COVID-19 crisis and experienced the last of a series of interest rate cuts to all-time lows. The dominating question then was if and when a recovery would come and what shape it would take. In the end, the year as a whole stood firmly in the shadow of the pandemic.

"Consequently, during 2020, the Bank pursued an expansionary monetary policy, and simultaneously relaxing regulatory requirements to provide relief to the financial sector and the economy." – Governor Johannes !Gawaxab, Bank of Namibia 2020 Annual Report commemorating its 30th anniversary

In the four quarters up to the time of writing, economic activity contracted sharply in real terms – in Namibia by 8.9%, in Botswana by 7.9% and in South Africa by 7.8%, as measured by GDP numbers. These represent some of the worst economic conditions in living memory.

Mining contracted by 26% and 15% in Botswana and Namibia, respectively, wholesale and retail trade by 5% and 12%, manufacturing by 9% and 20%, and tourism dropped by a third in both countries. These all dragged down transport and travel services significantly. Construction was severely curtailed by 11% in Botswana and 12% in Namibia. The latter constitutes the 5th year of contraction, decimating the industry – now worth a third of what it used to be. Fortunately, the agricultural sectors managed growth of 2% and 6% in the two countries. Finance had diverging fortunes, growing by 4% in Botswana but contracting by 12% in Namibia. Government and related public services grew, underpinned by emergency spending plans, while the IT and communications industry proved to be a lone beneficiary of the crisis.

In this environment, credit demand from the private sector was weak. In Botswana, loans and advances growth by commercial banks will be barely above 5%. In Namibia, the rate is half of that, while in South Africa, it is contracting. The COVID-19 shock is having a lagged and severely negative effect on the ability and willingness to take up credit.

Thus far, a generally improving global picture had a muted impact on domestic economic conditions except for commodity prices and the currency. The former is up by a third over the past 12 months and the latter is stronger by a quarter, measured by the Standard & Poor's ("S&P") Goldman Sachs Commodity Index™ and the Namibia dollar per US dollar exchange rate, respectively.

The recovery in the oil price by 80% year-on-year coaxed an increase in global oil production from some of the deepest cutbacks in production ever seen. Nevertheless, production is still down 8% over the past 12 months. The near doubling of oil, natural gas and steam coal prices has led to a global inflation impulse, such that the producers' price index in the G7 is currently running at nearly 9.0%. It also contributed to domestic transport inflation jumping to 15.3%.

Some base metal prices have also been exceptionally strong over the 12 months. For instance, iron ore (+114%), copper (+55%) and zinc (+46%) are indicators of a sharp rebound in demand, thus far led by the two largest economies, the US and China. For 2021, these two are expected to grow by 7% and 8% respectively.

In the agricultural realm, a similar scene unfolded. The global maize price more than doubled, after having moved sideways to down for five years, and the South African Futures Exchange maize price is up nearly a quarter. Global agricultural and livestock prices are up 50% in US dollar terms. Domestically, food inflation remains relatively muted at 7%, but meat prices have risen by 17%.

Overall, consumer inflation has increased over the 12 months from just above 2% to 4.1% in Namibia and 5.2% in South Africa, while it has shot up to 8.2% in Botswana. Elsewhere, an important development has been the surge in consumer inflation in the US to 5.4% from near-deflationary conditions a year ago.

Monetary policy shifts

This has led to a shift in emphasis by the Federal Reserve. The Monetary Policy Committee ("MPC") relented from its emphatic view of unchanged interest rates up to 2023 and now foresees increases by then, albeit small hikes. This would be in the wake of a strongly growing economy, unemployment ratcheting down towards 4% and inflation measures moderating but staying at or above the target of a 2% average.

The MPCs of the Bank of Namibia and the South African Reserve Bank are faced with an altogether different scenario. Prospects for economic growth are bleak, and unemployment is stubbornly high at more than a third of the workforce and rising. Moreover, the demand for credit from households and businesses is likely to remain muted and inflation rates are set to remain around the mid-point of the target range over the next few years, following a bounce in the coming months. Therefore, if interest rates are to rise at all over the next 12 to 24 months, it will be gradual and slow.

The MPC of the Bank of Botswana has significantly stronger prospective economic growth to contend with and issued a warning on inflation. The latter breached the upper band of its target range and is expected to fall below it only by the second quarter of 2022, but with risks skewed to the upside. Therefore, it is likely that interest rate normalisation will start earlier in Botswana than in Namibia or South Africa.

The effects of the pandemic wreaked havoc on fiscal policy, as spending imperatives outpaced shrinking revenues. Globally, deficit-to-GDP ratios of more than 10% and debt-to-GDP ratios of more than 100% have become the norm. In our region, debt ratios are not that high yet, but deficits have blown out. Add to that high interest bills and debt maturities, and one has large borrowing requirements amid precarious fiscal positions, which lead to deteriorating creditworthiness. South Africa lost its last remaining investment-grade rating, while Namibia's sovereign rating was pushed deeper into non-investment grade. Botswana's rating was pegged back a notch by S&P Global Ratings but remains investment grade.

The crosscurrents of monetary policy that anchor short-term rates low and fiscal policy that pushes up longer-term rates, make for a steep yield curve. This results, inevitably, in capital flowing to the bond market, which increases the exposure of lenders to government. Banks are no exception. In Namibia, a fifth of banks' assets now consists of government-issued debt.

Stubbornly lingering COVID-19 risks in the region, with their devastating effect on private sector confidence, have led to national policy plans that largely aim at mobilising infrastructure investments (broadly defined to include networks) that are as green as possible, driven by global climate imperatives. Refer to the Harambee Prosperity Plan II of Namibia, the Economic Recovery and Transformation Plan of Botswana and, among others, the National Economic Development and Labour Council in South Africa. One senses that for green bankable projects in macro environments that engender trust in the risk-return equation, there will be no shortage of capital from domestic and global pools looking for such. The Capricorn Group has proven this.

Success in these plans and initiatives will kick-start the mending process for economies and fiscal trajectories. In the words of Governor Moses Pelaelo: "… the crisis provided a window of opportunity for accelerated structural reforms" (Bank of Botswana 2020 Annual Report). Once again, we are at a juncture where there is an urgent need for the meeting of plans and capital with grit and corruption-free implementation.

Floris Bergh
Chief economist
Capricorn Asset Management

Banking trends, digital drivers and COVID-19

As part of our strategic review process, the Capricorn Group strategy team tracks global developments and banking trends. Features of our current playing field:

- There is an increase in low-cost and fee-free digital banking offerings aimed at attracting new banking clients. Incumbents in this space focus on exploiting the inefficiencies of traditional banks but often struggle with profitability.
- Banks continuously enhance their apps by adding additional functionality, often in collaboration with fintech partners. This includes a range of new payment options and online shopping services.
- Banks are actively managing branch visits and promoting self-service through apps or in branches. This is changing the role of and customer experience in branches.
- Virtual cards are being introduced in response to the demand for contactless payments and the significant growth in online shopping. Alternatives include third-party digital wallets and Quick Response payment capabilities.
- Banks recognised the financial pressure and risks resulting from COVID-19 and offered customers a range of relief measures. They are set to continue supporting customers' financial well-being as a way to build loyalty.
- Banks are offering more tools and digital marketplaces for start-ups and small businesses to help move their businesses online, accept digital payments and attract customers.
- Innovations to support the business and corporate banking segment include fleet management, property, retail, and integrated payments and reconciliations solutions.

Consumers' changing economic reality in a post-COVID-19 world will inform their perception of value, resulting in changing banking needs and preferences. Capricorn Group is proactively meeting the challenge to develop a balanced/hybrid model that supports elements of "old" and "new" ways of banking to generate value for customers.

Bank Windhoek scenario analysis and stress testing

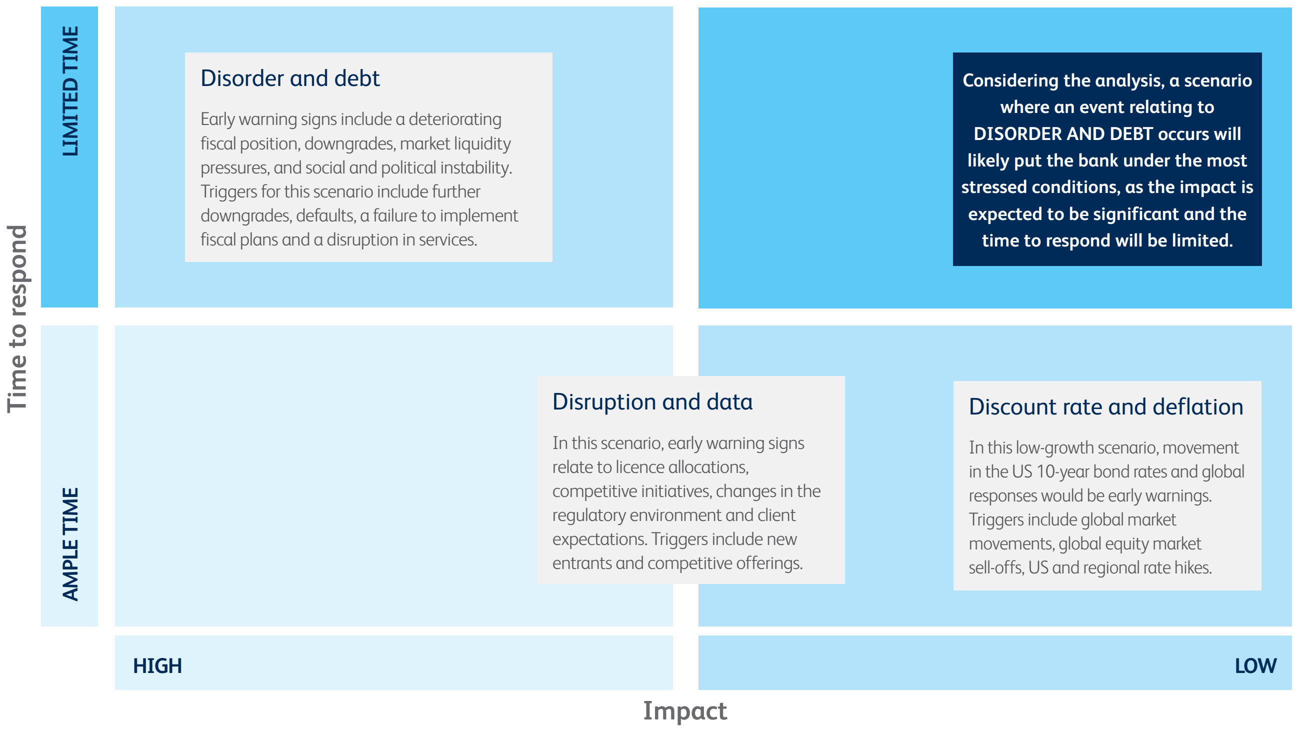
As part of our strategic planning, Bank Windhoek developed and stress-tested three economic scenarios this year. The objectives:

- Test plausible and severely adverse scenarios
- Identify early warnings signs and triggers and respond to them proactively
- Establish break-even points for fundamental indicators, i.e. capital and liquidity
- Develop contingency and survival plans

Our process:

Identify driving forces → Identify critical uncertainties → Develop plausible scenarios → Discuss implications and paths

We identified eight macro themes most relevant to Namibia and the banking sector, considering historic examples such as the 2008 financial crisis, the run on the banks in Greece, recent sudden changes in statutory reserve requirements in Zambia, etc. From these, we developed three main scenarios:



For each scenario we identified the breaking points in terms of liquidity and capital, and did stress testing by considering, for example, a deterioration in property market values, increasing volumes of defaults, regulatory shifts and potential impairments.

Our response plans are based on monitoring the early warning signals and triggers, and capital and liquidity break-points. Based on the severity of levels and response times, we activate plans that involve a range of stakeholders where relevant.

Read more about our strategy review process and strategic choices from page 33.

Our material matters

Capricorn group's eight material matters

Capricorn Group operates in a dynamic environment, as described in the previous chapter. Macroeconomic factors and industry trends affect our ability to create and preserve value and bring positive change. To help focus our attention on those matters that have the most impact and are the most likely to affect us (positively or negatively), we identify what is most material for the Group.

Our process for identifying and governing material matters has matured and is integrated with how we implement our strategy and manage risks. The eight material matters are linked to our principal risks, where relevant, and board governance oversight accountability is assigned to each. The progress and status on material matters are reported at the quarterly Group Risk Committee meetings and the business unit strategy sessions.

The material matters for this year remained the same as for 2020 and were approved by the board as such.

Material matter

Related principle risk and GPRO oversight

Board committee oversight

Material matter	Related principle risk and GPRO oversight	Board committee oversight
Ethical leadership (business and management)	People I compliance I reputation I operations	Board audit and risk committee ("BARC"), BSEC, Group board human resources ("HR") committee and Group remuneration committee ("Remco")
Demand for specialist skills driving focused development, training and diversity	People I compliance I reputation	Group board HR, Remco
Credit risk management and mitigating losses due to bad debt	Credit I capital I liquidity I market I finance and tax	BARC, board credit committee
Responding to a changing regulatory and operating context	Legal I compliance I strategic I reputation I operations I finance and tax	BARC
Financial and cybercrime	Technology I reputation I operations I compliance I people	Group board information technology committee ("GBITC")
Fintech, insurtech and evolving digital assets	Technology I operations I reputation	GBITC
Meeting customer needs and expectations	Reputation I strategic I operations	BSEC
Enhancing and optimising management and operational systems	Operations I technology I people	BARC

A future-oriented materiality process

During the year, we reviewed our material matters, given the change brought about by COVID-19. We intended to simplify the material matters based on a thematic analysis following this process:

Identification
We performed desktop research and benchmarking, including an internal peer review

Integration
We engaged the executive committee and integrated the process with strategic planning and risk analysis

Evaluation
We invited stakeholder perspectives from internal owners and then concluded an impact assessment to determine any new issues or changes to existing material matters

Prioritisation
We consolidated the top issues and completed the board prioritisation and approval process

The six material matters that will shape the content of our 2022 integrated annual report were approved by the board on 14 September 2021. We intend to entrench these in our internal reporting process.

Rank	Material matter	Impact time horizon
1	Conducting business in the right way	Short, medium and long term
2	Managing risks effectively	Short, medium and long term
3	Embedding a customer-centric service culture	Short and medium term
4	Building agile and high-performing teams	Short and medium term
5	Ensuring a responsible COVID-19 response	Short term
6	Making a positive impact in society	Short, medium and long term

Ethical leadership (business and management)

In the 2020 Corruption Perceptions Index published by Transparency International, 180 countries are ranked according to perceived levels of public sector corruption. Botswana ranks 35, Namibia 57 and South Africa 69, with higher numbers indicating higher levels of corruption. The index emphasises that corruption undermines the global health response to COVID-19 and contributes to a continuing crisis of democracy.

The pervasiveness of corruption in our operating context remains high, and the need for an ethical response and culture acute. This demands leadership from government, business and society to improve transparency, governance and general awareness of ethical practices and behaviour.

Within our Group, ethics priorities include creating an open and safe environment where views are expressed, and courageous conversations are possible. Our employees expect management to lead by example and to ensure the consistent and fair application of disciplinary procedures and policies.

Capricorn Group is committed to doing the right thing as defined by our Group Code of Ethics and Conduct Policy, and the behaviours set out in The Capricorn Way (see page 2). Our suppliers are required to adhere to the Suppliers' Code of Conduct. The Group board is explicit in its zero tolerance of unethical conduct.

Our ethics strategy and plan are informed by periodic ethics risk assessments. The actions identified during the 2018 Ethics Risk Assessment were concluded this year. An independent ethics risk assessment was done in 2020 to inform the ethics strategy and plan up to 2022.

Ethical leadership (business and management) continued

Key activities concluded during this reporting period:

1. Group-wide ethics training was deployed on our e-learning platform.
2. A formal annual ethics awareness campaign was concluded stressing anonymity and confidentiality of reporting.
3. We embedded ethics roles, including ethics sponsor, ethics champions and creating support for the ethics office.
4. The deployment of the supplier code of conduct in Namibia was completed.
5. A review of human resource policies and practices including recruitment and disciplinary procedures was done.
6. Our tip-offs line, previously intended for reporting fraud incidents, was repurposed to include any unethical conduct.
7. The first ethics audit was conducted and is now incorporated into future audit plans.
8. An independent, externally facilitated ethics risk assessment was conducted which highlighted key focus areas for 2022.

Ethics vision

To create an ethical organisation where our stakeholders are motivated to live our values of openness, dedications and inspiration.

Ethics mission

Capricorn Group is dedicated to enhancing and sustaining ethical business practices through leadership commitment to ethical business conduct and by institutionalising ethical behaviour in the organisation.

HISTORIC VIEW OF ETHICS AT CAPRICORN GROUP

August 2015: Bank Windhoek reviewed its ethics risk agenda and structure assisted by EY and using the Ethics Institute of South Africa's Ethics Management Framework, including NamCode considerations. Starting with the existing compliance-based ethics management strategy Bank Windhoek compiled a register with 53 ethics risks identified. Areas for improvement included conducting periodic ethics risk assessments, increasing corporate awareness through communication, training and safe reporting and improving monitoring and reporting on ethics.

September 2015: A Board sustainability and ethics committee was established.

Financial years

2018

- ✓ A Group-wide ethics risk assessment was done.
- ✓ We updated the Group Code of Ethics and Conduct policy.
- ✓ The Procurement Policy was augmented with a Suppliers' Code of Conduct.

2019

- ✓ The board adopted King IV™ and embraced the core principle of ethical and effective leadership.
- ✓ Ethical leadership was identified as the Group's top ranking material matter.
- ✓ A three-year ethics strategy and action plan was approved and initiated.
- ✓ Our ethics officer was certified by the Ethics Institute of South Africa.

2020

- ✓ We implemented a tip-off line managed by Deloitte to ensure anonymity and protection for whistleblowers.
- ✓ We launched an awareness campaign to start conversations around good ethical behaviour and doing the right thing.
- ✓ An independent ethics risk assessment was done to further enhance our ethical culture.
- ✓ The Group Code of Ethics and Conduct Policy was comprehensively reviewed.
- ✓ We provided focused ethics training for the board.
- ✓ Ethics was included in the employee induction programme with ethics content and videos part of the Fraud and Risk Culture agenda.

2021

- ✓ All entities completed their ethics strategy and management plans for the 2019 to 2021 cycle.
- ✓ A new Code of Ethics and Conduct policy was approved.
- ✓ The Whistleblower Policy was reviewed and updated.
- ✓ We started providing practical online ethics training for all employees.
- ✓ We embedded ethics roles, including ethics sponsor, ethics champions and created support for the ethics office.
- ✓ A review of human resource policies and practices including recruitment and disciplinary procedures was done.
- ✓ The first ethics audit was conducted and is now incorporated into future audit plans.

Group-wide ethics awareness campaigns continued. Focused online training for all employees included three modules with an assessment after completion to test employees' understanding of ethics-related concepts.

An audit on the ethics plan implementation by Group internal audit was completed at the end of the year, and results are being consolidated.

The matters reported through the tip-off line were investigated and reported in the ethics reports to management and the BSEC. Future focus areas highlighted by the independent ethics risk assessment include the following:

1. Review the ethics policy and framework given our strategic choices and changing operating context.
2. Ensure maturing of independent ethics oversight and monitoring. Identify processes and activities which belong in an independent ethics function, and set up resources and infrastructure to provide advice about ethics and create open channels for enquiry.
3. Enhance executive, senior and middle management visibility and commitment to ethics.
4. Enhance and foster trust in the safe reporting framework for ethics reporting.
5. Promote fair and transparent people practices. Review our people policies and practices specifically with transparency, fairness and accountability in mind and create awareness of the policies and safe reporting channels.

Stakeholders that have an interest in this matter

Employees

Shareholders

Customers

Government and regulators

Strategic alliance partners

Media

Strategic choice related to this matter

Diversity

Expected outlook

Our ethics risk profile is stable, however, we will continue to improve and embed our ethics risk and control framework.

Credit risk management and mitigating losses due to bad debt

Bad debts and non-performing loans ("NPLs") constitute a major risk for banks, Credit demand and quality assets are drivers of performance and growth.

According to the April 2021 Financial Stability Report for Namibia, asset quality as measured by NPLs deteriorated further in 2020, partly ascribed to unfavourable economic conditions and their resultant impact on household disposable income and business performance. Namibia also saw lower demand for credit by businesses.

In Botswana, bank credit growth gradually slowed during 2020 and into early 2021, with commercial banks exercising caution in their lending to households and firms due to uncertainties brought about by COVID-19.

Arrears on bank lending remained fairly stable throughout 2021, suggesting some resilience in the private sector with regards to maintaining loan repayment schemes. As expected, bank profitability measured as ROE declined in 2021 due to the negative impact of the COVID-19 pandemic on the economy and banks' cautionary provisions to cover anticipated credit losses.

Bank Windhoek and Bank Gaborone have taken measures to slow down an increase in NPLs. The measures include responsible, selective lending, managing provisions as preventative measures and improving collections as a loss limiting measure.

At the end of the year, active deferments amounted to N$515.3 million from a high of over N$5.7 billion. As the level of deferments improves, our banks continue to manage these proactively. Customers in the tourism and hospitality industries have been assisted with deferments, temporary facilities and moratoriums. Sectors like transport, fishing and retail, albeit under pressure, have shown signs of improvement and fewer clients are using bank assistance.

Credit risk management has become more forward looking. This entails early identification of accounts exposed to credit risk for timely remedial action. Credit teams are pre-emptively engaging customers who are showing signs of distress.

Read more about credit risk management in the risk report.

Stakeholders that have an interest in this matter

Employees

Shareholders

Customers

Government and regulators

Strategic choices related to this matter

Data and digital

Entrepreneurial

Expected outlook

The short to medium term outlook for credit risk is negative, however, there is an expectation for conditions to improve in line with economic recovery and growth.

