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Our stakeholders  
are our business.



## Financial highlights

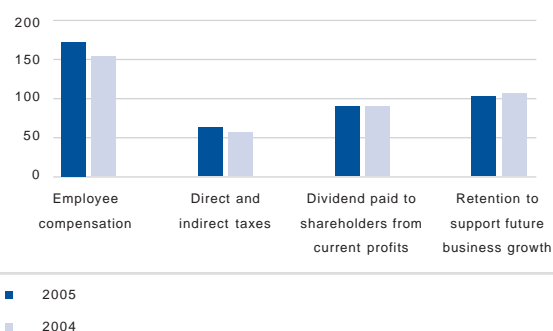
		2005	2004	%change
Shareholders' funds	N\$'000	<b>640 997</b>	563 166	77,3%
Total assets	N\$'000	<b>8 459 804</b>	7 806 457	8,3%
Profit before taxation	N\$'000	<b>225 839</b>	220 085	2,6%
Profit after taxation	N\$'000	<b>169 451</b>	173 715	-2,5%
Dividend	N\$'000	<b>90 000</b>	525 000	-82,9%
Return on year-end shareholders' funds	(%)	<b>26,4</b>	30,8	-14,3%
Return on year-end total assets	(%)	<b>2,7</b>	2,8	-5,3%
Cost to income	(%)	<b>58,4</b>	58,9	-0,8%
Capital adequacy	(%)	<b>13,2</b>	12,9	2,6%
Earnings per share	(cents)	<b>8 472,5</b>	8 685,8	-2,5%
Dividends per share	(cents)	<b>4 500,0</b>	26 250,0	-82,9%
Dividend cover	(times)	<b>1,9</b>	0,3	>100%
Number of employees		<b>1 104</b>	1 020	8,2%



We are committed to shareholder value.

	2005 N\$'m		2004 N\$'m	
<b>Value added</b>				
Interest, commissions and other revenue	1 024,9		1 005,0	
Interest paid to depositors and cost of other services	595,2		603,7	
<b>Wealth created by the bank</b>	<b>429,7</b>		<b>401,3</b>	
<b>Distribution of wealth created by the bank</b>				
Employee compensation	171,7	40,0%	153,8	38,3%
Direct and indirect taxes	64,7	15,1%	50,7	12,6%
Dividend paid to shareholders from current profits	90,0	20,9%	90,0	22,4%
Retention to support future business growth	103,3	24,0%	106,8	26,6%
Depreciation	23,7	5,5%	23,0	5,7%
Retained income	79,6	18,5%	83,8	20,9%
	<b>429,7</b>	<b>100%</b>	<b>403,3</b>	<b>100%</b>

Distribution of wealth created by the bank



We develop our  
strongest assets.

## Chairman's report



Namibia has a sound and secure administrative, taxation and legal framework, which is important for encouraging foreign and local investment.

**Dr Leake Hangala**  
Chairman

### Economic Review

#### Global economy

The global economy performed much better than expected in 2005, but underlying structural concerns remain. The willingness of US consumers to pile on debt has been an important component of global growth. However, the large twin US deficits – the federal budget and the current account – will need to revert to more sustainable levels soon. Rising house prices in the US – and elsewhere – have boosted consumer confidence. When prices stop rising as rapidly (heaven forefend that they drop) it will have an important negative impact on global growth.

Last year, the Chinese authorities began grappling with getting their expansion onto a more sustainable path. Although credit measures and a shift in the management of the yuan have not yet had much impact, they do signal an important change in attitude in Beijing. The Japanese economy seems to be on the mend, and an end to the long deflation is in sight. As long as China does not cool too rapidly, this bodes well for Japan. The European Union (EU) could be poised to take up some of the slack if the US economy