Financial and cybercrime

The increasing adoption of, and migration to digital channels and solutions, and connectivity through the internet multiply the risk of cyberthreats and attacks. Cybercrime does not recognise borders, and regulation often lags behind complex and evolving forms of cybercrime.

There are three primary trends in financial fraud and risk management:

- Managing speed in the movement of money to detect financial crime without inhibiting customer experience
- An increase in account takeovers and synthetic identities through improvised identities, fabricated or stolen
- More sophisticated non-traditional products are used for money laundering, including trade finance, securities and insurance

Cybercrime always has a financial impact, which can include actual money stolen, data theft or destruction, investigation costs, fraud, disruption and reputational harm. Although Namibia and Botswana are still experiencing relatively low levels of cybercrime, one major incident can cause irreparable harm, especially to the financial services industry.

This matter is material to shareholders who want to prevent catastrophic losses to the business, while customers want to be protected from cyber risks and financial loss.

With the increasing investment in digital transformation, the protection of our digital assets is a priority. Cyber risk is a standing discussion point on the board agenda where progress with the cyber resilience programme is monitored. The Group chief information security officer is responsible to ensure that the cyber resilience programme is aligned to the Group's risk appetite.

The Group applies various technical and non-technical controls to combat cyber-attacks including a testing programme to validate the effectiveness of the elements of its cyber resilience programme. The results of the testing programme are used to inform ongoing improvement to protect information against unauthorised access, disclosure, inadvertent modifications and to ensure services are continuously available to internal and external stakeholders.

The pandemic necessitated an increase in remote working by staff. We mitigate the increased cyber risk by enhancing a variety of controls including the deployment of endpoint security, as well as accelerating and strengthening our staff security awareness programme.

Internal fraud and theft losses for the year remained low.

Stakeholders that have an interest in this matter

Employees

Shareholders

Customers

Government and regulators

Suppliers

Strategic choices related to this matter

Data and digital

Expected outlook

It is expected that the inherent risk of financial and cybercrime will continue to increase as our operations become more digitised and global trends in cybercrime continue, however, we expect that our fraud mitigation and cyber resilience programmes will maintain the residual risk profile within the board's approved risk appetite.

Meeting customer needs and expectations

Customer centricity is a key competency for banks as they invest in digital offerings, experiences and engagement. This means understanding and meeting the needs of existing, emerging and new-generation customers, and offering appropriate value propositions. The availability and use of data management, statistics and analytical modelling are essential to respond to these changing customer trends.

Creating a culture of excellent customer service

Bank Windhoek puts customers at the heart of everything we do. We are committed to excellent customer service and embedding ourselves in the lives and businesses of our customers. As such, we partner with them and empower them to achieve their goals. The bank introduced a Customer Service Charter that sets out our commitment to provide high-quality, reliable service at every opportunity we have to engage with our customers.

Our key customer service drivers:

Accessibility: We provide customers with easy and convenient ways to bank.

Simplicity: We provide products, services and information that are easy and simple to understand.

Choice and Personalisation: We give customers the right products to suit their circumstances and assist them in making the right choices.

Added Value: We deliver added value through a deep understanding of our customers' needs.

Social Responsibility: We are committed to supporting the communities in which we live and work.

Our service standards are based on:

Speed I Accuracy I Transparency I Presentation/aesthetics I Accessibility I Empowerment I Friendliness I Efficiency I Safety and confidentiality

Our principles to ensure we treat customers fairly:

1. A culture of governance
2. Market and product suitability
3. Disclosure
4. Useful advice
5. Performance and service in line with expectations
6. Claims, complaints and changes

The Bank Windhoek brand promise: ***We are dedicated to the progress of our customers***

Capricorn Group's customers span all income and age groups, a variety of industries and different geographical areas. To understand their specific needs and expectations, we carefully segment these customers and shape our operations to deliver targeted solutions and services. This means developing customer value propositions aimed at specific groups such as small businesses or high-income earners. We engage with institutional customers differently from how we interact with those requiring specialist finance or retail banking.

At Bank Windhoek, we use the DSQ research methodology to measure customer satisfaction and needs.

To improve customer experiences, the Group is investing in the digitisation of the business and the transformation of distribution channels. For example, our customers have been asking for cash accepting devices and a new refreshed app. Read more about our progress on these under the material matter: Fintech, Insurtech, and evolving digital assets on page 31 and in the Group CEO report from page 40.

While our customers' needs change continuously, they always demand safe, reliable and convenient offerings supported by stable, fast and efficient platforms. The pandemic highlighted and accelerated some of the emerging customer needs, which spurred us to reassess the purpose of and services in branches. We want customers to have access to high-value advice in branches, whereas low-value interactions can be done digitally while retaining the same level of service.

We also know that digital transformation must make sense for customers in remote and rural areas, for customers of all ages and literacy levels, and in a banking culture that is built on relationships.

Customers require responsive and fair complaints management. Therefore, we are transitioning our call centres to service centres with a digital support element.

Meeting customer needs and expectations continued

Contact centre improvements to meet customer expectations

The Group opened an in-house client contact centre in June 2018 providing a 24-hour inbound service for Bank Windhoek and Bank Gaborone. The contact centre handles complaints, queries and assists with opening new accounts.

During the year, the contact centre handled an average of 23,000 calls per month, including 5,000 return calls to customers. While the contact centre receives regular customer compliments, we continuously work to improve the service.

From March 2021, the centre has been tracking the number of abandoned calls per message interval on the call queue. The data shows that about 5,000 customers abandon calls, without requesting a call back, within the first five minutes (only 250 customers hold for longer than five minutes per month).

In our business model, waiting time is a form of waste. To optimise waiting time and serve customers more efficiently, we have added information to the call queue, informing customers of their number in the queue and the expected waiting time (on average two to three minutes). We also communicate the time for a call back (in less than 30 minutes). This enhancement to the call queue will enable us to better manage customer expectations.

Stakeholders that have an interest in this matter

Employees

Shareholders

Customers

Communities

Strategic choices related to this matter

Data and digital

Entrepreneurial

Diversity

Expected outlook

An improving trend is expected as our distribution transformation programme delivers more efficient processes, enhanced customer experience and lower cost to serve. We also expect to gain better insights and customer service from increased use of data and advanced analytics.

Demand for specialist skills driving focused development, training and diversity

The Harambee Prosperity Plan II recognises that the Fourth Industrial Revolution offers transformative opportunities but can widen inequality and diminish the ability of Namibians to harness opportunities. Government commissioned a national assessment to determine Namibia's digital labour profile, reskilling requirements and the impact of artificial intelligence on labour force dynamics and future work.

Capricorn Group's success relies on an effective workforce that can execute our strategy through the appropriate leadership, talent, skills, diversity, equity and inclusion. We are committed to investing in talent. We recruit, develop, nurture and deploy individuals who demonstrate the potential to progress at a faster rate and to further levels of complexity than their peers.

Line managers have to identify talent consistently and objectively, and ensure that we provide employees with access to the right opportunities, exposure, stretch and tailored development to reach their potential. This is supported by The Capricorn Way, which aims to unlock potential individually as well as collectively.

Our talent approach:

Attract and attain talent to build a high-potential, high-performing talent pool	Optimise business efficiency by deploying talent	Develop talent through targeted functional and leadership development	Retain talent through tailored retention packages
• Employee value proposition • Recruitment and selection • Onboarding • Young talent programme • External bursaries • Remuneration	• Talent identification • Talent review • Succession planning • Talent rotation programme • Performance development • Workforce planning	• Career conversations • Functional development • Leadership development • Coaching and mentoring • High-potential programme • Digital academy • Internal bursaries	• Employee engagement • Wellness • Recognition • New ways of work

A major focus this year was the people development and learning strategy, learning value proposition and maturity journey. The strategy has been aligned with the strategic choices of the respective business entities and focuses on enabling digital transformation while developing skills and competencies in line with new business needs mainly driven by the Fourth Industrial Revolution. As part of the distribution transformation programme, we are developing a Future-fit Competency Framework and post this, a skills gap analysis will be completed to inform development needs.

Our investment in talent this year included:

- In partnership with the University of Stellenbosch, 30 employees are enrolled for the New Manager Development Programme.
- To further leadership development, we embarked on a micro-learning programme, with 600 employees attempting the first module.
- As part of our leadership development offering, accredited coaches support leaders in achieving their own goals and objectives and supporting their team to do the same. This opportunity was extended to 40 executives and 60 senior management members across the Group.
- The Graduate Development Programme enrolled 10 graduates, prioritising disabled and previously disadvantaged employees.
- A Business Banking Academy proposal was developed and approved and implemented in the form of SME Banking training for the new i-Lounge in Bank Windhoek. Training commenced at the end of the year with 46 Bank Windhoek and Bank Gaborone nominations. Specialised cash-flow-based lending training was arranged with target audiences.
- A debt collection training intervention has been arranged to enable the Bank Windhoek legal collections branch to better manage NPLs. An arrears management course for Bank Windhoek branches was also designed and launched internally.
- Amid challenging external and internal circumstances, the Group managed to transition most of our training from the traditional classroom-based approach to that of online training in the form of cybersecurity, ethics, Microsoft computer training programmes and other compliance training such as Foreign Account Tax Compliance Act training. Learning facilitators travelled to all the branches to conduct a countrywide roll-out of electronic payments (EPaC) admin training while complying with COVID-19 regulations. The result of this training can be summarised as follows:
  - 9,496 employees trained
  - 8,547 (92%) employees trained online
  - 88.1% learner satisfaction achieved
  - 90.7% learning effectiveness achieved
- The Bank Gaborone Graduate Trainee Programme creates a pipeline for key roles and succession for managerial roles. Most appointments into roles requiring graduates have been filled internally with the resources from the programme.
- All Entrepo employees are taking part in a bespoke Entrepo Leader Development Programme that focuses on personal development and how a leadership role can be played in the company and the community at large. We also focus on certain technical skills such as cybersecurity and enhanced Excel training.

Demand for specialist skills driving focused development, training and diversity continued

Capricorn Group employee profile	Permanent employees	% male	% female	% permanent of total employees	% contract	Total 2021	Total 2020	Total 2019
Namibia*	1,712	36	64	94	6	1,712	1,793	1,749
Botswana	299	36	64	96	4	310	313	317
South Africa	8	63	37	38	62	21	19	23
Total and average %	2,019	45	55	76	24	2,043	2,125	2,089

* *Includes employees for head office, Bank Windhoek, CAM, Namib Bou and Capricorn Capital. The head count for 2021 excludes Zambia.*

Group indicator	2021*	2020	2019	2018
Female permanent employees (%)	64	63	64	63
Racially disadvantaged permanent employees (%)	78	78	78	78
Women in senior management (%)	32	45	32	30
Women in middle management (%)	60	59	60	60
Racially disadvantaged employees in senior management (%)	35	39	34	30
Racially disadvantaged employees in middle management (%)	65	66	64	61
Non-Namibian workforce (%)**	2	2	2	2
New employees aged <24 (%)	6	14	15	28
New employees aged 25 – 35 (%)	74	71	62	52
New employees aged 36 – 45 (%)	12	14	15	11
New employees aged 46 – 55 (%)	8	0	8	9
Employee turnover annualised (%)	4	5	5	6
Training hours Bank Windhoek, CAM and Namib Bou (hours)***	10,392	1,824	2,248	2,600
Training hours Bank Gaborone (hours)	1,964	2,558	3,168	3,304
Total investment in training (N$'million)	3.9	7.1	23.6	18.5
Diversity score from the Namibia Preferential Procurement Corporation (%)	98.87	98.87	98.34	98.16

* *Cavmont Bank is excluded from the 2021 statistics.*
** *Namibia only indicator.*
*** *The increase in training hours is a result of the online training modules that have been rolled out via the KnowBe4 training platform. The previous value was calculated on the number of training hours via face-to-face training as the only methodology.*

Stakeholders that have an interest in this matter

Employees

Government and regulators

Communities

Strategic choice related to this matter

Diversity

Expected outlook

We expect to see an improving trend as our investments in talent, training, diversity, and inclusion pay off.

Responding to a changing regulatory and operating context

COVID-19's impact on Namibia and Botswana has been extensive and pervasive. Regulations to mitigate the spread of the virus put pressure on customers, employees, suppliers and communities. The pandemic changed work and social patterns, with devastating results for industries such as travel and tourism.

We support government and regulators' intent to protect the integrity and stability of the regional financial systems, and made significant contributions to assist customers, communities and other organisations through a difficult time. Examples of support included:

The Group responded to COVID-19 requests for assistance as good corporate citizens and to support governments' efforts to mitigate the impact	• A donation towards building a safe housing structure and ensuring running water to accommodate children in the Groot Aub area, benefiting 300 members of the community. • Funding in partnership with the Namibia Red Cross Society to support community sanitation and the distribution of protection kits to marginalised communities in the northern region up to July 2020. • Provision of medical supplies and equipment worth N$500 000 to the Ministry of Health and Social Services at the Khomas Regional Council COVID-19 centre in August 2020. • Financial support to the University of Namibia School of Veterinary Medicine to carry out a non-invasive pilot project, supported by the Ministry of Health and Social Services, to train and deploy COVID-19 detection dogs. • A donation of N$1,050,000 to a private sector coalition to secure 63 tonnes of emergency medical oxygen for COVID-19 patients.
Our Changemaker initiatives consist of employee volunteer programmes that support the Group's CSR strategy	• 30 Capricorn Group employees volunteered to support the Groot Aub project in partnership with Imago Dei by serving meals and drinks to children, handing out masks and hand sanitisers, and demonstrating the correct use of these. In March 2021, employees painted the newly constructed Youth Worship Team project centre and playground funded by Capricorn Group in 2020. • Changemakers participated in the Big 5 Christmas Drive by purchasing and donating gifts targeted at projects in their vicinity. The Christmas Drive was done in partnership with Imago Dei and focused on five established projects throughout the country. • Employees assisted the S.P.E.S. (Step out of Poverty through Education, Encouragement and Support) Charity by delivering warm tracksuits to schools and vulnerable children in the Hakahana area. Employees also donated winter clothing to be distributed to charities.
The Group allocates sponsorships and donations to reputable entities that focus on education and training, welfare/food security, health and conservation	Education and training initiatives: • Capricorn Group sponsored EduVision, an online learning platform that connects remote secondary schools to interactive classroom teaching presented by teachers from Edugate Academy private school. Nine schools with 3,829 disadvantaged learners in vulnerable communities across Namibia are currently benefiting from the platform. • Capricorn Group and CAM donated to Women at Work to establish a training centre in Grootfontein. We also supported MSR to recruit motivated unemployed individuals and provide them with life skills, financial literacy and entrepreneurship training. • We partnered with Capacity Trust, an HR and industrial psychology consultancy, for a two-day youth leadership workshop. A group of 18 learner-representative council members and teachers from 16 schools in the Oshana region attended the workshop. • We support the Institute of Chartered Accountants of Namibia. This provides Capricorn Group with the opportunity to engage with current and upcoming chartered accountants from an employer perspective. • CAM sponsored the first set of school clothes and face masks for 475 needy grade 1 learners from 13 schools, thereby also supporting the community manufacturing the uniforms. • Bank Gaborone's adopt-a-school programme has been running for four years with each branch or business unit adopting and assisting a public school. The focus this year was on providing masks and hand sanitisers to schools.

Responding to a changing regulatory and operating context continued

The Group allocates sponsorships and donations to reputable entities that focus on education and training, welfare/food security, health and conservation (continued)	Welfare/food security initiatives: • We supported the Gondwana Care Trust in its Christmas Bag project aimed at vulnerable children. The intent is to leverage the reach of our Bank Windhoek branches and the Gondwana lodges. We also supported Gondwana's MealForTwo programme which provides food to vulnerable communities. • Bank Windhoek supports Hope Village, a long-term placement facility for orphaned, abused or HIV/AIDS-infected children. We provided food and assisted with repairs. • Bank Windhoek donated a solar water pump to the Otjinungua School in the Kunene region to water its garden, which is being prepared for vegetable growing. In this way, the school will be able to provide students with access to safe and nutritious food. Health initiatives: • The Group supported the Namibia Heart Foundation's annual fundraising breakfast as part of a public-private collaboration to create awareness of heart diseases. • In October 2020, Bank Gaborone offered diabetes testing at branches. In November 2020, it supported blood donation at branches to reduce the dire blood shortage reported by the Botswana Blood Bank. • Bank Windhoek is funding the refurbishment of the mobile clinic for the Otjinungua Mobile Clinic Project. Conservation initiatives: • We sponsored the printing of 2,000 Namibia Nature Parks guidebooks in partnership with Gondwana Namibia, the sale of which will benefit conservation and tourism, an industry under severe pressure due to the pandemic

Entrepo focused on hunger relief, education and social upliftment this year, allocating N$2,093,203 to CSR initiatives.

The Capricorn Foundation

The Foundation is a non-profit association incorporated under Section 21 of the Companies Act of Namibia and holds a welfare registration certificate. Our plan to appoint a head of the Foundation was put on hold this year as a result of the pandemic and the need to build a sustainable reserve of funds.

The first board meeting was held on 1 July 2020, with Johan Swanepoel and Gida Sekandi as the inaugural board members. Gerhard Fourie was appointed as the new chairperson in March 2021 and Lavinia Shikongo as independent external director from 1 July 2021. Thinus Prinsloo and Baronice Hans were also appointed to the Board to represent Capricorn Group and Bank Windhoek.

The Foundation adopted two policies to ensure compliance with new regulations for NGOs related to the Financial Intelligence Act:

- Donor and beneficiary acceptance and sanctions manual and standards policy
- AML, CTF and CPF policy

The Foundation is funded by Bank Windhoek, CAM and Entrepo Holdings, with Capricorn Group providing administrative support to the Foundation.

During the year, we started introducing the Foundation to stakeholders, including potential beneficiaries, the Ministry of Health and Social Services and other foundations. The Foundation partnered with Imago Dei on a common purpose of connecting the community of means (corporates with corporate social investment ("CSI") policies like Capricorn Group) with vulnerable communities and their specific challenges. We also supported the Ministry of Health and Social Services' early childhood development project. The Foundation sponsored educational booklets for pre-primary and grades 1, 2 and 3 learners, containing activities on language development, mathematics and other academic skills. In June 2021 the Foundation responded to an urgent call to the private sector to support government in securing life-saving medical oxygen from South Africa by donating three trucks carrying 63 tons of medical oxygen valued at just over N$1 million.

Harambee Prosperity Plan II

The Harambee Prosperity Plan II for 2021 to 2025 was launched by the Namibian president in March 2021. It aims to address Namibia's most pressing challenges through initiatives under five pillars:

- Governance
- Economic Advancement
- Social Progression
- Infrastructure Development
- International Relations and Cooperation

We support the plan through our ethics initiatives, governance structures, commercial offerings and growth plans, investment in communities, renewable infrastructure and sustainable financing.

New regulation and compliance

Compliance with a continuous flow of new regulations is important to all of our stakeholders. The Group compliance team tracks and monitors all pending regulatory changes and completes annual readiness assessments based on indications from Parliament of which bills will be considered for implementation.

In Namibia, the introduction of the Financial Institution and Markets Act (previously called "FIM Bill") will have a significant impact on CAM, as it consolidates and harmonises the laws regulating financial institutions, financial intermediaries and financial markets. A new consolidated act will be administered by NAMFISA.

The promulgation of this legislation and standards will impact non-banking financial services sectors, namely collective investment schemes, financial markets, long and short-term insurance and retirement funds, which would then impact:

- Permissible investments
- Disclosures on marketing material
- Records of financial advice to clients

In Botswana, Bank Gaborone attained full AML compliance. In October 2020, the European Union ("EU") listed Botswana among countries with strategic deficiencies in their AML and CTF regimes, thereby posing significant threats to the EU's financial system. The EU further obligated entities in its member states to perform enhanced due diligence measures when dealing with individuals and entities from the listed countries, including Botswana. Bank Gaborone has not seen any impact on its operations as a result of the blacklisting.

Read more about legal and compliance risks in the risk report.

Stakeholders that have an interest in this matter

- Employees
- Government and regulators
- Communities
- Shareholders
- Media
- Strategic alliance partners

Strategic choices related to this matter

- Entrepreneurial
- Diversity

Expected outlook

We expect an improving trend as we continue to improve our stakeholder management process to sense and respond to stakeholder issues and priorities. Our investment in compliance monitoring resources and capability will contribute to pro-active identification of non-compliance.

Fintech, Insurtech, and evolving digital assets

The interplay between digital, data and customers is disrupting conventional banking and transactional models. New players design flexible and dynamic solutions based on new financing platforms, open banking and cloud-based products and services.

The banking trends set out in our section on our operating context on page 19 reflect the emphasis on digital transformation to remain competitive.

Capricorn Group launched a distribution transformation programme this year, building on work done previously to evolve the Group's digital assets. The objectives of the programme are twofold: to increase the customer experience and to reduce the cost to serve. This requires deliberate and intelligent trade-offs. We adopted an important principle, namely that costs will not be reduced if that will be detrimental to the customer experience. We have assumed that there are ample unproductive costs to be addressed through the programme.

Our investment in distribution transformation has four value drivers:

1. Back office automation
2. Active sales and relationships
3. Digitised enquiries and transactions
4. Automated cash services

Significant resources have been allocated to the programme, which has a dedicated team led by the MD of Bank Windhoek. Examples of initiatives include:

- The roll-out of self-service cash accepting and recycling ATMs
- New branch model design and operating model
- Mobile app refinements

Decisions are based on real-time data, with predictive and prescriptive analytics used to respond to customer needs. Other guiding principles include:

- An omnichannel approach
- Paperless outcomes
- Consistency across all touchpoints
- Commercial viability
- Personalisation
- Customer-centric design

Risk and compliance requirements, including cybersecurity, form part of the analysis and design processes to proactively manage challenges and mitigate risk. We also adapted our Connector programme to offer strategic support to the Group's distribution transformation programme through our change agent network.

Early successes include the launch of the new Bank Windhoek mobile app in June 2021. The app was developed on a new technology platform with a much-improved user experience and additional features such as biometric login.

Bank Gaborone launched its mobile app in June 2020. Since the launch, the bank has onboarded 3,200 customers and aims to have 6,000 active customers representing a 50% penetration by 30 June 2022.

Stakeholders that have an interest in this matter

- Employees
- Communities
- Shareholders
- Media
- Strategic alliance partners

Strategic choice related to this matter

- Entrepreneurial
- Data and digital

Expected outlook

We expect a stable to improving trend due to positive outcomes from our distribution transformation programme.

Enhancing and optimising management and operational systems

Operational excellence is a key competitive capability for the Group. It can enhance internal effectiveness, security and process optimisation – by doing things faster and more cost effectively, we reduce waste, errors and ultimately improve the quality of customer experiences.

At Bank Windhoek, we introduced in-branch improvements by simplifying the onboarding process. We combined most services like cards, AlertMe, cell phone banking, eStatements, and iBank into the onboarding process with a single contract. We also started issuing contactless cards for all new/replacement cards in September 2020. By introducing 3D Secure Verified by Visa, we provide customers with an added security measure when making online payments with their debit or credit cards.

The business banking customer onboarding process was reduced from 80 minutes to 15 minutes.

New cash deposit ATMs were installed at three branches, one agency and in the Maroela Mall Ongwediva. These allow customers to deposit cash safely and securely 24 hours a day. Integrated POS and e-commerce services were launched to our corporate and commercial customers, giving them enhanced payment-accepting functionality.

As for back-end processes/systems, this will form one of the primary focus areas for the distribution transformation programme. Digitising, automating and leveraging data analytics (including artificial intelligence and machine learning) will help us significantly improve efficiencies and reduce turnaround times for processes like customer onboarding and credit. This will manifest in significant customer experience improvements.

During the year, there was a significant improvement in the number of new POS merchants onboarded, with a new record of 56 merchants in March 2021 (nearly double the average of 30 per month). To date, we have replaced over 1,300 POS devices that are able to do contactless transactions. As of April 2021, we have also replaced over 1,200 of the South African XLink sims with local MTC sims, resulting in a much more reliable network connection.

At Bank Gaborone, we upgraded various systems, lines, infrastructure and interfaces to provide better service and address various audit findings.

Continuous optimisation of systems and additional modules to existing applications enhance functionalities. We continue to support process automation in every possible area to reduce wastage and address poor performance.

Stakeholders that have an interest in this matter

Employees

Shareholders

Suppliers

Strategic alliance partners

Strategic choice related to this matter

Data and digital

Expected outlook

We expect an improvement in our operational systems due to the digitisation of processes, leveraging data and analytics and improving efficiencies.

Our strategy

Strategic choices drive value creation and preservation

Our strategy responds to a dynamic operating context described in the previous chapter and guides trade-off decisions in resource allocation and priorities. It enables the Group to focus its execution, identify opportunities and effectively mitigate strategic risks.

Capricorn Group has been following the cascade of choices approach to strategy development since 2018. It is an inclusive process that can be applied to any entity or team, enabling all to be aligned across the Group. This is also why strategy alignment scored high in our Mirror survey results.

Strategy formulation		Strategy formulation and monitoring	Strategy execution	
What is our purpose?	**Where will we compete?**	**How will we win? How will we know if we are executing strategy?**	**What are the capabilities and competencies to execute strategy?**	**Which management systems are required to execute strategy?**
Improving lives through leadership in financial services by being Connectors of Positive Change. Read more about what our purpose means on page 2.	Namibia and Botswana.	We will win by delivering on our strategic choices, creating a differentiating customer experience and achieving cost optimisation. Our strategy scorecard tracks progress via actions, outcomes, metrics and targets. We report quarterly to the board, which monitors performance and implementation.	Our key capabilities include strategic growth and distribution transformation. Read more about these in the financial director's review from page 44 and the Group CEO's report from page 40. We invest in competencies that relate to Fourth Industrial Revolution skills, banking, management and future-fit leadership. Read more about these skills initiatives in the material matters section on page 27.	We rely on business platforms, information and analytics to enable the successful execution of our strategy.

We started the strategy cycle from 2021 to 2023 with six strategic choices. The outbreak of COVID-19 led us to review our strategic choices, risks and opportunities. The board agreed that the business strategy for the remainder of the 2021 to 2023 strategy cycle should be more about consolidation, stabilisation and digitisation than regional expansion. There was also an agreement to simplify and streamline our focus. As a result, the board approved the following three strategic choices on 12 April 2021, incorporating the material elements of all six choices.

We measure progress

Strategic choice	Group performance indicator	2021 performance
We will transform our business using data and digital to achieve superior customer experience, lower cost to serve and scalable competitive advantage.	Market share: total loans and advances Bank Windhoek	33.8%
	Market share: total deposits Bank Windhoek	30.1%
	Market share: total loans and advances Bank Gaborone	7.4%
	Market share: total deposits Bank Gaborone	6.9%
We will grow through entrepreneurial action in order to contribute to a sustainable organisation.	Growth in net value of new business: Bank Windhoek	16.8%
	Growth in net value of new business: Bank Gaborone	Funding growth: 11.0% Loan growth: 4.8%
	AUM (CAM)	N$31.8 billion (1.6% increase)
	Growth in new to bank clients in Bank Windhoek	7.5%
	Growth in new to bank clients in Bank Gaborone	8.16%
	Entrepo contribution to net profit after tax	19.9%
We will prioritise diversity, equity and inclusivity, focusing on race and gender to represent the demographics in our chosen markets, including future-fit leadership, as a catalyst for growth.	Response rate on the diversity and inclusion survey	83%

Strategic choices drive value creation and preservation continued

The power of our strategy development process and implementation lies in engaging our people and allowing them to participate. Our approach is to create co-ownership of strategy.

All entities have approved strategy plans and execution scorecards that support strategic choices and their businesses. Scorecards are submitted quarterly for board oversight.

The strategic growth initiatives and distribution transformation programme are the two main strategy execution engines. Dedicated resources have been allocated to both, and the 2021/22 Connector Programme has been designed to purposefully support the distribution transformation programme.

Risk management supports strategy execution

The Group Risk, Internal Control and Assurance Framework ("GRICAF"), which is at the core of enterprise risk management, is directed by our strategic choices. These choices guide us in terms of risk management infrastructure, key skills and risk management capabilities. The implications of the strategic choices, shown below, inform the strategic focus areas for risk and compliance management in the Group.

Our three strategic choices	How enterprise risk management supports successful execution
We will transform our business using data and digital to achieve superior customer experience, lower cost to serve and scalable competitive advantage.	We foster efficiencies and build lean but safe control frameworks into business processes and systems. We use analytics, management information and data-driven solutions, including financial analytics and scenario testing to make better decisions. We evolve our analytics capabilities towards prediction and prescription.
We will grow through entrepreneurial action in order to contribute to a sustainable organisation.	We do a risk assessment of new ventures, ensure the vigilance of cyber risk measures and develop new skill sets. Our capabilities are built in a way to achieve scale quickly and easily.
We will prioritise diversity, equity and inclusivity focusing on race and gender to represent the demographics in our chosen markets, including future-fit leadership, as a catalyst for growth.	We contribute to diversity and capacity building through ethics and Risk Culture programmes.

Read more about strategic risk and how we mitigate this risk in the online risk report available on our website at http://www.capricorn.com.na/Pages/Reporting-Centre.aspx:

Group risk management at a glance

A strong, sustainable financial services group relies on sound risk management. For Capricorn Group, this means looking at risk systemically and holistically. Our focus is on "what must go right" to achieve desired outcomes.

The GRICAF adopts standard risk management practices from Basel II/III and the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Risk management practices are guided by business objectives and formal risk capacity, appetite and tolerance statements.

Accountability for risk management is clear and vests with senior executives at Group and subsidiary levels; however, everyone is responsible for risk management. Central risk management functions are responsible for risk management policies, standards, infrastructure and processes, while operating units are responsible for managing risks within their operations. Assurance functions such as internal audit, management assurance and compliance have varying degrees of independence from operating units and perform monitoring activities.

The main risk types applicable to the Group have been identified and are called principal risks. Each principal risk is mitigated through a Risk Management Framework. Risk management frameworks are developed with a systemic approach to risk and control framework design to ensure our risk management practices support and sustain the system's performance objectives.

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

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

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

Embedding a Risk Culture

Our Risk Culture Building Framework features four pillars which are included in the performance assessment process for all employees. This requires regular performance discussions on how each employee applies the following pillars in the execution of their role:

1. **Think differently:** Think through immediate events and consider the consequences of decisions
2. **Get the whole picture:** Adopt a broader view than historical events and internal perspectives
3. **Build a risk intelligence system:** Collect information from inside and outside Capricorn Group and from multiple sources to allow us to sense and respond to changes in the operating environment
4. **Every Capricorn employee is a risk manager:** Risk management is everyone's duty, and we equip our employees to perform this duty

Oversight and accountability

The board recognises that risk is about the uncertainty of events, and that these could potentially have a positive or negative impact on our ability to create value. The board allocates the responsibility for oversight and governance of risk management to the BARC.

The Group Board is accountable to govern risk in a way that supports Capricorn Group in setting and achieving its objectives. The Group CEO is the senior executive responsible for the implementation of a sound Risk Management Framework.

Read more about the governance of risk and find detail per principal risk in the 2021 online risk report available on our website.

Business model

INPUTS

SOCIAL AND RELATIONSHIP CAPITAL

We have long-standing and new customers across all segments in Namibia and Botswana

We contract with a range of reliable suppliers

Customer loyalty: Bank Windhoek is the largest locally owned bank and the second largest commercial bank in Namibia

Bank Windhoek has a 33.8 % market share and Bank Gaborone a 7.4 % market share in loans and advances

The Foundation and Changemaker initiatives contribute to communities in need

The Capricorn brand is recognised in the region

We are increasing our investment in social and relationship capital as we support stakeholders in need.

HUMAN CAPITAL

2,019 permanent employees

N$3.9 million training investment to upskill employees

We anticipate potential scarcity in digital and data analysis skills in the short to medium term.

INTELLECTUAL CAPITAL

Over 220 years' collective board member experience

We have a Risk Culture and 14 principal risks, each with a risk owner

We drive ethics awareness and behaviour through the Group Code of Ethics and Conduct Policy, The Capricorn Way and Suppliers Code of Conduct

We launched a distribution transformation programme

We are increasing our investment in digital transformation over the next few years in line with our strategic choices.

FINANCIAL CAPITAL

Retained income of N$5.7 billion (2020: N$5.5 billion)

Total assets of N$56.0 billion

Total loans and advances of N$40.8 billion

Total deposits of N$40.2 billion

CAM AUM of N$31.8 billion

Liquidity and funding will remain constrained in the short to medium term, which limits the capital available for investment in growth projects.

MANUFACTURED CAPITAL

12 branches/agencies, 17 ATMs, (including NCRS), 8 NCR ATMs, 384 merchants and 635 POS devices

24-hour customer contact centre

IT systems and business continuity facilities

Digital banking, apps and other platforms

NATURAL CAPITAL

Environmental and Social Management System

Water, energy and paper

Climate impacts from physical and transition risks and infrastructure quality might become a business constraint in the medium to long term.

We have a dynamic business model to create and preserve value while remaining true to our purpose

BUSINESS ACTIVITIES

Transactions – we facilitate payments

Loans, credit and deposits – we provide credit, loans and savings or investment products

Asset management – we invest and manage assets on behalf of customers

Advisory – we provide investment banking and advisory services

Bancassurance – we provide short and long-term insurance products

Foreign exchange and trade finance – we provide currency access to global markets

Read more about our operating context on page 18, about our opportunities and risks on page 34, governance on page 60, performance on page 40 and outlook on page 43.

OUTPUTS

Products and Services

- Banking
- Specialised finance
- Foreign exchange and trade finance
- Lending
- Wealth management
- Asset management
- Unit trust management
- Bancassurance
- Property development and evaluation
- Micro-financing

Waste

- Customer waiting time
- Losses due to internal errors

OUTCOMES

SHIFTS IN OUTCOMES EXPECTED OVER MEDIUM TERM AS WE IMPLEMENT OUR STRATEGY

SOCIAL AND RELATIONSHIP CAPITAL

More people are banking and insured

We make positive community impacts through the Foundation and Changemakers

The number of transactions increased

Our Net Promoter Score decreased to 39 %

Bank Windhoek received more awards

Shifts in outcomes:

A wider variety of products and services will be linked to the Capricorn Group brand and underlying entities

Products and services will be simplified and easy to access

Less waiting time for clients and better customer experiences

Offerings will be more competitive and cost effective

New clients in new markets/segments

New partnerships across banking and digital

Shifts in priorities and CSI based on stakeholder feedback and responses

HUMAN CAPITAL

Employee turnover annualised at 4 %

Vacancies have been frozen

Absenteeism at 37.9 % (due to COVID-19)

46 % fully engaged employees (Mirror survey)

9,496 employees received training

Shifts in outcomes:

More jobs created

Higher skills levels in data and digital

One team culture across subsidiaries

More diversified, inclusive and equity-representative teams

Improved workplace based on brand, communication audits and ethics survey

INTELLECTUAL CAPITAL

New capabilities launched via bank and MyCapricorn apps

NPLs mitigated through effective and proactive processes

Limited losses due to financial crime

Shifts in outcomes:

More client data will be available for analysis and insights

Distribution transformation programme will create a bank for the future

King IV™ will be fully embedded in all subsidiaries

FINANCIAL CAPITAL

Value created for all stakeholders (see value added statement) and dividends paid

Cost-to-income ratio up to 53.5 %

Return on equity of 13.5 % increased

Capricorn Group remains well capitalised

Profit from continuing operations increased by 1.2 %

Business development plans are progressing

Shifts in outcomes:

More diversified income streams with less exposure to interest rates

Scale achieved in Botswana will have positive cost impact based on transaction volumes

Strong growth from new ventures making a material contribution to operating profit

Available and optimised capital and funding

MANUFACTURED CAPITAL

Capricorn Group's footprint increased

Lower levels of cash in branches as more customers use digital banking

Shifts in outcomes:

Expanded digital footprint and capabilities

Scalable digital offerings/platforms

NATURAL CAPITAL

Green Bond issuance of N$66 million and Sustainability Bond issuance of N$227 million since 2018

Solar Photovoltaic (PV): N$256 million

Sustainable Agriculture: N$10.75 million

Shifts in outcomes:

Operational efficiency will optimise resource use

Bank Windhoek will remain a leader in sustainable financing

Business model continued

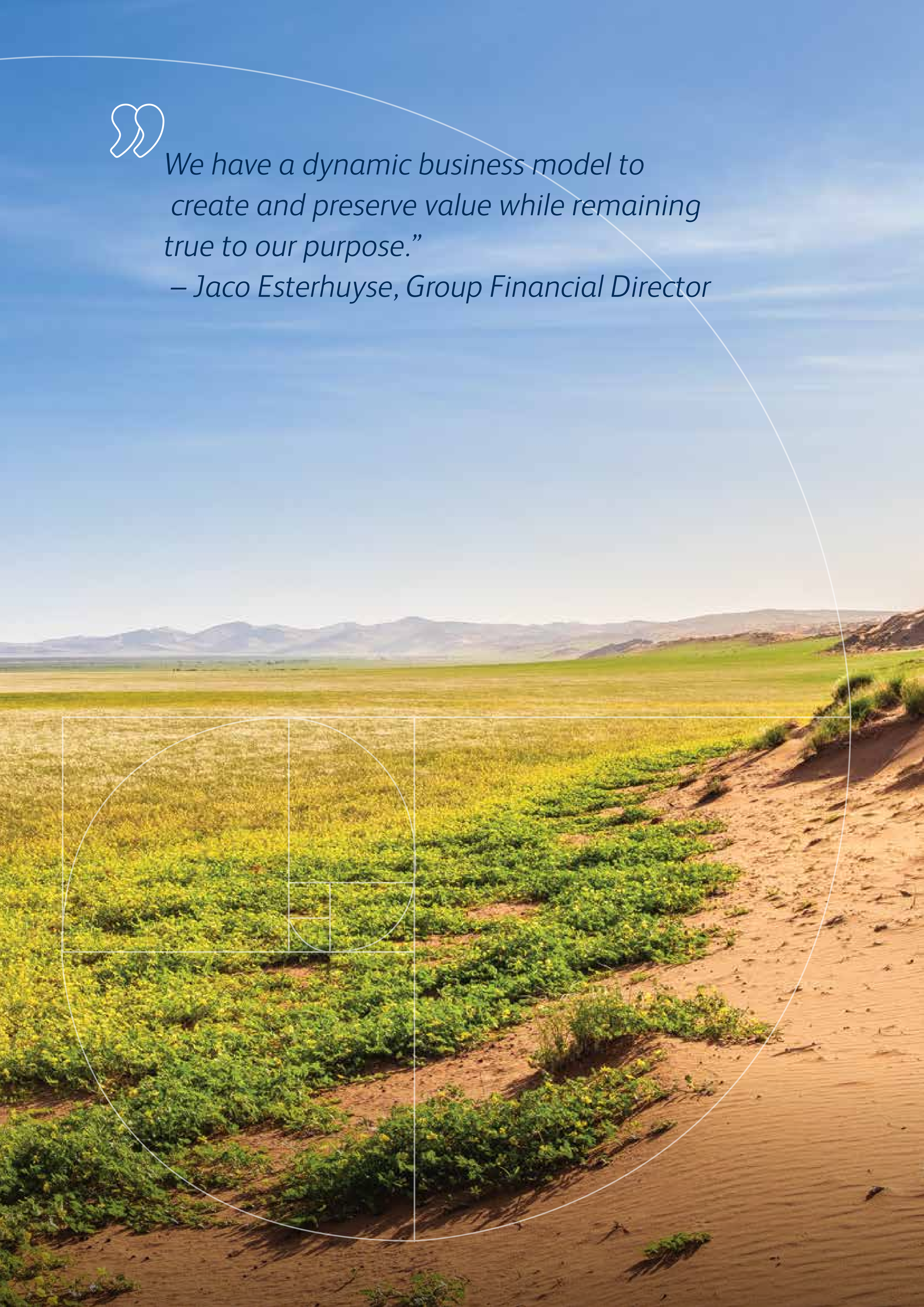
Trade-off decisions to preserve value in the long term

Guided by our purpose, strategic choices and the business model outcomes we want to achieve, the Group makes trade-off decisions daily. Most often, we sacrifice short-term gains for long-term value creation and preservation, or to avoid value erosion. The examples below illustrate such trade-offs this year:

- We made capital allocation choices where short-term profitability is trumped by our commitment to maintaining responsible levels of capital and credit risk.
- By deciding to exit Zambia through the disposal of Cavmont Bank, we reduced our geographic footprint and market presence but significantly improved profitability. The disposal will also enable us to focus resources and investments in Botswana.
- Our distribution transformation programme resulted in several trade-off decisions, for example, to initially prioritise digitising the core (our back-end platform) rather than customer interface improvements. This might lead to some customer frustration but will ensure that we have the right foundation from which to later accelerate customer experiences and solutions. We also decided to postpone the rebranding of our banks and rather allocated additional resources to the digital transformation programme in the short term.
- We decided to delay the appointment of a head for the Foundation, to build up reserves and put all the necessary governance structures in place. We also froze vacancies in the rest of the business as we reassess our operating model and skill profile, given the shift to digital operations.
- Assisting employees to work from home ensured their safety and mitigated the spread of COVID-19. Although we found that remote work makes employees more productive overall, it impacts the Capricorn Group culture, and not all employees find it easy to work from home. This also requires new leadership skills, as managers have to lead without seeing people.

Shared financial value as an outcome

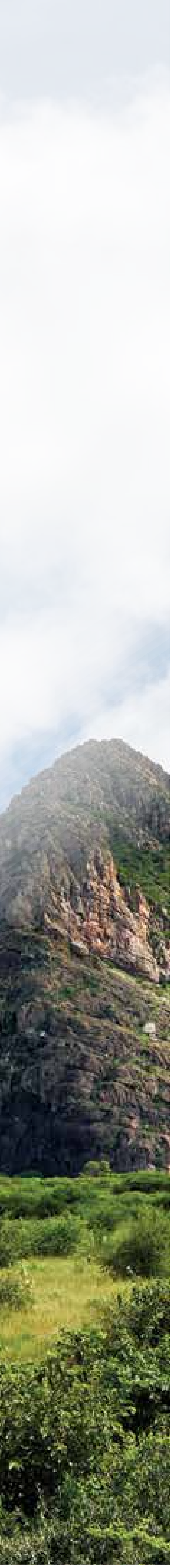
Stakeholder sharing in financial and other value created	Value and ratio 2021	Value and ratio 2020	% change
Employees In addition to remuneration, employees receive rewards, recognition and have opportunities for career and personal development.	**N$1.1 billion** **33.0%**	N$1.1 billion 33.2 %	3.0 %
Suppliers Suppliers have a market for their products and services, and opportunities to expand the range and nature of their contracts with the Group.	**N$468 million** **13.7%**	N$450 million 13.8 %	4.0 %
Government and regulators The Group pays taxes, duties and licence fees in the territories where we operate and supports government in maintaining a stable, trustworthy and well-functioning financial system.	**N$625 million** **18.4%**	N$553 million 16.9 %	13.0 %
Communities The Capricorn Foundation is the Group's vehicle for its main community activities in Namibia and is funded by the subsidiaries. In addition to their financial contribution to the Foundation, all subsidiaries run their own CSR initiatives. The Group also runs a #Changemaker employee volunteer programme to support vulnerable communities. The 2021 contribution to the communities by the Group as reflected includes funds contributed to the Foundation by the subsidiaries by 30 June 2021 but not expensed in full.	**N$12.1 million** **0.4%**	N$14.5 million 0.4 %	(16.6 %)
Shareholders Shareholders receive dividends and benefit from funds retained for future growth opportunities.	**N$255 million** **7.5%**	N$417 million 12.8 %	(38.9 %)
Retained for future expansion	**N$918 million** **27.0%**	N$747 million 22.9 %	22.9 %



"We have a dynamic business model to create and preserve value while remaining true to our purpose."
– Jaco Esterhuyse, Group Financial Director

Our performance:
Group CEO's report

To objectively assess the Group's performance, we need to reflect on the last two rather than just one year. 2019 saw the Group on a growth curve. Operating profit grew by 26.0% and Group profit after tax reached a milestone exceeding N$1 billion. That curve came to an abrupt end nine months into the 2020 financial year when COVID-19 mitigation measures and associated regulation hit the world. The full 2021 financial year played out under a pandemic cloud.



Highlights

- Operating profit decreased by 0.8% to N$1.29 billion under the COVID-19 cloud
- Cavmont Bank was sold to Nigerian-based Access Bank Group effective 4 January 2021
- Bank Windhoek launched the first sustainability bond in the Namibian market
- We launched the distribution transformation programme to become a fully digital-enabled banking group

Major challenges

- The pervasive impact of COVID-19 on already deteriorating macroeconomic factors
- Increasing NPLs and pervasive credit risk

Considering an economy that was in recession even before COVID-19, a contraction of 5% in GDP in 2020 and lasting indirect impacts of the pandemic, Capricorn Group performed really well. Profit from continuing operations increased by 1.2% to N$1.02 billion, compared to a small contraction of 2.2% to N$1.01 billion in 2020.

Over the longer term, we can clearly see the benefit in diversified revenue streams, with cyclical challenges in some entities cushioned by outperformance from other investments. Where the banks were under pressure due to lower interest rates, CAM provided a safe haven for customers who look for more certainty, and Entrepo assisted customers with much-needed loans where disposable income was constricted.

Our performance relies on the resilience of our customers. Although we faced arrears and requests for delayed payments on loans of over N$5.7 billion we ended the year with only N$2.46 billion in NPLs. The entrepreneurial spirit and quality of our customers were evident as they adjusted quickly to survive.

Bank Windhoek

In Namibia, COVID-19 had a devastating effect on the tourism and hospitality sectors. Although sectors like transport, fishing and retail have shown signs of improvement, slow economic growth stifled recovery. Our small business customers remain under significant pressure.

Bank Windhoek's priority this year was to contain expenses and lower the cost to serve in a low interest rate and high NPL environment. Risks were proactively managed, resulting in profit after tax decreasing by 7.2% to N$670 million (2020: N$721 million).

The bank continued to grow market share, claiming the highest market share for loans and advances and second highest for deposits in Namibia. We managed to grow current accounts and negotiable certificates of deposit ("NCDs") at the highest rate among our major competitors, and our loan book was the only one to expand at a rate higher than the private sector credit extension rate. This is due to new product offerings and the competitive advantage we have built as the largest lender.

We continued to support customers with temporary overdrafts, introduced capital repayment grace periods and assisted with debt consolidation and restructuring. Bank Windhoek is also working with the industry and the Bank of Namibia on the launch of a COVID-19 assistance programme for SMEs. The extended term home loan product introduced in the previous year is still available to first-time homeowners.

The bank has gone to great lengths to ensure the safety of employees and customers under pandemic conditions and follows strict COVID-19 safety measures. To reduce face-to-face interaction, we continued to enhance electronic channel offerings. We are laying the foundation for a new online platform, and launched a new mobile app in April 2021. It features a wider range of services and increased security, with positive uptake providing testimony to its success.

We also reduced fees, for example, for internet services, ATM transfers and POS purchases. Several other fee categories remained at the same level to encourage the adoption of digital channels. Transaction volumes for these fees increased and the value earned increased as customers continue to adopt new ways of banking.

A highlight this year was the issuance of a sustainability bond and Bank Windhoek's membership of the Nasdaq Sustainable Bond Network in New York. The sustainability bond meets the requirements of the Bank Windhoek Sustainable Bond Framework, which is aligned with the core components of the International Capital Market Association's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.

The Bank Windhoek Green Bond, which was launched in 2019, was raised as part of the Bank Windhoek N$5 billion Domestic Medium Term Note Programme and was listed as such on the NSX. The sustainability bond raised about N$227 million with a coupon rate of Johannesburg Inter-bank Average Rate + 1.50%, and will mature in June 2026.

Whereas the Green Bond ringfenced funding for environmental projects, we saw an opportunity to finance a broader spectrum of projects, including renewable energy, energy efficiency, green buildings, sustainable waste management, and sustainable agriculture and tourism.

Bank Gaborone

Bank Gaborone continues to gain market share by building on the good service ethos the bank is known for and by leveraging our distinct relationship model, which is also well recognised in the market.

New customer growth was slow due to the pandemic and economic impact in sectors such as manufacturing, mining and tourism. Credit growth also slowed down. This was offset by lower impairment charges following good recoveries on some of our clients. As a result, Bank Gaborone delivered profit after tax of BWP49.0 million, an increase of 14.8% compared to the prior year.

Our performance: Group CEO's report continued

Investments in branches and ATMs positioned the bank well for a fresh and improved customer experience. The Francistown and Palapye branches were relocated and seven new NCR deposit-taking ATMs were deployed. We enhanced our SureSave product to offer 24 and 36 months at attractive interest rates and launched a contactless card for "Tap and Pay" convenience and secure one-time password payments for e-commerce. POS services were enhanced with integrated POS capabilities for large retail businesses. Wi-Fi was installed at all branches.

COVID-19 support to customers was built on a case-by-case basis and included deferment of instalments, whether capital and interest or just capital, and restructuring of facilities where appropriate. In some cases, initial deferments of three months were extended to 12 months with only 5% of customers unable to recover their cash flows sufficiently to resume payments post deferments granted. These customers were mainly associated with the tourism, hospitality and entertainment sectors.

We anticipate further concessions where our assessments indicate a high probability of recovering post COVID-19 and where we can mitigate credit risk sufficiently in the interim. We expect that we will see more defaults as the impact of COVID-19 continues to be felt but that this will not materially change our financial performance. This is based on our limited portfolio exposure to the sectors mentioned.

From a retail banking perspective, we assisted customers by opening 30 minutes earlier to assist the elderly. Branches continued to operate throughout the year, but we promoted electronic banking and launched a new mobile app in June 2020.

Bank Gaborone partnered with Debswana Diamond Company Ltd to launch the citizen economic empowerment policy by setting up a supplier development programme. The programme avails BWP200 million in financing on a centralised basis and will be managed through the wholesale banking division of Bank Gaborone. This is a major contribution towards improving Botswana's financial sector sustainability and invigorating the bank's value chain.

Unfortunately, negotiations with the Botswana Bank Employees Union were not as smooth as previous years. It took longer than seven months for the parties to reach an agreement. As a result of this delay, it has been agreed that the increments will be applied over a two-year period.

Capricorn Asset Management

Asset under management reached an all-time high of N$33.6 billion this year and ended on N$31.8 billion, 1.6% higher than 30 June 2020. Fee income increased by 12.9% and net profit after tax by 19.5% as a result of the combined effect of higher inflows, significant trading in Government Bonds and Government Treasury Bills, and stable expenses.

Through Capricorn Private Wealth, our joint venture with Bank Windhoek, two CAM branches opened in Swakopmund and Walvis Bay, as well as a service centre in Ongwediva. Expansion to Botswana was delayed due to the pandemic, but system development for a regional approach commenced.

New offerings and initiatives this year included:

- An online risk assessment tool for individual customers was implemented.
- A broker investment analysis tool was rolled out to selected financial advisers as a proof of concept to assist them in providing their customers with investment proposals.
- Bonds trading was made available to brokers on behalf of their clients. This was previously only sold directly by CAM. It allows brokers to offer their clients an increased range of products.
- CAM registered as a continuous professional development ("CPD") provider with the Financial Planning Institute of Southern Africa and presented the first online CPD webinar in Namibia for the Namibian financial adviser industry.
- CAM expanded its fund offering on the Old Mutual Wealth linked investment service provider ("LISP") platform and introduced our offering on the Momentum Wealth LISP.
- The third-party fund manager products on the Capricorn investment platform were expanded.
- Expanding our offering for affluent investors, CAM entered into an agreement with Sanlam Private Wealth Mauritius to offer offshore investments to our clients.
- More customers use Capricorn Online to make investment-related transactions. During the year, 1,042 new customers registered to bring the total registered customers to 3,916.
- More than 75% of monthly statements are now online only, saving further costs and resources while improving convenience for customers.
- CAM implemented the Finswitch System which streamlines business processes, improves turnaround times, limits risk and automates fund prices on third-party funds.
- A wrap rebalancing tool was implemented, enabling the automatic rebalancing of wrap funds and in turn enhancing our customer experience and service levels.

Entrepo

Entrepo delivered solid performance by increasing profit after tax by 11.6% to N$226.2 million (2020: N$202.6 million), thereby making an increasing contribution to Group profits. New business inflows and income margins were satisfactory with management expenses tightly controlled and external debt ratios further reduced.

Entrepo's product offering remained unchanged but further enhancements were made to the digital service offering. This was further supported by the Entrepo mobile office which moves around the country. Entrepo Finance launched an app to assist customers to access data on their loan affordability and balances without the need to go into an office. We also launched an online assistant on our website called Yola that provides customers with loan affordability information, balances and other pertinent information. In addition to these digital innovations, customers can use our SMS line to obtain information.

Digital transformation programme

We launched a comprehensive digital transformation programme called #GoBeyond in October 2020, to position the Group for the future while increasing customer experience and reducing costs. Under the leadership of Baronice Hans, Bank Windhoek's MD, the #GoBeyond programme is expected to run for three years, with the most significant financial investment in 2023. This year the focus was on planning, getting the building blocks in place and allocating resources. The #GoBeyond programme requires deliberate and intelligent trade-offs, with an important guiding principle: costs will not be reduced if that will be detrimental to the customer experience.

We believe the #GoBeyond programme will serve as a material investment in long-term value creation. It has already served to identify unproductive costs and resulted in several operational enhancements.

Customer and employee transition will be critical, with a strong change management imperative. We have a business transition team that is managing this. Risk management is a critical part of the programme, including cybersecurity. These aspects form part of the analysis and design processes. We also adapted our Connector programme to offer strategic support to the distribution transformation programme through our change agent network.

High-performing teams

During the year, we refined arrangements to enable our employees to work from home when required. With new tools now embedded, we are rethinking office and workspace planning for the future. We introduced and operationalised a database of parachute teams to step in and support sites that need short-term assistance due to the unavailability of employees as a result of COVID-19 cases.

Our annual Mirror survey, which provides feedback on employee engagement levels, showed a 3% improvement on last year and 7% above the benchmark, despite pandemic challenges. We achieved a participation rate of 83% and an engagement score of 83%. This year we added additional survey questions on diversity, equity and inclusion, and launched the survey on our mobile app, MyCapricorn.

The MyCapricorn engagement platform has been essential in communicating with employees in a personalised, relevant, time sensitive and easy way. 85% of employees are registered on the app and we have 626 active users per month. MyCapricorn digital initiatives this year included:

- The introduction of Captivate as an online micro-learning methodology
- Leave applications and approvals via the app
- Employee onboarding via a digital employee handbook
- The launch of a Net Employee Score on MyCapricorn to get real-time data from employees around improving the customer experience

We are working on culture interventions in partnership with FranklinCovey Namibia. One-on-one sessions were held with members of the executive management teams to understand their views and individualised experiences around diversity and inclusion. This informed further workshops to be rolled out in the new year and supports our new strategic choice around diversity, equity and inclusivity as a catalyst for growth.

NeXtGen innovation

Work done by the NeXtGen board this year includes understanding micro-national project needs. The NeXtGen board subsequently partnered with relevant business units to deliver on the opportunities identified during the project and through customer interactions.

The NeXtGen board also launched the first Create-a-thon, which harnessed the creativity and skills of Capricorn Group employees to create an eApple platform for the Bank Windhoek Cancer Apple Project. The platform enables fundraising to expand beyond physical locations or seasons, as donors can purchase eApples and fresh fruit.

Outlook and expectations

Economists are still expecting interest rates to remain flat in the short term. We can expect external factors to continue muting customer and business confidence. As a Group, we remain committed to developing our new business pipeline and revenue streams to capture additional market share, even under these conditions.

Our growth focus will be on Botswana, where we plan to launch a microlending business and structured trade finance initiatives. The Botswana economy is expected to recover quite strongly from the COVID-19 pandemic. Real GDP growth in 2021 is projected to be at 8.8% by the Ministry of Finance and Economic Development and at 8.7% by the International Monetary Fund. This is due to anticipated recovery in mining and global economic activity.

The Bank of Namibia expects Namibia's economic performance to improve during 2021 and 2022 due to wide-ranging base effects and better growth prospects for diamond mining, agriculture and transport. Through the new sustainability bond and Nasdaq membership, Bank Windhoek is operating on a global platform and is able to attract foreign investors who would not typically invest with the bank.

In addition to new business growth, the distribution transformation project is expected to deliver the following benefits in the new year:

- Automated branch processes and digitised branches
- Centralised and automated credit
- An expanded presence through cash-dispensing and cash-recycling ATMs deployed to new locations
- Further refreshed banking apps and new online platforms for retail clients and businesses

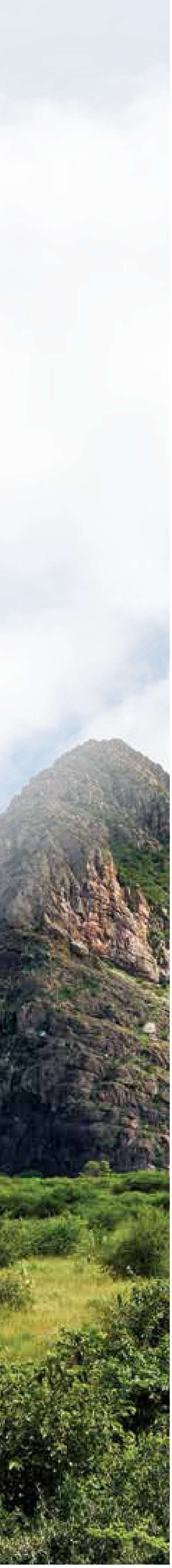
CAM's focus is to develop the digital channel into a primary delivery channel. Upcoming changes in legislation may place an additional burden on the operations and could also affect the competitiveness of our products.

Entrepo will continue to focus on achieving realistic growth in a subdued market environment and maximising profitability by containing expenses and further reducing external debt levels. We remain confident that Entrepo's agility, superior speed in the approval and distribution of new loans and credit protection cover, competitive pricing and high levels of customer satisfaction will continue to provide us with a competitive edge in the market.

Thinus Prinsloo
Group CEO

Our performance: financial director's review

The social and economic impact of COVID-19 for the full financial year created a new baseline following the uneven trends from the 2020 financial year when the Group only experienced three months of impact. Given the fact that we had to endure several spikes in COVID-19 infections, lockdowns and hardship, the Group showed tremendous resilience. In assessing our performance, we provide additional historical data to assist in assessing trends over a longer period.



Key financial indicators and 2021 targets to build sustainable competitive advantage

ROE is the overall measure of our success

2019	2020	2021	Target
16.3 %	12.6 %	13.5 %	14.0 %

We want to maintain **cost to income ratio** below 55 %

2021
53.5 %

2019
55.6 %

2020
52.7 %

This measures our ability to operate efficiently

This measures our ability to diversify income streams

We want **non-interest income** to be more than 45 % of operating income

2021
44.9 %

2019
40.2 %

2020
44.5%

We want the ratio of **NPLs as a % of loans and advances** to be <4.5 %

2021
5.2 %

2019
4.1 %

2020
4.7%

This measures our ability to effectively manage credit risk

This measures the ability to optimise our balance sheet

We want to keep the **loan to funding ratio** below 90 %

2021
88.6 %

2019
88.7 %

2020
87.9%

Key indicator trends

Group indicator	2018	2019	2020	2021
Return on average equity (%)	17.3	16.3	12.6	13.5
Return on average assets (%)	2.1	2.1	1.6	1.7
Earnings per share year-on-year growth (%)	0.1	0.5	(18.1)	14.9
Headline earnings per share year-on-year growth (%)	(13.1)	14.9	(13.4)	10.3
Net asset value per share year-on-year growth (%)	9.6	3.4	8.5	5.0
Cost-to-income ratio (%)	59.0	55.6	52.7	53.5
Operating profit year-on-year growth (%)	(2.2)	13.5	(3.4)	(0.8)
Profit after tax year-on-year growth (%)	1.8	8.7	(15.6)	14.8
Total risk-weighted capital ratio (%)	15.3	14.9	14.7	15.0
Dividend per share (cents)	60	66	50	60

Events that shaped the year

Significant transactions

- Following three years of losses reported by Cavmont Bank in deteriorating market conditions in Zambia, Capricorn Group sold Cavmont Bank Limited to Access Bank Zambia. Agreements for the sale and subsequent merger of Cavmont Bank with Access Bank Zambia were concluded and the disposal was effective 4 January 2021. Losses of N$29.8 million (ZMW47.3 million) were incurred by Cavmont Bank in the financial year up to the date of disposal. Costs related to the disposal was N$22.9 million. The consolidated loss of Cavmont Bank as well as disposal costs are disclosed as discontinued operations in the current and comparative periods.
- The Group disposed of its 17.7% direct shareholding in Paratus Namibia Holdings on 8 June 2021, which we acquired through our original 18.3% shareholding in Nimbus Infrastructure. When we invested in Nimbus Infrastructure in 2018, we intended to assist with its listing on the NSX but eventually consolidate our shareholding at the Paratus Group level, where we saw alignment in terms of our regional ambitions. Capricorn Group acquired 30% in Paratus Group Holdings Ltd in July 2019, as we anticipate significant value creation as the group expands in Africa.

COVID-19 impacts

With a third wave of the pandemic driving a steep increase in positive cases, hospitalisations and deaths in Namibia from early June 2021, the impact will only be evident in the next financial year. During the year, COVID-19 had a material impact on the Group's operations where we had to find new ways of working, and innovative solutions to ensure customer service remains at acceptable standards. Our clients experienced extremely challenging times, specifically in the tourism and hospitality sectors which led to a deterioration in credit quality. Interest rates remained low. However, we achieved better interest margins than expected due to active assets and liability repricing strategies. Non-interest income was impacted to a lesser extent than initially expected, mainly due to better than expected transaction volumes. The Namibian government's budget deficit increased and was mainly funded from the local market. Market liquidity has therefore been low, with many banks accessing the repo market. Despite the pandemic, the Group remained profitable with a sufficient capital adequacy ratio to fund future expansion.

Credit rating downgrades

The sovereign creditworthiness of Namibia and South Africa, already regarded as non-investment grade, deteriorated further as most credit rating agencies downgraded their credit ratings over the course of the year. This could affect market liquidity and increase the likelihood of capital flight and the cost of funding for both the private and public sectors. S&P Global maintained an investment grade rating for Botswana, but with a negative outlook.

Financial highlights

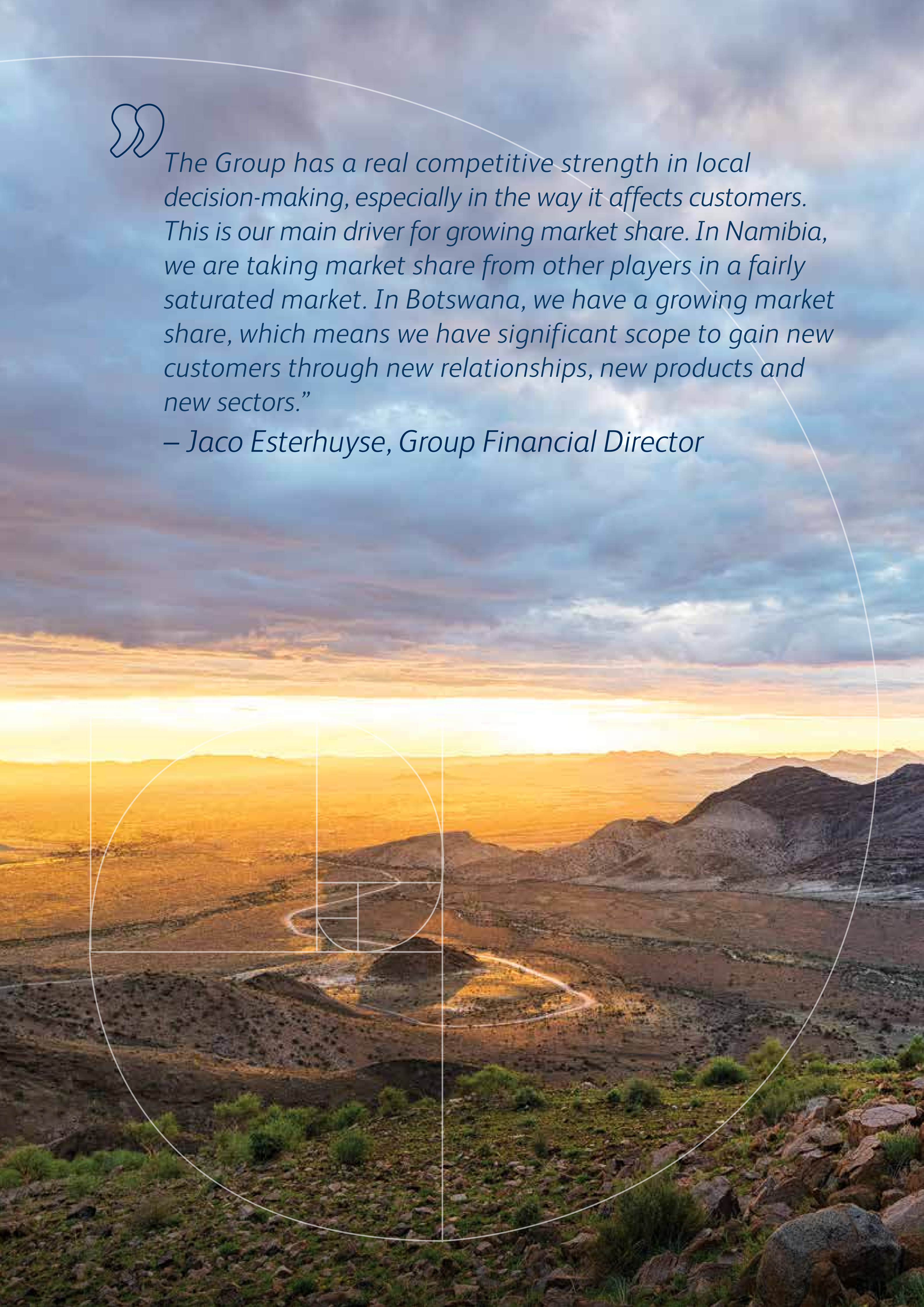
- Group profit from continuing operations of N$1.02 billion (2020: N$1.01 billion) matched the previous year achievement despite a full year under the burden of economic and social impacts due to COVID-19.
- Non-interest income rebounded by 3.6% to N$1.48 billion to breach pre-COVID-19 levels.
- Bank Windhoek was able to reprice loans effectively in a low interest rate environment. Net interest margins recovered from a low of 3.02% during September 2020 to settle at 4.06% as at 30 June 2021.
- Diversified income streams bolstered earnings as growth from non-banking subsidiaries and associates outperformed banking subsidiaries under current conditions, increasing their collective contribution to N$392.2 million (2020: N$316.0 million) of profit after tax.
- Customers showed their loyalty and increased engagement, allowing us to assist them on a case-by-case basis during the COVID-19 pandemic. As a result, loans on which payments were deferred were reduced from a high of over N$5.7 billion during the year to N$515.3 million by 30 June 2021. N$566.9 million of loans were restructured to support our customers during COVID-19.
- Capricorn Capital's repositioning resulted in a small team concluding new USD loan syndication transactions, thereby entering a new market for the Group to the value of US$10.0 million in Botswana, and new mandates in Namibia.
- Bank Gaborone ended the financial year with a market share of 7.4% on loans and advances and 6.9% on deposits.
- CAM grew AUM to a new record high at mid-year to N$33.6 billion ending at N$31.8 billion by year end (2020: N$31.3 billion) while increasing profit after tax by 19.5% (2020: 14.1%).
- Entrepo grew loans and advances by 16.0% (2020: 19.0%) and profit after tax by 11.6% (2020: 18.0%).
- Paratus Group's total investment of USD20.5 million led to 33.3% growth in earnings before interest, tax and amortisation (EBITA).
- Net asset value per share increased by 5.0% to 1,294 cents (2020: 1,232 cents).
- Earnings per share increased by 14.9% to 170.7 cents (2020: 148.6 cents).

Financial lowlights

- Following two rate cuts of 50bps each during April and September 2020, Bank Gaborone's net interest margin decreased to 3.8% (June 2020: 4.6%). The rate cuts impacted the advances side negatively, while average cost of funding was adversely impacted by lower liquidity as pension funds increased their fund allocations to off-shore markets. Additionally, inflation accelerated from 2.3% in January 2021 to 8.2% in June 2021 (highest levels since February 2012) putting pressure on deposit yields as investors demand better rates.
- As anticipated, NPLs increased from N$1.92 billion to N$2.46 billion, with an increase in the NPL ratio from 4.7% to 5.2%. Compared to the industry it still reflects a well-managed credit risk and the success of proactive procedures in current market conditions.
- Impairment charges increased by 8.9% (N$36.3 million) year-on-year to N$443.7 million. Given the uncertainty caused by COVID-19 and specifically the third wave experienced in Namibia and Botswana during the period June 2021 to August 2021, the Group retained the full forward-looking stressed overlay on IFRS 9 impairments created in the prior financial year. In addition to this, and over and above the IFRS 9 model provisions, the Group provided an additional specific expected credit loss provision on the performing book given the uncertainty created by the third COVID-19 wave.

"The Group has a real competitive strength in local decision-making, especially in the way it affects customers. This is our main driver for growing market share. In Namibia, we are taking market share from other players in a fairly saturated market. In Botswana, we have a growing market share, which means we have significant scope to gain new customers through new relationships, new products and new sectors."

– Jaco Esterhuyse, Group Financial Director



Our performance: financial director's review continued

Salient performance of our main subsidiaries

Bank Windhoek

2.7 %
growth in net interest income
(2020: 1.7 %)

4.3 %
growth in non-interest income
(2020: 0.5 %)

2.7 %
increase in liquid assets
(2020: 24.4 %)

4.9 %
decrease in operating profit
(2020: -10.8 %)

31.3 %
increase in NPLs
(2020: 20.5 %)

33.8 %
market share in loans and advances
(2020: 33.2 %)

Net interest margin of
4.1 %
(2020: 3.6 %)

Bank Gaborone

5.4 %
decrease in net interest income
(2020: 31.0 %)

28.8 %
growth in non-interest income
(2020: 6.3 %)

24.4 %
growth in liquid assets
(2020: 2.9 %)

12.9 %
increase in operating profit
(2020: (7.6 %))

2.8 %
decrease in NPLs
(2020: 15.3 % increase)

7.4 %
market share in loans and advances
(2020: 7.5 %)

Net interest margin of
3.8 %
(2020: 4.6 %)

Capricorn Asset Management and Capricorn Unit Trust Management

N$31.8 billion
AUM
(2020: N$31.3 billion)

1.6 %
growth in AUM
(2020: 14.2 %)

12.9 %
growth in non-interest income
(2020: 12.6 %)

Entrepo Finance

Net business inflows of
N$198 million
(2020: N$197 million)
resulted in the total loan book increasing by
16.0 % to N$1.4 billion
(2020: N$1.2 billion)

Net interest income increased by
16.1 % to N$139.9 million
(2020: N$120.5 million)

External funding as a percentage of the total loan book decreased from
44.3 % to 33.2 %

Loan write-offs and provisions decreased by
40.6 % to N$16.1 million
(2020: N$27.0 million)

Entrepo Life

Net premium income increased by
3.5 % to N$192.3 million
(2020: N$185.8 million)

Claims paid increased by
15.5 % to N$35.5 million
(2020: N$30.7 million)
and remained within the actuarial assumptions

Policyholder and shareholder reserves increased by
20.0 % to N$570.5 million
(2020: N$475.6 million),

Our performance: financial director's review continued

We review the Group performance below in terms of liquidity, credit quality, earnings quality and capital depth, the four key pillars of the Group's business.

How are we ensuring sufficient liquidity?

Liquidity is a top priority for Capricorn Group. Ensuring appropriate levels of liquidity always takes preference over profit optimisation.

Market liquidity in Namibia decreased mainly as a result of asset managers and institutional investors preferring alternative investments in South Africa and Namibia as well as government accessing the local market to fund the GDP shortfall. The increased demand by government resulted in higher yields for government assets through primary auctions. Bank Windhoek's liquidity remained stable and sufficient for the past year and the bank managed to provide liquidity on the inter-bank market.

In Botswana, government provided a fiscal relief package to maintain adequate liquidity in the banking system. However, low interest rates continued to encourage capital flight, as pension funds in particular increased its allocation to offshore investments from 58.7% in 2020 to 65.0% in 2021. In light of the pandemic, traditionally cash rich institutions came to the market for funding which, alongside government auctions, heightened competition for deposits.

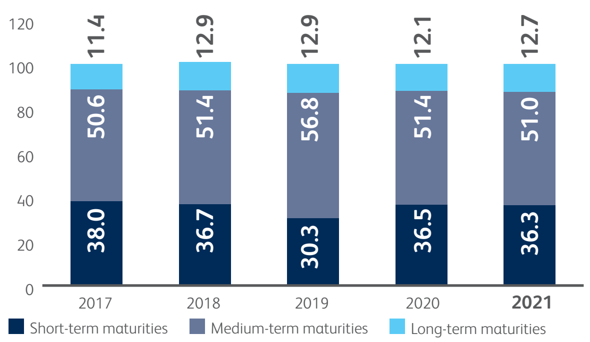
The Group's loan-to-funding ratio is one of our main liquidity indicators. A high ratio increases profitability, but at a higher risk to the Group. Our approach is to balance profitability and liquidity risk by maintaining the loan-to-funding ratio below 90%. The ratio increased from 87.9% in 2020 to 88.6%, as good growth in gross advances outpaced total funding.

Actively managing the cost of funding

A decreasing interest rate cycle, with an abrupt and significant adjustment as seen during the last quarter of the previous financial year, could have a material detrimental impact on net interest margin. This is due to the vast majority of assets repricing immediately while the repricing in funding cost is delayed. Given these dynamics, the Group performed exceptionally well in increasing funding in a low liquidity environment, while managing cost of funding down to the extent that we managed to protect the margin to slightly below pre-COVID-19 levels. Loan growth exceeded private sector credit extension at competitive interest rates, while we still protected net interest margins.

The Group's funding mix aims to balance shorter term with longer term maturities to ensure sustainable liquidity, while keeping cost of funding as low as possible.

Funding maturity profile (%)



Overall funding increased by 1.9% largely driven by NCDs, current and savings accounts and senior debt.

Bank Windhoek increased funding by 2.8% to N$38.1 billion (2020: N$37.1 billion). Under difficult market conditions, the bank was able to increase operating, current and savings account balances by 1.6%. Resulting from this focus to grow cheaper funding, the average cost of funding improved by 116 basis points. The funding growth was used to grow loans and advances by 4.0% (2020: 5.2%), exceeding private sector extension of credit growth of 2.7%.

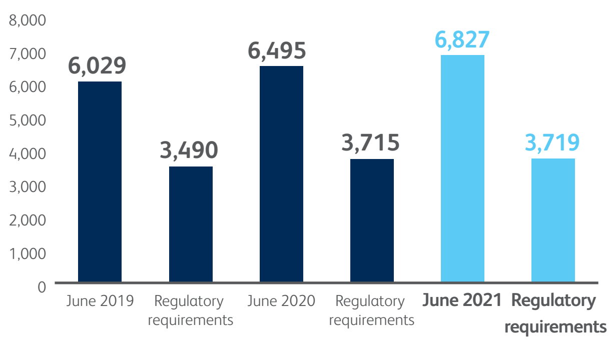
Bank Gaborone increased funding by 11.0% to BWP5.8 billion (2020: BWP5.2 billion) as part of a deliberate strategy to improve its loan-to-funding ratio. Bank Gaborone's loan-to-funding ratio improved from 90.8% to 86.0% year-on-year. After reaching a low of 3.26% in December 2020, average cost of funding deteriorated to 3.72% as at 30 June 2021 (30 June 2020: 3.27%). This is mainly attributable to competitive pricing for wholesale deposits in Botswana on the back of lower liquidity, as pension funds increased their fund allocations to off-shore markets. Additionally, inflation accelerated from 2.3% in January 2021 to 8.2% in June 2021 (highest levels since February 2012) putting pressure on deposit yields as investors demand better rates. Gross advances increased by a lower 4.8% (2020: 11.7%) as the bank focused on improving its loan-to-funding ratio in the current year.

The cost of funding is expected to remain high due to low market liquidity in Namibia and Botswana following these countries' governments' continued borrowing in the capital market, which increases market pricing. Capricorn Group continues to explore other sources of funding to support asset growth including targeting high-deposit sectors and rolling out POS devices to attract current account deposits.

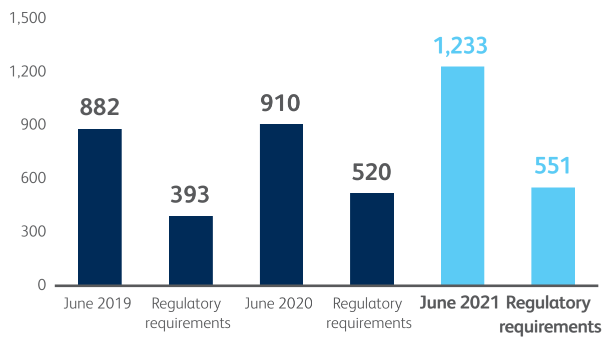
Maintaining high liquid asset levels

Liquid asset levels remained well above regulatory requirements. As at 30 June 2021, Bank Windhoek had N$3.1 billion in excess liquid assets above Bank of Namibia requirements, while Bank Gaborone experienced a surplus of BWP681.4 million above Bank of Botswana requirements.

Bank Windhoek liquid assets (N$'million)



Bank Gaborone liquid assets (BWP'million)



	Bank Windhoek N$'million	Bank Gaborone BWP'million
Regulatory requirements	3,719	551
Actual liquid assets	5,354	1,233
Surplus liquid assets	1,635	682
Absolute liquidity position including Group facilities	3,908	912

Over and above the liquidity buffers the banks have in place, the Group has N$1.0 billion in liquid assets in South Africa and Namibia, on the back of which we issued committed facilities to our two banks. When these committed facilities are taken into account, Bank Windhoek and Bank Gaborone have N$3.9 billion and BWP912 million liquidity buffers available respectively. Including the group facilities, the banks have a buffer above the respective minimum requirements of 105.1 % and 165.5 % respectively.

The following support to the banks remained in place for the year as a result of COVID-19:

- The Bank of Namibia relaxed the Determination on Liquidity Risk Management whereby banking institutions are required to ensure their cash inflows match the expected cash outflows within zero to seven days. The limit has been relaxed so that expected outflows may exceed inflows, but not more than the excess liquidity above the regulatory limit.

The Bank of Botswana announced the following measures:

- The cost of accessing overnight funding by licensed commercial banks from the Bank of Botswana Credit Facility is now provided at the prevailing bank rate, without the previous punitive six percentage points above the bank rate
- Repo facilities previously available only on an overnight basis are offered against eligible securities with a maturity of up to 92 days
- Subject to completing regulations and arrangements relating to valuation and custody, the collateral pool for borrowing by licensed commercial banks from the Bank of Botswana was extended to include all corporate bonds listed and traded on the Botswana Stock Exchange

Both banks did not have to access these relief measures during the year under review.

How are we managing credit?

Asset quality has always been a key focus, as lending is a Bank Windhoek core strength and had been gaining scale at Bank Gaborone. The COVID-19 impact on sectors such as travel, tourism, hospitality and construction resulted in deferments, NPLs and muted private sector credit demand. However, local decision-making, deep customer knowledge and relationships, and effective credit risk management enabled the Group to grow market share in loans and advances while managing NPLs responsibly.

Growing loans and advances

	2017	2018	2019	2020	2021
Bank Windhoek (N$'million)	28,709	29,994	31,893	33,561	34,899
Bank Gaborone (BWP'million)	3,161	3,615	4,238	4,739	4,967
Entrepo (N$'million)	*	848	1,035	1,232	1,428

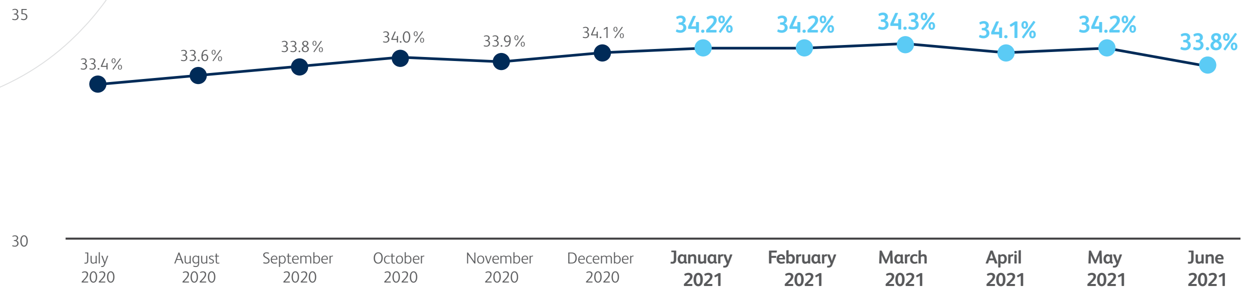
* *No data is disclosed for Entrepo for 2017 as Entrepo was only acquired by Capricorn Group in 2018.*

Bank Windhoek's gross advances increased by 4.0 % and Bank Gaborone's by 4.8 %, mainly attributable to demand for mortgage loans, commercial loans and overdrafts in a low interest rate environment.

At Entrepo Finance, net new business inflows of N$197.7 million resulted in the total loan book increasing by 16.0 % to N$1.4 billion. External funding as a percentage of the total loan book decreased from 44.3 % to 33.2 %.

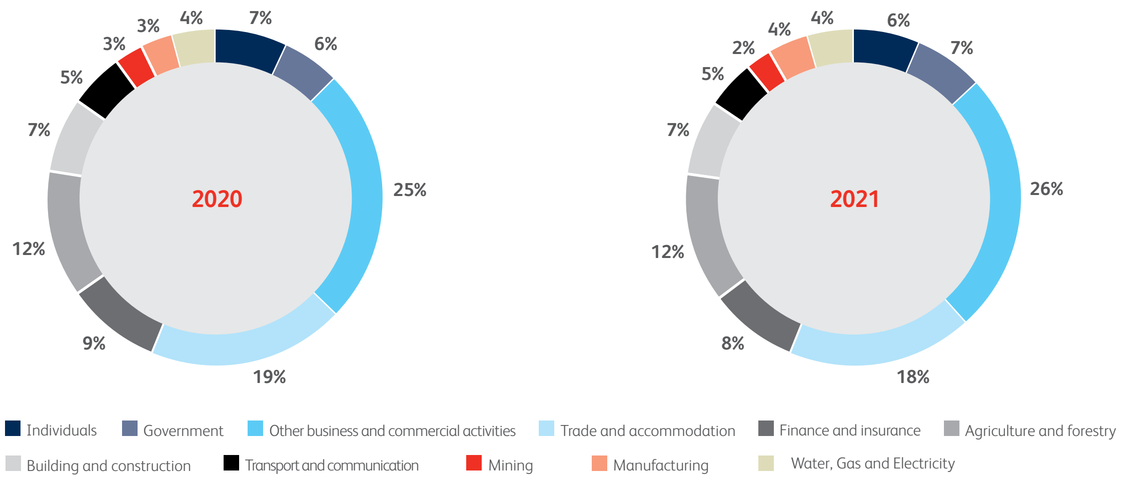
Our performance: financial director's review continued

Bank Windhoek remains the market leader in loans and advances in Namibia, ending the year at a 33.8 % share of the total market. Private sector credit extension increased by 2.7 %.



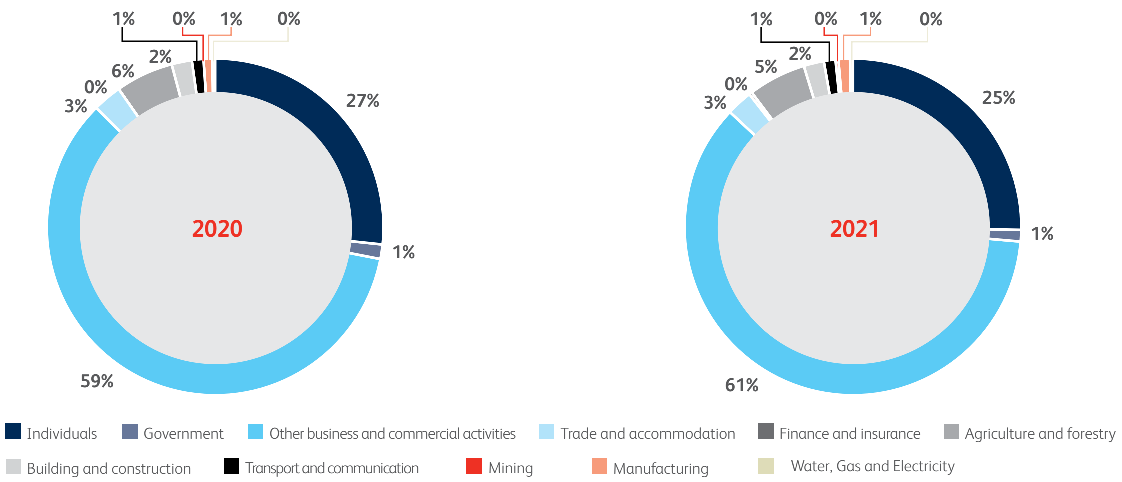
Among the four major banks in Namibia, Bank Windhoek has the most diversified exposure to sectors in its loan portfolio. This means that the severity of the impact on asset quality is spread out.

Bank Windhoek's loan portfolio per sector:



Bank Windhoek is showing good growth in all major product classes, with further growth opportunities evident in the residential market segment.

Bank Gaborone's loan portfolio per sector:



Proactively managing NPLs

One of the COVID-19 outcomes was a further enhancement to proactive credit management, for example, by implementing improved early detection measures for increasing credit risk. Interaction between the Credit department and branch managers, and in-branch monitoring also improved.

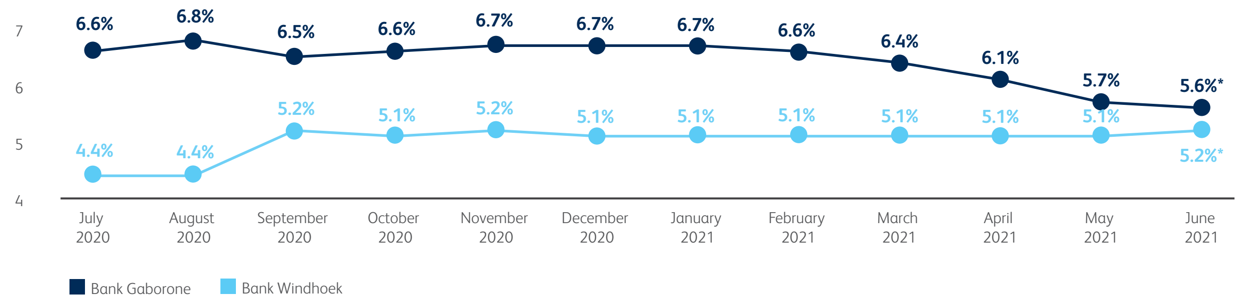
Notwithstanding the above, NPLs continued an upward trend across the sector as COVID-19 conditions sustained pressure on customers. We are starting to see longer-term impacts such as:

- Retrenchments and salary cuts in hard-hit sectors such as tourism operators, hotels and schools
- The continued slowdown in business activity in tourism, restaurants, hotels and construction companies as movement restrictions limit their revenue generation
- Decreased government spending affecting businesses where government contracts are main revenue drivers, such as construction companies and hotels
- Uncertainties in the operating environment with sudden movement restrictions and changes in curfew times impacting business operations

Capricorn Group's total NPLs increased from N$1.92 billion to N$2.46 billion, resulting in an increase in the NPL ratio from 4.7% to 5.2%*. This is mainly a result of defaults on specific large borrowers whose business fundamentals have deteriorated due to the pandemic. These loans are well collateralised and we expect to recover a significant portion in the medium term.

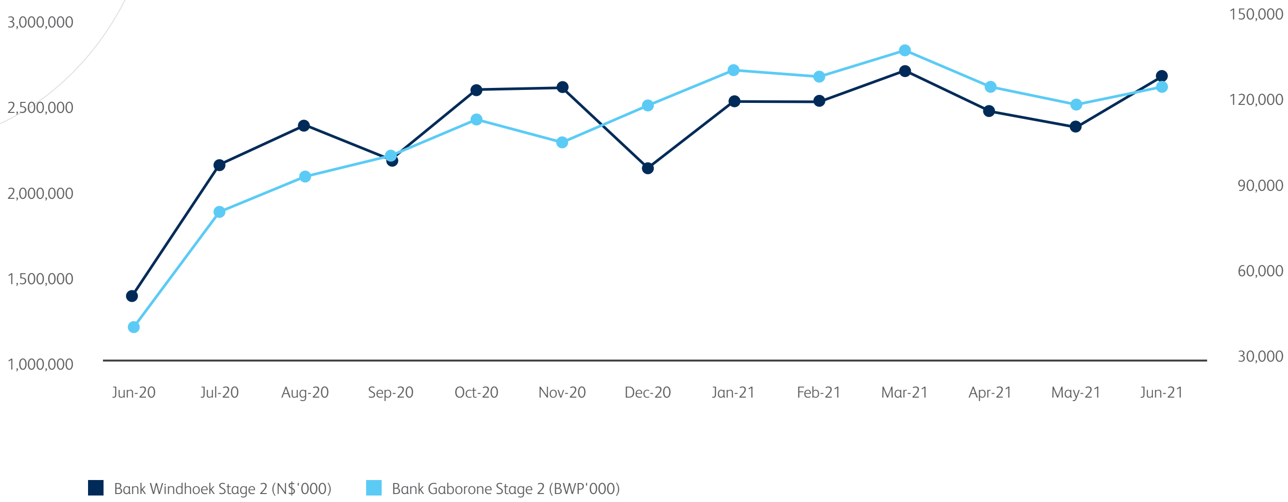
NPL ratios at Bank Windhoek has seen an increase mainly relating to three big clients, of which two became non-performing during September 2020.

Bank Gaborone's NPL ratio has seen a decline during the year, mainly as a result of write-offs where good recoveries were made.



* *NPL ratio excludes interest in suspense.*

Our performance: financial director's review continued



Stage 2 at Bank Windhoek as well as at Bank Gaborone reflects general increase in exposures as a result of the economic impact of the COVID-19 pandemic.

At Entrepo Finance, loan write-offs and impairment charges decreased by 40.6% to N$16.1 million.

Capricorn Group is exposed to potential losses related to all stage 1 and stage 2 Cavmont Bank exposures as at 31 December 2020 that will become non-performing in the next five years after offsetting collateral. A material provision of N$54.1 million was created as part of the sale process for expected future losses. The outstanding stage 1 and 2 loans at 31 December 2020 was ZMW684.7 million and decreased to ZMW560.0 million at 30 June 2021. Stage1 and 2 loans moving into stage 3 since 31 December 2020 were ZMW6.1 million which mainly relates to salary-backed retail loans. We made progress after year-end with a few recoveries.

We are employing all available means to reduce the impact of the economic cycle on NPLs. These include close monitoring of accounts, especially high-value accounts; quick and efficient recovery procedures; debt consolidation and restructuring of loans; and prudent lending. We have also strengthened our legal collections branch team and automated the interface with law firms. Monthly calls with regional managers and business heads focus on key interventions related to effective early arrears management and curbing roll rates.

Our default rate forecasting models make use of autoregressive integrated moving average (ARIMA) time series statistical models to forecast trends. These models are combined with multiple linear regression statistical models that use statistically significant macro-economic variables as inputs to forecast default rates. Additionally, a subjective management overlay is applied to the forecast on a per client basis to determine which high exposure clients may default in the near to medium term as well as considering the potential recoveries expected on current defaulted clients. These two views receive different weightings depending on the time-period of the forecasts. Model outputs are given a higher weight in terms of longer-term forecasts, while short-term forecast increases the weight allocation towards expert judgement.

Our loan loss rate increased from 1.01% to 1.07% mainly as a result of additional impairment on interest recognised on the net carrying value of NPLs. In prior periods, this interest and corresponding impairment was not recognised in the financial statements. The new approach was adopted in the current year to conform to industry standards., The ratio remains low against industry standards. Impairment charges increased by 8.9% mainly due to additional interest on stage 3 loans that was impaired due to it being unrecoverable.

Loan deferments

The total value of loans on which payments were deferred by Bank Windhoek was N$5.14 billion during the year. As at 30 June 2021, loans valued at N$158.8 million remain deferred indicating a reduction in credit risk relating to deferments. N$87.7 million (55.2%) of outstanding deferrals relates to individuals, N$26.0 million (16.3%) each to real estate and hospitality, while agriculture makes up N$13.2 million (8.3%).

Bank Gaborone granted loan deferments on exposures of BWP461.5 million during the year ended 30 June 2021, of which BWP272.1 million remains deferred, but well collaterised as at 30 June 2021. Hospitality and entertainment makes up 43.6% (BWP118.6 million) of the outstanding deferments, while farming and micro-loans contributes 20.4% (BWP55.6 million) and 16.2% (BWP43.9 million) respectively.

N$'000	2020	2021	Variance (%)
Impairment charges	407,448	443,748	8.9 %
IFRS 9 model charges	304,064	296,449	(2.5 %)
Interest on stage 3 loans	103,384	147,299	42.5 %

Impairment charges increased by 8.9 % (N$36.3 million) year-on-year to N$443.7 million, mainly as a result of increased impairment charges on stage 3 loan interest. Previously, all interest on stage loans was suspended, but the approach was changed in the current year to recognise and impair interest on the net carrying amount of stage 3 loans. This is in conformity with industry standards. The prior period has been restated to accurately reflect the year-on-year movements.

How are we protecting earnings quality?

The Group adjusted to a low-interest environment by implementing a proactive and effective assets and liability pricing strategy early in the year, through active and close monitoring of asset quality, innovative fee pricing and driving transaction volumes and strong focus on cost containment.

Adjusting to new levels of net interest income

Net interest income and interest margins were under pressure following unprecedented interest rate cuts of 250 basis points in Namibia and 100 basis points in Botswana since March 2020. Net interest income before impairment charges increased by 3.3 % to N$2.26 billion.

N$'000	June 2017	June 2018	June 2019	June 2020	June 2021
Interest and similar income	3,626,477	4,244,215	4,547,733	4,725,908	4,057,427
Interest and similar expenses	(1,976,980)	(2,425,318)	(2,513,987)	(2,541,932)	(1,802,124)
Net interest income	1,649,497	1,818,897	2,033,746	2,183,976	2,255,303
Impairment charges	(57,998)	(80,840)	(123,698)	(407,448)	(443,748)
Net interest income after loan impairment charges	1,591,499	1,738,057	1,910,048	1,776,528	1,811,555

As mentioned earlier, when interest rates adjust downwards, assets reprice immediately, but the adjustment in cost of funding happens at intervals and often does not mirror the adjustment. This typically results in material margin compression. Following the lowering of interest rates as part of government stimulus packages at the end of the previous year, the Group's treasury teams did excellent work in repricing funding, closing the timing gap.

	Bank Windhoek N$'000	Bank Gaborone BWP'000
Interest income	3,139,597	444,581
Interest expense	1,412,793	205,096
Repo rate	3.75 %	3.75 %

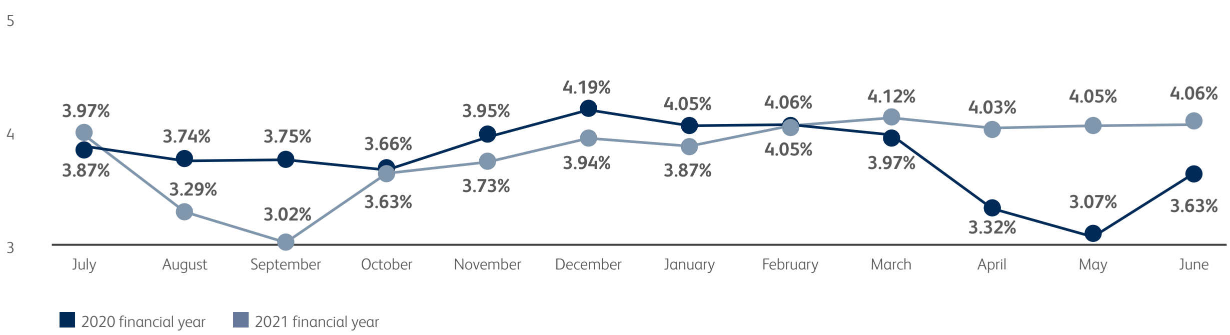
Interest income decreased by 18.7 % at Bank Windhoek due to significant interest rate cuts during the last quarter of the previous financial year and increased by 1.4 % at Bank Gaborone on the back of loan book growth.

Interest expense at Bank Windhoek decreased by 35.2 % as a result of a drive to reduce cost of funding in the current low interest rate environment notwithstanding an increase in funding of 2.8 % . Average cost of funding decreased by 1.2 % year-on-year and 2.0 % from pre-pandemic levels. The reduction in average cost of funding compare well with the 250 basis point cut since the pandemic outbreak considering fixed rate deposits taking extended time to reprice and current accounts only able to reprice partially.

Interest expense at Bank Gaborone increased as a result of an increase in average cost of funding of 45 bps as well as funding growth of 11.0 % year-on-year.

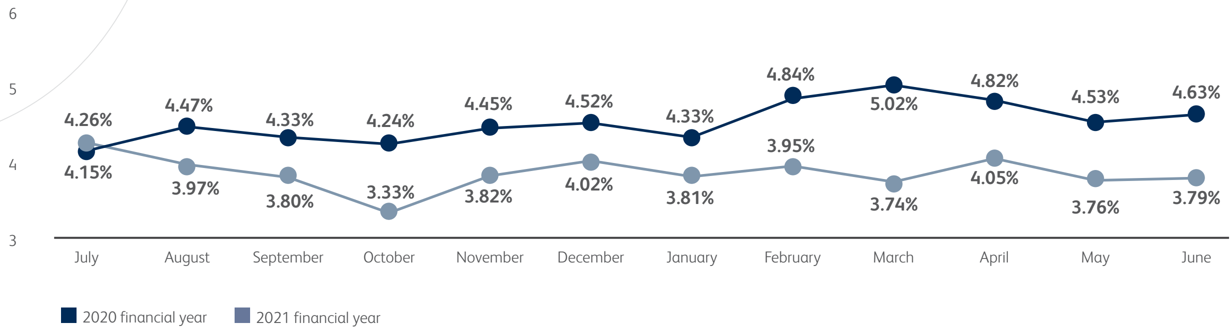
Repo rates have remained stable since September 2020 in both countries, and are not expected to increase within the next 12 months.

Net interest margin trends – Bank Windhoek



Our performance: financial director's review continued

Net interest margin trends – Bank Gaborone



Despite the efforts to maintain the net interest margin at Bank Gaborone, it is trending downwards mainly as a result of rate cuts as well as increased average cost of funding on the back of lower liquidity in the country.

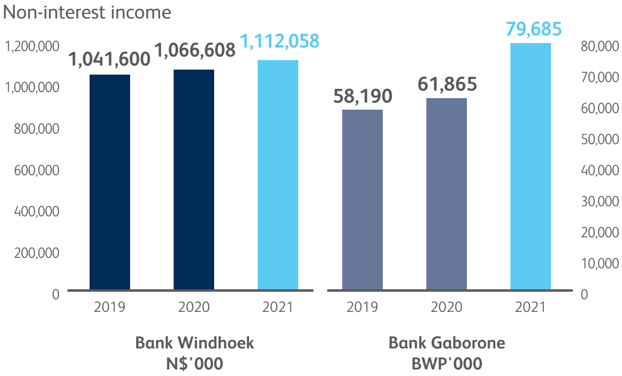
At Entrepo Finance, net interest income increased by 16.1% to N$139.9 million as the loan book increased by 16.0% year-on-year. Entrepo provides loans at fixed rates, while funding repriced downwards following the significant interest rate cuts in the prior financial year. Additionally, Entrepo decreased reliance on external funding, with funding from third parties decreasing by N$71 million year-on-year.

Bank Windhoek's net interest margin recovered from a low of 3.02% during September 2020 to 4.06% during June 2021. This was driven by a deliberate and successful repricing strategy on the liability and asset side, while maintaining and protecting liquidity buffers. Bank Gaborone's interest margin deteriorated to 3.8%, mainly as a result of the increased cost of funding, despite an interest rate cut of 50 basis points in September 2020. Lower market liquidity led to aggressive pricing across the industry.

Driving higher non-interest income

Non-interest income increased by 3.6% to N$1.48 billion (2020: N$1.42 billion).

Non-interest income



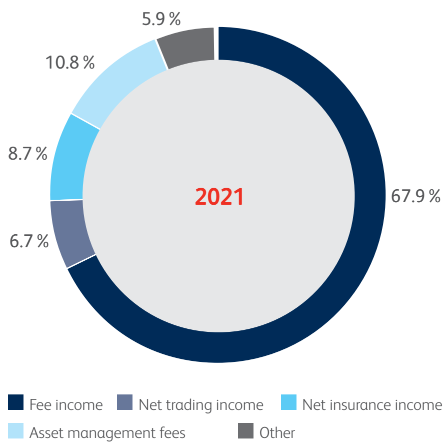
Bank Windhoek increased non-interest income by 4.3%, driven by the move towards a tiered pricing methodology for cash withdrawal and EasyWallet transactions. Monthly, non-interest income was more volatile than previous years, for example, in December 2020 when transactions spiked, as locals were not able to travel outside Namibia for the holidays. Non-interest income for January 2021, in turn, was lower than in previous years.

Bank Gaborone increased non-interest income by 28.8%, benefiting from increased transaction volumes and higher POS merchant fee income.

Non-interest income was significantly bolstered by diversified income streams:

- CAM/CUTM's AUM ended the year at N$31.8 billion (2020: N$31.3 billion), having reached an all-time high of N$33.6 billion towards the middle of the year. As a result, asset management fee income increased by 17.2% to N$158.7 million (2020: N$135.4 million).
- Entrepo increased net premium income by 3.5% to N$192.3 million (2020: N$185.3 million).

%	2019	2020	2021
Fee income	67.9	62.1	67.9
Net trading income	12.7	13.9	6.7
Net insurance income	8.1	8.6	8.7
Asset management fees	9.3	9.5	10.8
Other	2.0	5.9	5.9



Focus on essential spending

Operating expenses increased by 5.1% compared to the prior year's 3.4% increase. The above-inflation increase was a result of additional investment in IT employees and technology costs as well as cost increases as a result of foreign currency depreciation during the beginning of the financial year.

N$'000	2019	2020	2021
Employee costs	1,029,002	1,092,376	1,124,358
Property expenses (including depreciation)	232,657	216,211	249,857
Technology	101,133	138,145	155,520
Operational banking expenses	184,186	206,001	213,512
Other	291,754	248,144	253,688

Employee costs increased by 2.9% (2020: 6.2%) due to an increase in IT headcount as part of the digitisation project but was mitigated by the freezing of non-essential vacancies and the limiting of salary increases only to unionised employees.

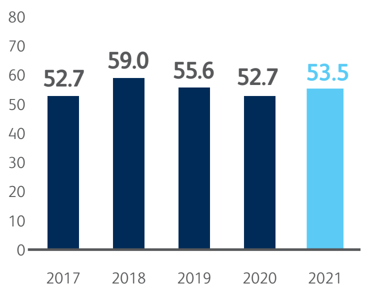
Property costs increased by 15.6% due to higher costs for properties in possession and related IFRS 16 charges of leased properties.

Technology costs increased by 12.6% (2020: 36.6%) due to higher licence costs as a result of a weaker currency against the US dollar when licence fees were due. The Group is also focusing on growing the digital offering of the Group resulting in increased spending on this line.

Operational banking expenses increased by 3.6% due to higher transaction volumes.

At Entrepo, operating expenses as a percentage of profit before tax decreased further from 23.1% to 22.2% – a remarkable performance.

Cost-to-income ratio (%)



Over the past five years, the cost-to-income ratio was most significantly impacted by the acquisition of Cavmont Bank and Bank Gaborone in 2018, and the COVID-19 pandemic from 2020 onwards.

The current year is the first in the new strategy cycle, which requires continued investment in new skills, technology and infrastructure. These choices are expected to yield positive returns in the long run. This resulted in a slight deterioration in the cost-to-income ratio, but it is mainly due to the decrease in the net interest margin.

Operating profit still healthy

The disposal of our loss-making operations in Zambia is expected to have a material positive impact on the profitability of the Group going forward. Losses related to Cavmont Bank in the current year (of which Cavmont was only part of the Group for six months) amounted to N$29.8 million compared to N$155.7 million in the prior year.

N$'000	June 2017	June 2018	June 2019	June 2020	June 2021
Operating profit	1,194,679	1,168,117	1,346,569	1,300,362	1,290,531
Share of profit in associates and joint ventures	79,194	84,384	76,332	66,528	103,613
Profit before income tax	1,273,873	1,252,501	1,422,901	1,366,890	1,394,144
Profit from continuing operations	917,621	934,435	1,035,151	1,012,095	1,024,301
Loss from discontinued operations			(19,852)	(155,683)	(41,274)
Profit for the year	917,621	934,435	1,015,299	856,412	983,027

Contribution from associates

Income from all associates, except Santam, increased by a pleasing overall 122.9% (2020: 12.3%). Santam was under pressure due to COVID-19 business interruption claims of circa N$30 million. Lockdowns and economic slowdown negatively impacted premium growth and new business acquisition therefore reduced significantly. The challenging economic conditions in Namibia continue to contribute to severe price competition in the general insurance market.

Sanlam Namibia's contribution increased by 39.7% mainly as a result of the once-off expenses incurred in 2020 not repeated, despite higher death claims resulting from the third wave of the pandemic during June 2021.

Santam and Sanlam continue to focus on synergies with key stakeholders, optimised efficiencies and stringent cost management.

Paratus Group and Paratus Namibia both exceeded expectations in profitability and growth, contributing income of N$30.4 million and N$5.2 million respectively.

Our performance: financial director's review continued

How are we maintaining capital depth?

We manage capital within regulatory requirements in a way that safeguards our ability to continue as a going concern, balanced with the Group's needs in terms of growth ambitions and associated investments. A strong capital position is essential to support the Group through an economic trench such as COVID-19.

The Group remains well capitalised with a total risk-based capital adequacy ratio of 15.0% (2020: 14.7%), well above the minimum regulatory capital requirement of 10%. Our focus has been on protecting and preserving capital, for example, by balancing returns to shareholders with capital preservation.

Capital adequacy for the Group:

%	Tier 1 leverage ratio	Tier 1 risk-based capital ratio	Total risk-weighted capital ratio
Minimum requirement	6.0	7.0	10.0
Capricorn Group	12.4	14.1	15.0

At the end of the year, Bank Windhoek and Bank Gaborone's capital was in a strong position:

%	Required minimum ratio	Actual ratio at the end of the year
Bank Windhoek	10	14.5
Bank Gaborone	12.5	14.9

We expect the Group to maintain its capital ratios and to not require additional capital. We have further capital support options via our two shareholders of reference, the GIPF and CIH, which made liquidity buffer and dedicated contingency funding facilities available to mitigate financial risk and provide sustainable and stable funding.

The regulators announced a relaxation of capital adequacy requirements as part of a stimulus package to counter the economic effects of COVID-19. The Bank of Namibia reduced the capital conservation buffer rate on 26 March 2020 to 0% for at least 24 months to support banking institutions to supply credit to the economy. The Bank of Botswana reduced the minimum capital adequacy ratio from 15% to 12.5% for the same reason.

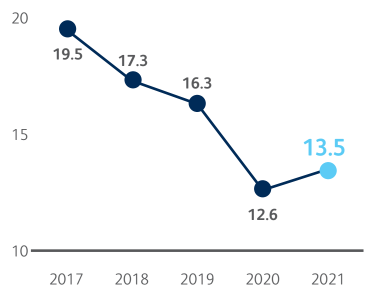
Performance outcome: ROE

An increased ROE over time is the outcome of a combination of key indicators and the overall measure of a bank's success. According to the Bank of Namibia, the profitability of the banking sector as measured by ROE remained positive despite decreasing to 10.9% by the end of December 2020 from 17.3% at the end of December 2019.

The Group achieved an ROE of 13.5% (2020: 12.6%) which was better than expected and mainly due to:

- Better than anticipated results from banking operations
- Realising the benefits of diversification as Entrepo, Capricorn Asset Management and Paratus performed well above expectations, having been less impacted by COVID-19
- Positive contribution to the bottom line arising from the sale of Cavmont Bank

ROE (%)



Taking the above into account, Capricorn Group delivered resilient returns under difficult conditions and outperformed competitors. To maintain this position, we continue building on the strength of our diversified operations and revenue streams while investing in digital and data to enhance the client experience.

Stable dividend payments

The Group declared a final dividend of 38 cents per ordinary share. Considering the interim dividend of 22 cents per ordinary share, this represents a total dividend of 60 cents per ordinary share (2020: 50 cents per ordinary share). The total dividend per share for the year is 20% higher than the total dividend per share declared for the previous year. We believe that the total dividend balances prudence with a fair dividend yield for shareholders.

Dividend payment details

Last day to trade cum dividend: 1 October 2021
First day to trade ex-dividend: 4 October 2021
Record date: 8 October 2021
Payment date: 22 October 2021

Jaco Esterhuyse
Financial director

"Capricorn Group delivered resilient returns under difficult conditions and outperformed competitors. To maintain this position, we continue building on the strength of our diversified operations and revenue streams while investing in digital and data to enhance the client experience."

– Jaco Esterhuyse, Group Financial Director

Governance at a glance

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, the Group believes that all stakeholders' interests are promoted and long-term value is created.

The board and its committees are responsible for establishing effective leadership and ethical practices, and for ensuring the application of appropriate governance practices to deliver the desired outcomes.

The board accepts that the leadership tone is set from the top. The work done in embedding The Capricorn Way signals the emphasis on creating an ethical culture with behaviours based on a common set of values. We are also entrenching a Risk Culture that supports dynamic risk management.

Key board practices and activities focus on:

- Open and rigorous discussion
- Active participation
- Consensus in decision-making
- Independent thinking and alternate views
- Reliable and timely information

Find more detail about our governance approach, structures and performance in the online governance report available on our website at http://www.capricorn.com.na/Pages/Reporting-Centre.aspx:

Our governance system

Number of meetings per annum

Capricorn Group

- Capricorn Group executive management committee
- Capricorn Group management committee

5

Group board audit, risk and compliance committee ("BARC")

Three non-executive members of which two are independent

The BARC has oversight of financial control, accounting systems and reporting, including management accounts, external reporting, budgets, dividends and the capital plan. It ensures that a combined assurance model is applied.

- Bank Windhoek audit and risk committees
- Bank Gaborone audit and risk committees
- Board procurement committee
- Asset and liability committee
- Group internal audit services

4

Group board sustainability and ethics committee ("BSEC")

Capricorn Foundation

Five members of which three are non-executive, incl. two independent

The BSEC provides oversight for the Group sustainability strategy and environmental, social and governance philosophy, good corporate citizenship and ethics. It monitors social, human rights, environmental and consumer activities.

5

Group board remuneration committee ("Remco")

Three members of which all three are independent

The Remco provides oversight of the Group's remuneration philosophy, principles and the broad framework of remuneration, director fees, executive talent management and incentive schemes.

4

Group board human resources ("HR") committee

Five members of which two are non-executive, incl. one independent

The HR committee has oversight of employee policies, remuneration of non-management, recruitment, employment equity, performance management, and health and safety.

5

Group board investment committee ("GIC")

Six members of which four are non-executive, including two independent

The GBIC considers and provides oversight for prospective investments and disinvestments above a certain value, monitors the performance of investments and approves investment strategies.

4

Group board information technology committee ("GBITC")

Eight members of which three are non-executive, all three independent

The GBITC provides oversight for the Group IT strategy and policy, the Group IT reference architecture, cybersecurity, significant outsourcing and strategic projects. It oversees IT systems and infrastructure stability.

4

Group board nominations committee ("Nomco")

Three non-executive members of which two are independent

The Nomco provides oversight for board composition, director nominations, succession and director performance. The Bank of Gaborone board has its own nominations committee.

The board follows a structured approach to meetings, supported by a timely flow of documents to ensure that the oversight responsibilities of the boards of subsidiaries, as well as the Group board and its committees, are carried out effectively.

Attendance at meetings during the year was as follows:

Director	Category	Board	BARC	Group board HR committee	Group board Remco	Group board Nomco	Group board investment committee	BSEC	GBITC
	Meetings held	8	4	4	7	4	4	5	5
J J Swanepoel	Independent non-executive chairperson	7*			6	3*	4		
J C Brandt	Non-executive	8				4	4		
J J Esterhuyse	Financial director	8					4		5
D G Fourie	Independent non-executive	8	4*	4*	7*	4	3	4	
H M Gaomab II	Non-executive	8					4*	5	
G Menetté	Non-executive	8	4	3					
G Nakazibwe-Sekandi	Independent non-executive	8			3			5*	
M J Prinsloo	Group CEO	8		4			4	5	5
D J Reyneke	Independent non-executive	8	4						5
E Solomon	Independent non-executive	8							5*

* *Chairperson*

Board leadership, composition and diversity

Capricorn Group has a unitary board consisting of an appropriate mix of executive, non-executive and independent directors. The size of the board is dictated by the company's articles of association, which require a minimum of five and a maximum of 12 directors.

Status

Executive	Non-executive	Independent non-executive
20 %	30 %	50 %

Tenure

>Nine years	<Nine years
30 %	70 %

The Nomco, which includes the lead independent director ("LID"), assessed the independence of the non-executive directors classified as independent and confirmed their continued classification as independent. Johan Swanepoel, Gida Sekandi and Koos Brandt have all served more than nine years. Koos Brandt is not classified as independent. The independent classification for Johan Swanepoel and Gida Sekandi was reassessed and confirmed.

Age

40 – 49	50 – 59	60 – 69	70+
10 %	50 %	30 %	10 %

The board charter specifies a retirement age of 60 years of age for executive directors. Non-executive directors are required to retire at the AGM following their 70th birthday. Exceptions may be approved by the board. Koos Brandt is 78, and his continuation as a non-executive director was approved by the board. Gida Sekandi is 68, and her retirement is scheduled for the AGM following her 70th birthday (October 2023).

Race

Previously racially disadvantaged individuals ("PDIs")	Target for PDI directors
30 %	50 %

With the retirement of Brian Black at the 2020 AGM and the resignation of Esi Schimming-Chase due to her appointment as Judge of the High Court of Namibia, the PDI ratio declined from 42 % to 30 %. The recruitment of suitable replacements is progressing and will restore the ratio.

Gender

Male	Female	Target for female directors
80 %	20 %	25 %

The latest appointment to the board, Edna Solomon, is female. The resignation of Esi Schimming-Chase has reduced the ratio from 25 % to 20 %.

Governance at a glance continued

Our board skills summary

A survey was done among directors to identify the skills on the board. Each director was requested to indicate in which field they had formal training and/or substantial experience.

The number of directors that indicated training or experience in each field is indicated below.

8 Financial markets and investments

9 Banking

5 Asset management

3 Small and medium enterprises

7 Mergers and acquisitions

3 Information technology

2 Digital transformation

1 Marketing

1 Climate change

4 Short and long-term insurance

0 Actuarial

5 People transformation

8 Risk management

8 Strategy

4 Tax

5 Commercial law

5 Compliance

4 HR administration and systems

3 Sustainability

4 Remuneration

9 Governance

The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence, but is recruiting to fill vacancies and enhance the appropriate mix.

Summary board member profiles

Full board member profiles are found in the online governance report available on our website.

Johannes Jacobus Swanepoel (61)

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

INDEPENDENT NON-EXECUTIVE CHAIRPERSON

- Chairperson of the Group board nominations committee (Nomco)
- Member of the Group board remuneration committee (Remco)
- Member of the Group board investment committee (GIC)

Appointed to the board in 1999

Marthinus Johannes Prinsloo (50)

BCompt (Hons), CA(SA)

GROUP CEO AND EXECUTIVE DIRECTOR

- Member of the Group board human resources committee (HRC)
- Member of the Group board investment committee (GIC)
- Member of the Group board sustainability and ethics committee (BSEC)
- Member of the Group board IT committee (GBITC)

Appointed to the board in 2013

Jacobus Christiaan Brandt (78)

BA LLB

NON-EXECUTIVE DIRECTOR

- Member of the Group board investment committee (GIC)
- Member of the Group board nominations committee (Nomco)

Appointed to the board in 1996

Gida Nakazibwe-Sekandi (68)

LLB, Accredited Public Relations Practitioner (APR)

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Chairperson of the Group board sustainability and ethics committee (BSEC)
- Member of the Group board remuneration committee (Remco)

Appointed to the board in 2004

Governance at a glance continued

Daniel Gerhardus Fourie (63)

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

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

- Chairperson of the Board audit, risk and compliance committee (BARC)
- Chairperson of the Group board remuneration committee (Remco)
- Chairperson of the Group board human resources committee (HRC)
- Member of the Group board nominations committee (Nomco)
- Member of the Group board investment committee (GIC)
- Member of the Group board sustainability and ethics committee (BSEC)

Appointed to the board in 2015

Dirk Johannes Reyneke (59)

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Member of the Board audit, risk and compliance committee (BARC)
- Member of the Group board IT committee (GBITC)

Appointed to the board in 2017

Heinrich Mihe Gaomab II (51)

BCom (Hons), PGDip in Quantitative Development Economics, MSc Quantitative Development Economics

NON-EXECUTIVE DIRECTOR

- Chairperson of the Group board investment committee (GIC)
- Member of the Group board sustainability and ethics committee (BSEC)

Appointed to the board in 2018

Goms Menetté (54)

MBA, PGDip in Management Studies, NDip in Business Administration

NON-EXECUTIVE DIRECTOR

- Member of the Board audit, risk and compliance committee (BARC)
- Member of the Group board human resources committee (HRC)

Appointed to the board in 2018

Johannes Jacobus Esterhuyse (43)

BCompt (Hons), CA(SA)

FINANCIAL DIRECTOR

- Member of the Group board investment committee (GIC)
- Member of the Group board IT committee (GBITC)

Appointed to the board in 2018

Erna Solomon (59)

BSc (Ed), BSc (Hons), MSc, Global Executive Development Programme

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Chairperson of the Group board IT committee (GBITC)

Appointed to the board in 2019

Group Board Sustainability and Ethics Committee (BSEC) report

Message from the BSEC chairperson

We are dialling up Capricorn Group's conversation around environmental, social and governance ("ESG") issues while improving our non-financial reporting capabilities. We conducted an independent gap analysis of our integrated annual report against the requirements of the revised <IR> Framework, and appointed a consultant to help identify key performance indicators according to relevant non-financial reporting standards such as those of the Sustainability Accounting Standards Board ("SASB") and the Global Reporting Initiative ("GRI").

The BSEC intends to ensure discipline in adopting certain standards and bring more rigour to our reporting, specifically to quantify the impact. Overall, we want to make a holistic contribution to stakeholders, with positive change as the outcome.

We are very satisfied with our ethics strategy and programme, and the way they have been adopted across the Group. We are also proud of Bank Windhoek's leadership in green and sustainability bonds, and its new membership of the Nasdaq Sustainable Bond Network.

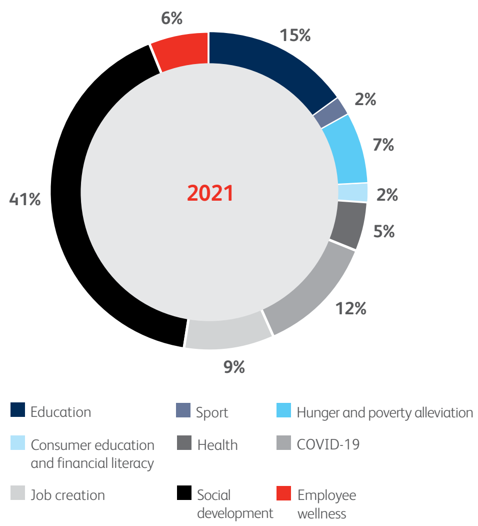
We were sad to lose a highly valued member of our committee, as advocate Esi Malaika Schimming-Chase resigned from the board to become a Judge of the High Court of Namibia.

COVID-19's impact on society has been deeply felt by the Capricorn Group. It has exposed the disparities in our societies and the vulnerability of Namibia. As a company, we responded to the pandemic well, internally and externally. We helped our customers, employees, suppliers and partners in different ways. It showed us what it means to care as a Capricorn Citizen and as Connectors of Positive Change.

Gida Nakazibwe-Sekandi
BSEC chairperson

BSEC focus areas for the year	Focus areas for the next year
• Oversight of a project to strengthen the Capricorn Group's sustainability disclosure and reporting. All entities participated in a process to identify and align existing and potential key non-financial indicators towards improved disclosure. • Oversight of a Group-wide supplier due diligence project to ensure a standardised and embedded process for all vendors to sign the Suppliers' Code of Conduct upon onboarding and registration. The roll-out to all entities will be completed by December 2021. The Bank Windhoek Procurement Policy and Authority Matrix was also updated and is actively enforced in terms of governance controls, process, monitoring and competitive bidding processes. • Oversight of the ethics programme. With the 2018 to 2020 cycle completed, all entities have finalised their ethics strategy and management plans for the next two-year cycle from 1 January 2021 to 30 June 2023. The BSEC will also consider the outcome of the Group's internal ethics audit.	• Internal and external stakeholder input into the Group's material matters should receive priority in 2021 • Improving and formalising reporting and measuring of non-financial indicators according to approved frameworks and standards • Assessing climate change and financial impacts for the Group • Developing partnerships in CSR interventions • Understanding suppliers' status, influence and impact in terms of ethics and human rights • Participating and contributing to government's business rescue task team

Summary of the Group's contribution per CSR category



This is a consolidated view of the CSR activities of Capricorn Group, Bank Windhoek, Bank Gaborone, CAM and Entrepo. Each entity has specific CSI focus areas but all Namibian entities contribute to the Foundation. Read more about contributions via our employee volunteer programme on page 17.

The Foundation funded the following this year:

- Through our partnership with Imago Dei we supported 265 children, 450 pensioners and victims of abuse and violence.
- We supported the NMH Early Childhood Development Project by sponsoring educational booklets for 400,000 pre-primary, grades 1, 2 and 3 learners, containing activities on language development, mathematics and other academic skills. 6,597,779 booklets will be printed by end of 2021, providing 17 booklets per grade for 34 weeks in 13 regions.
- The Foundation's contribution to MSR, which has a member base of over 700 people looking for a job or training, led to 92 new members since January 2021 in Windhoek and Swakopmund and 48 temporary job placements since January 2021.
- Capricorn Foundation is part of the Private Sector Coalition coordinated by the Namibia Chamber of Commerce to strengthen Namibia's response to COVID-19.

United Nations Global Compact

The Capricorn Group is a signatory of the UNGC and submits an annual Communication on Progress. We support the 10 principles and continuously improve the integration of these into our strategy, culture and daily operations.

Our approach and progress highlights are listed below:

Human rights

Human rights are enshrined in the constitutions of Namibia and Botswana. Capricorn Group is committed to upholding human rights and complying with the associated laws in the jurisdictions in which we operate. Our internal policies and procedures protect employees' human rights and detect and remedy violations. The Group's Suppliers' Code of Conduct is enforced by procurement departments that also do supplier due diligence on aspects such as human rights, labour and ethics.

Labour

The Group does not use child labour, migrant workers or forced labour. The rights of workers are protected by internal policies and labour laws that regulate employment in all jurisdictions. The risk of violating the rights of workers is low. Workers have a right to organise themselves through labour unions, as protected by law.

The HR committee has oversight of labour-related matters, including the policy framework. New employees are made aware of policies through an induction programme, and policy changes are communicated to all employees as and when they occur. A formal grievance procedure protects employee rights.

The Remuneration Policy outlines the Group's remuneration principles and is the guiding document in terms of fair and equitable remuneration.

Environment

Bank Windhoek's engagement in green and sustainability bonds stands out as an area of action due to the scale of funding involved, integration into the core business of the bank, alignment with international good practice and tracking of impact using appropriate Sustainable Development Goals ("SDG") metrics.

The Group's own operations have a limited direct environmental impact; however, lending activities can have an indirect impact on society and the environment if not managed. Bank Windhoek manages environmental and social impact through the Environmental and Social Management System ("ESMS") Policy and Procedure.

No changes have been made to the Bank Windhoek exclusion list, which is used to assess clients against activities that are not permitted due to unacceptable environmental and social impacts.

No applications were declined on account of high risk, the exclusion list or any other environmental or social related reasons. No loans were turned down on account of the ESMS, and there are no clients at risk of material breaches of environmental laws and regulations or unacceptable social and environmental impacts.

Anti-corruption

Capricorn Group is determined to maintain a culture of high ethical and moral standards, honesty, and opposition to fraud and corruption. As a listed entity, Capricorn Group complies with King IV™, which requires a statement by the board confirming compliance with all applicable laws. This includes the Namibian Anti-Corruption Act, 8 of 2003, which criminalises corrupt conduct and practices.

The BSEC oversees ethics reporting, and it is our top material matter. The Group's various policies aim to prevent corruption internally and externally, including the Group Code of Ethics and Conduct Policy, Group Procurement Policy, Group Whistleblower Policy, the Bank Windhoek Forensic Policy and the Group Financial Crime Risk Framework.

The Group Procurement Policy includes a Suppliers' Code of Conduct which requires suppliers to adhere to standards of good conduct towards employees and the environment, and concerning anti-bribery, anti-corruption, reporting and disclosure.

We create awareness of anti-corruption through induction training, internal communication and annual conferences held for branch administrators covering anti-corruption.

No cases of corruption or bribery were reported or investigated within or against the Group.

Guidance on where to find more information relating to BSEC oversight themes

The Foundation	Our stakeholder section from page 14 Material matters: Responding to a changing regulatory and operating context from page 29
Ethics and anti-corruption	Our stakeholder section from page 14 Material matters: Ethical leadership (business and management) from page 21 BSEC report: UNCG section
Equality and the prevention of unfair discrimination	Material matters: Demand for specialist skills driving focused development, training and diversity from page 27
Social and economic development activities	Our stakeholder section from page 14 Material matters: Responding to a changing regulatory and operating context from page 29
Environment	Our stakeholder section from page 14 Material matters: Responding to a changing regulatory and operating context from page 29
Health and public safety activities, including COVID-19	Our stakeholder section from page 14 Group CEO report from page 40
Consumer relationships and public relations	Our stakeholder section from page 14 Material matters: Meeting customer needs and expectations from page 25
Compliance with human rights conventions	BSEC report: UNCG section

Remuneration report

Part one: Background statement

Introduction

We are committed to remuneration that contributes to the four outcomes: ethical culture, good performance, effective control and legitimacy. We will continue to align our practices and enhance our disclosure accordingly. The Group's Remuneration Philosophy is a key enabler to ensure fair remuneration for all employees while being a key enabler in retaining and attracting talent. The focus is on sustainability over the long term. To this end, we made some changes to the Remuneration Policy to support our vision.

In particular, we implemented the following enhancements this year:

- The continuation of the embedment of a robust performance development culture. With the commencement of the new three-year strategic cycle, focus was placed on communicating the revised strategic choices while embedding them into the performance objectives.
- The introduction of malus and clawback for executive roles as it pertains to short and long-term incentive ("LTI") awards. Concerning malus, it relates to all LTI awards as well as any future variable reward allocations that are subject to continued employment and malus provisions. The provisions are set out and agreed with each individual. Where appropriate, the remuneration of individuals who were directly or indirectly accountable for an event may be adjusted. This includes reductions in current short-term incentives ("STIs") and in vesting levels of long-term incentives through the application of malus.
- Clawback applies to any variable remuneration awarded, including long-term incentives. The Remco may apply clawback at any time during the vesting period if there is reasonable evidence of employee misbehaviour or material error, or if the Group or business unit/branch suffers a material risk management failure, taking account of the individual's involvement and responsibility for the incident.
- The limitation of the period to affect either malus or clawback will not exceed a three-year period and will be based on the net amount paid to the individual.

A further focus was on analysing gender pay fairness across the Group and implementing appropriate actions where needed. The Group made a significant step-change with the introduction of a pay progression model that models remuneration in a holistic manner. It considers the full people value chain and the dynamic interaction between reward, performance and talent. The model is being implemented at executive and senior managerial levels across the Group. The model aims to:

1. Encourage and reward desired employee performance standards
2. Build in a fairness mechanism based on three factors as opposed to just one
3. Maintain salary competitiveness while controlling payroll costs within set parameters (including affordability)
4. Provide a fair and transparent process by which individual wage increases are determined
5. Align remuneration over time
6. Retain talent, as potential is built in as a factor

Our approach

This report sets out the Capricorn Group Remuneration Philosophy and Policy ("the policy") and their implementation during the 2021 financial year. The policy has been consistently applied in all entities and markets.

We continue to ensure our remuneration practices and policy adhere to global best practice and align executive interests strongly to those of our shareholders. Bowmans, which the Remco considers independent and objective, annually reviews and advises Capricorn Group on remuneration. Remuneration principles are applied across the Group, and for country-specific elements we benchmark within each country.

We focused on setting performance conditions for LTIs and, consistent with the previous year, we disclose the performance conditions in this report. We are confident that the targets we have set for our performance conditions will stretch management, requiring strong company performance to unlock rewards for participants. The Remco also considers the qualitative measures associated with the strategies of the various entities as part of the overall performance conditions

We continue to strive for appropriate transparency, and again present a three-part report. The three-part report contains the background and context to our remuneration approach and governance in part one, our forward-looking policy in part two and the implementation of our policy for the year under review in part three. This allows shareholders to observe the way our stated policy translates into actual outcomes for senior management and executives.

The impact of COVID-19 is covered in detail in the Group CEO's report from page 40 and the financial director's review from page 44. The impact of the pandemic resulted in a rethink at several levels regarding remuneration and underlying principles. The most critical was adopting a remote working framework to support employees while maintaining a competitive market position. Key to delivering on the strategic choices of the Group was ensuring the health and safety of all employees, retaining key talent, protecting jobs and reviewing the business model to ensure it is sustainable. The Group spent a significant amount of time committing resources to achieve this. Our people practices were enhanced to fit into the changing landscape.

The Remco is comfortable that the policy achieved its objectives.

Governance of remuneration

Remuneration is governed by the Remco. The Remco's roles and responsibilities are disclosed in the governance report from page 60. Executive directors attend Remco meetings by invitation but are requested to recuse themselves when matters concerning them are discussed.

The Remco confirms that it has discharged the functions and complied with its terms of reference for the year ended 30 June 2021.

The key activities and recommendations of the Remco regarding remuneration during 2021 included the following:

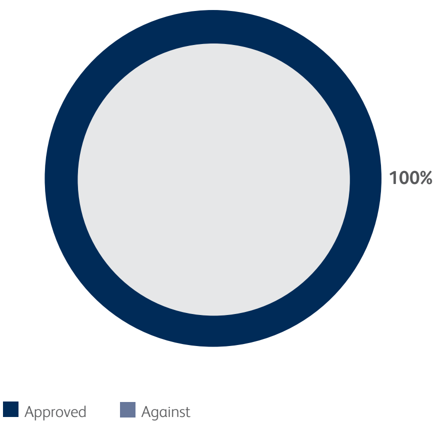
- The setting of guidelines for the annual remuneration mandates and a regular review of the appropriateness and structure of the variable remuneration plans to ensure alignment with the Group's strategy and shareholder and other stakeholder interests.
- Ensuring that there is a detailed understanding of fair remuneration practices by reviewing external benchmarking data as it pertains to director, executive management and NEDs' remuneration. The benchmark is conducted by Remchannel and covers the remuneration elements of financial and non-financial institutions across the region.

- Considering and approving all remuneration elements as they relate to fixed and variable remuneration. The impact of COVID-19 as it relates to remuneration was also considered.
- Reviewing the remuneration approach and finalising the remuneration and performance indicators of executive directors, NEDs and executive leadership. Two key decisions that were taken by the Remco were the deferment of STIs of executives to ensure the Group is in a commercially sustainable position and the decision not to give increases to managerial employees, senior management and executives.
- Reviewing and approving the policy. The policy contained a number of changes for the 2021 cycle of which most related to enhancements around malus and clawback.
- Further reviewing the elements considered in the overall remuneration approach and making a strategic decision to approve a pay progression model to ensure that a holistic pay model is implemented. The model takes market pay, remuneration and talent into consideration when making reward decisions.
- Reviewing the talent investment approach of the Group as it relates to top talent and succession of executive leadership. This is further underpinned by the Group's focus on Diversity, Equity and Inclusivity.

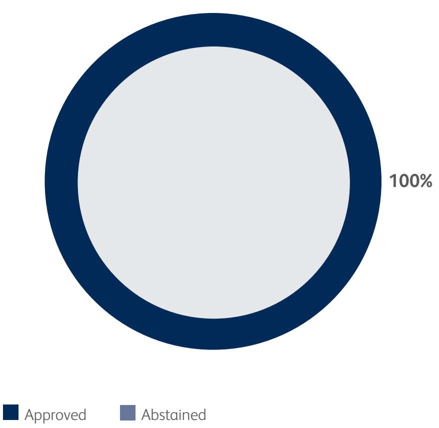
Non-binding advisory vote

At the AGM on 27 October 2020, shareholders had the opportunity to cast a non-binding advisory vote on the policy and the remuneration of the NEDs for the financial year ending 30 June 2021.

Non-executive remuneration for the next financial year (% of issued shares)



Policy voting results (% of issued shares)



The voting results clearly show support for the policy. Accordingly, no changes were made to the policy. The implementation of the policy for the financial year is reflected in part three, allowing shareholders to observe the way the Group's stated policies translate into actual outcomes for senior management and executives. As in previous years, shareholders will be requested to cast a non-binding advisory vote at the forthcoming AGM on the policy contained in part two and the report on the implementation of the policy contained in part three of this report.

Part two: Overview of the policy

The Group's Remuneration Philosophy aims to ensure that all employees are rewarded fairly and appropriately for their contribution. In setting remuneration levels, the Group board HR committee and the Remco take appropriate market benchmarks into account while ensuring that sufficient emphasis is placed on pay for performance. The Group board HR committee is responsible for the remuneration of general employees while the focus of the Remco is on executive management, managing directors and NEDs. This approach helps to attract, engage, retain and motivate key employees while ensuring their behaviour remains consistent with Capricorn Group's values as articulated in The Capricorn Way. The Group's guiding principles for managing remuneration are as follows, and this is also captured in the policy:

- **Total rewards mindset:** Reward is viewed holistically and comprises a range of monetary (fixed and variable) and non-monetary components.
- **Pay for performance:** Fair pay as it relates to performance is the cornerstone of the Remuneration Philosophy. On this basis, all remuneration practices are structured in such a way as to provide for clear differentiation between individuals regarding performance. It is important that there is a visible link between the strategy of the Capricorn Group and individual performance. Performance measures are an inclusive collective process that focuses on the "what" and the "how". The "what" is measured using an approach that focuses on the five Cs: Company, Colleague, Citizenship, Conduct and Customer. The "how" is measured in terms of The Capricorn Way and how the employee lives the behaviours.
- **Line leader accountability:** Establishing accountability and ownership of the reward process with line management by enabling them to link the total reward process to their business objectives and manage it in a fair and equitable way, ensuring a balance between affordability and quality of life for employees.
- **Variable pay:** The variable pay component of the total reward increases with seniority (organisational level) as the ability to impact business results increases. This is reflected in the quantum of the opportunities offered by the STIs and LTIs for more senior levels compared to junior employees.
- **Risk Culture:** Reward plans are structured to mitigate excessive risk-taking. Being aware of risks is an important role that each employee needs to own. Having a Risk Culture is key to sustainability and is measured as part of each employee's performance contract. The reward philosophy encourages optimisation of the management of risk within the risk appetite set by the board and in line with approved policies and procedures. It discourages reckless conduct, prevents excessive risk-taking and other forms of unacceptable conduct, and provides a means of censure of such behaviour, within a substantively and procedurally fair process.
- **Consistency and fairness:** The reward philosophy strives to provide a framework that encourages consistency but allows for differentiation where it is fair, rational and explainable. Benchmarking is performed annually using consistent and recognised methodologies. Differentiation in terms of market comparison for specific skills groups or roles is necessary, and differentiation concerning performance is imperative. The differential market value of various skills groups and roles is reflected in pay practices.

Remuneration report continued

- **Attraction and retention:** A key objective of the Remuneration Philosophy is that remuneration packages should enable the Group and its businesses to attract and retain employees of the highest quality to ensure the sustainability of the organisation. Diversity, Equity and Inclusivity are a key part of our Group strategy and a deliberate choice that we embrace as part of our human capital practices. To this end, we review potential gaps related to race and gender on an annual basis. We are comfortable that we are applying leading practices across the region.
- **Communication and transparency:** The Remuneration Philosophy, policy and practices, and the processes to determine individual pay levels, are transparent and communicated effectively to all employees. In this process the link between remuneration and the Group's strategic choices is understood by all employees.
- **Malus and clawback:** Where defined events take place, provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). Malus and clawback provisions and the application thereof are captured in the Group policy and executed by the Remco.

Elements of pay

The table below sets out an overview of the elements of pay applicable to Capricorn Group employees:

	Element	Detail
Fixed remuneration and benefits	Basic salary	The fixed element of remuneration is referred to as basic salary or total guaranteed pay. This component is reviewed annually based on performance against contracted output market surveys, and recently we also included talent position. The focus of the Group is to pay between 80% to 120% of compa-ratio. Employees have the ability to structure a portion of their basic pay to suit their personal circumstances.
	Benefits	Benefits include membership of a pension fund, Group life fund and medical aid. Contributions are made by the employee and the employer for pension fund and Group life benefits. For medical aid, the company contributes 100% of the premium relevant to all employees. Benefits may also include mortgage bond interest subsidies and housing, car, entertainment or other allowances, depending on the job level of the employee. Company contributions are calculated as part of the employee's total guaranteed pay.
Variable remuneration	STI plan	The annual bonus plan (STI) is a cash-based bonus scheme in which all employees are eligible to participate. The bonus pool is funded from the consolidated Group operating profit and is varied according to the Group's performance during the year, as is expanded upon in the STI section on page 71. The policy further makes provision for the inclusion of Group and business unit performance as a factor to determine payout. A further alignment was done to ensure that the quantum of payouts per job level is benchmarked. The allocation of individual payouts is based on different levels and predetermined performance hurdles for the Group, each business and individuals. A detailed model governs the payout thresholds per job level. Remco can decide to apply certain deferral principles. The design and quantum of the annual performance bonus are regularly reviewed against best market practice.
	LTIs	A key element of retention of talent is the LTI awards. The LTI awards take the form of share appreciation rights, conditional shares, or a combination thereof. Most awards are subject to vesting conditions relating to Group performance, measured over a three-year performance period. In instances where retention is required, conditional shares are awarded, subject to a vesting condition of continued tenure within the Group. In addition, employees from a specified grade level may participate in the Group's share purchase scheme to purchase Capricorn Group shares at the volume-weighted average price over the previous 12 months with the option of an interest-free loan repayable over nine years. Full ownership of these shares vests after three to five years.

Annual remuneration adjustments are effective on 1 September every year and increases are not guaranteed. During this process, remuneration structures and pay ranges are evaluated and adjusted where necessary, based on each individual's salary compared to the salary scales. With the introduction of the pay progression model in 2021, adjustments were made to the elements that are factored in when considering remuneration adjustments. The following aspects are considered:

- Employee's performance review.
- Formal salary survey conducted to determine local and regional pay practices.
- Talent position of the employee.
- Adjustment of salary scales to reflect any market movement.
- The pay progression model is only applied to executive and senior managerial employees. Going forward the model will be implemented throughout all managerial levels.

STIs

The purpose of the annual bonus plan is to align the performance of employees with the strategy of the Group and to motivate and reward employees who outperform the agreed performance measures. The aim of the STI is to create a high-performance culture through a cash bonus in relation to performance against predetermined outputs. This aligns the focus of the individual to the strategic choices of the Group.

The Group has an STI plan which aligns with market best practice and operates in the same manner for all employees in the Group. A bonus pool from which all STIs are paid is calculated based on consolidated Group profit.

The percentage of profit that forms the pool is modified according to Group performance during the year, relative to profit before tax and ROE targets, which are set yearly in advance. Where company performance is below the threshold level, no bonus pool will accrue for senior management and executives.

Each individual's STI is calculated based on Group performance, business performance and individual performance as well as job grade, informed by the total pool. Where an employee's performance is assessed to be below expectation, that employee will not qualify for any STI payment during the year.

The Remco approves the individual performance scores and the STI payout for the executive management teams of the different entities.

The maximum performance incentive remuneration of an employee is limited to twice the on-target incentive.

Entities acquired during a financial year are gradually phased in to ensure alignment, but no disruption, to their operational success.

LTIs

Share appreciation rights ("SAR") plan

Terms	Detail
Purpose	To attract, retain and reward selected employees who can contribute to the future strategy of the Group, and to stimulate the personal involvement of these employees, encouraging their continued service. The SAR plan serves as a leveraged incentive to employees to promote and align their interests with the shareholders of the company.
Operation	Participants receive conditional SARs which vest after three years, subject to the satisfaction of the performance condition and continued employment of the participant. After vesting, the SARs may be exercised up to five years after the award date.
Participants	Executive directors, executive managers and selected members of senior and middle management.
Performance period	Three years.
Plan limits	An aggregate limit applies between the SAR plan, the conditional share plan ("CSP") and the share purchase scheme, being 7.5% of the issued shares of the company. An individual participant may not receive awards in excess of 10% of the overall company limit at any one time.
Performance conditions	The performance condition applicable to all awards is the achievement of budgeted cumulative profit after tax and ROE over the performance period. The budget, in turn, reflects the expected outcome of the strategic plans and actions. The vesting period is three years.

CSP

Terms	Detail
Purpose	To attract, retain and reward selected employees who can contribute to the future of the Group, and to stimulate the personal involvement of these employees, encouraging their continued service. Under the CSP, participants receive conditional shares that vest after three years, subject to the satisfaction of the performance conditions over the performance period.
Operation	In certain cases, where a retention risk exists, conditional shares that vest after three years and are subject to the continued employment of the participant by the Group but are not subject to performance conditions, may be awarded.
Participants	Executive directors, executive managers and selected members of senior and middle management.
Performance period	Three years.
Plan limits	An aggregate limit applies between the SAR plan, the CSP and the share purchase scheme, being 7.5% of the issued shares of the company. An individual participant may not receive awards in excess of 10% of the overall company limit at any one time.
Performance conditions	The performance condition applicable to all awards is achievement of budgeted cumulative profit after tax and ROE over the performance period. The budget, in turn, reflects the expected outcome of the strategic plans and actions.

Remuneration report continued

Total remuneration

NED fees

NEDs do not participate in any STIs or LTIs and do not have contracts of employment with the company. Their fees are reviewed by the company and submitted to shareholders for approval on an annual basis.

NED fees reflect the directors' roles and membership of the board and its committees. The NED fees have been benchmarked against the average of the median and upper quartile of medium-cap financial services companies listed on the JSE.

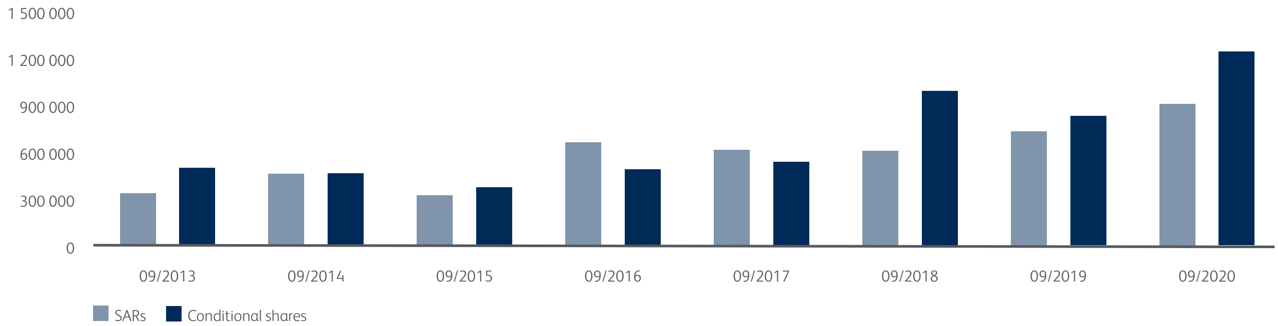
The resolution relating to NED fees for the 2022 financial year can be found in the online notice of the AGM available on our website at http://www.capricorn.com.na/Pages/Reporting-Centre.aspx:

Part three: Implementation report

Remuneration paid

Compensation paid to the executive management team is disclosed in Note 39.13 of the separate annual financial statements. Compensation comprises remuneration and other employee benefits to the executive management team, which excludes executive directors' emoluments. The executive directors did not receive any other fees for services as directors or any emoluments other than those disclosed.

Number of SARs and conditional shares awarded



Number of shares acquired under the share purchase scheme

The number of shares acquired by employees in the Group's share purchase scheme in November 2020 was 392,043 (November 2019: 692,947).

Dividends paid under the share benefit scheme

Employees employed at non-managerial job levels below supervisory level are beneficiaries of the Capricorn Group Employee Share Benefit Trust. Dividends earned on the shares held by the trust have been distributed every year since establishing the trust in 2005.

Dividends to the value of N$1,729,520 were paid to 412 employees in September 2020 (September 2019: N$2,205,600 paid to 438 employees).

Gerhard Fourie
Chairperson: Group board Remco

Appendices

Glossary of terms

AGM	Annual general meeting
AML	Anti-money laundering
AUM	Assets under management
BARC	Board audit, risk and compliance committee
Board	Board of directors
BSEC	Group board sustainability and ethics committee
CAM	Capricorn Asset Management
CEO	Chief executive officer
Companies Act of Namibia	The Companies Act of Namibia, 28 of 2004
CPD	Continuous professional development
CSI	Corporate social investment
CSP	Conditional share plan
CSR	Corporate social responsibility
CUTM	Capricorn Unit Trust Management Company
DSQ	Determinants of Service Quality
ESMS	Environmental and Social Management System
EU	European Union
Foundation	The Capricorn Foundation
GBITC	Group board information technology committee
GDP	Gross domestic product
GPRO	Group principal risk officer
HR	Human resources
IFRS	International Financial Reporting Standards
IIRC <IR> Framework	The International Integrated Reporting Council's Integrated Reporting Framework
IT	Information technology
King IV™	The King IV Report on Corporate Governance™ for South Africa, 2016
LISP	Linked investment service provider
LTI	Long-term incentive
MD	Managing director
MPC	Monetary Policy Committee
NAMFISA	Namibia Financial Institutions Supervisory Authority
Nasdaq	National Association of Securities Dealers Automated Quotations
NCD	Negotiable certificate of deposit
NED	Non-executive director
NGO	Non-governmental organisation
Nomco	Group board nominations committee
NPL	Non-performing loan
NSI	Namibia Standards Institute
NSX	The Namibian Stock Exchange
POS	Point-of-sale
Remco	Group board remuneration committee
ROE	Return on equity
S&P	Standard & Poor's
SAR	Share appreciation right
SME	Small and medium-sized enterprise
STI	Short-term incentive
UNGC	United Nations Global Compact

Group shareholding

Analysis of shareholders on 30 June 2021

Distribution of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 99	16	0.4	903	0.0
100 – 499	163	4.0	39,181	0.0
500 – 999	1,147	28.3	665,960	0.1
1,000 – 1,999	746	18.4	883,008	0.2
2,000 – 2,999	383	9.5	879,956	0.2
3,000 – 3,999	149	3.7	488,616	0.1
4,000 – 4,999	103	2.5	443,465	0.1
5,000 – 9,999	491	12.1	3,024,365	0.6
10,000 and above	856	21.1	512,758,945	98.7
Total shareholders	4,054	100.0	519,184,399	100.0
Namibian residents	3,975	98.1	513,467,449	98.9
Non-resident of Namibia	79	1.9	5,716,950	1.1
Category				
Corporate bodies	84	2.1	275,658,625	53.1
Private individuals	3,806	93.9	43,749,377	8.4
Pension funds and medical aid societies	25	0.6	30,007,874	5.8
Nominees and trusts	139	3.4	169,768,523	32.7

Beneficial shareholding of 5% or more	
Capricorn Investment Holdings Ltd	43.1 %
Including the effective shareholding of Mr JC Brandt	18.4 %
Government Institutions Pension Fund	25.9 %
Nam-mic Financial Services holdings (Pty) Ltd	8.0 %

Shareholder structure	Number of shareholders	% shareholding
Shares held by the public	4,024	26.1
Directors' direct and indirect shareholding	6	21.1
Directors of subsidiaries and executive management's direct and indirect shareholding	20	0.9
Shareholders holding 10 % and more, excluding held by directors	2	49.8
Capricorn Group Employee Share Ownership Trust, excluding held by directors and executive management	1	1.4
Capricorn Group Employee Share Benefit Trust	1	0.7
Total	4,054	100.0

The Capricorn brand story

From the beginning, the stars have filled Africans with wonder.

Our ancestors did not just gaze upon their beauty as they stared up at the night sky.

They used the constellations of stars for the measurement of time, seasons, cycles, and direction.

One such constellation is Capricornus, called by ancient people “the southern gate of the sun”.

It is from this constellation that the Tropic of Capricorn got its name many centuries ago, when the sun was in the Capricornus constellation at the time of the southern solstice.

All lines of latitude have geographical relevance, but to the people of southern Africa, the Tropic of Capricorn is more.

Spanning across the centre of Namibia, it ties together the lands of southern Africa, receiving the brightest rays of the sun on the summer solstice.

It signals the time of abundance with flourishing offerings from nature. We took our inspiration from the Tropic of Capricorn, the band that symbolised abundance and created positive change for the people.

Creating positive change is what every single member of our organisation strives to achieve every day.

To find innovative ways in which to bring together our customers and their aspirations.

We passionately believe that by connecting the people of this region to opportunity and prosperity, we can help taking the region closer to realising its greatest self.

Our humble beginnings in Windhoek were born out of a tenacious spirit of entrepreneurship.

Since then, our journey has led us on a path of achievements, growing us beyond Windhoek and Namibia.

Rooted in the pillars of “W” for Windhoek where it all began, the three lines of our logo represent our values of being open, dedicated and inspired.

We are proud of our logo that reflects our legacy and how we got to where we are now.

And as before, we will always achieve our successes by holding true to our values.

Along with this, we will continue to reach for the stars,
Only now we seek them in the eyes of the ones whose lives we’ve made better.

Not only are we inspired by the dreams of those who call this beautiful part of Africa home,

But we want to make these dreams a reality for them.

The future shines brightly, and we will journey towards it as one.

We Are Capricorn.

Notes

www.**capricorn**.com.na

Details for QR code

Download any QR reader app on the Google Play Store or Apple App Store. Use the app to scan this code to be linked directly to the Capricorn Group Ltd condensed consolidated financial statements on our website. Alternatively, visit https://www.capricorn.com.na/Pages/News-Centre/Capricorn-Group-Annual-Results-2021.aspx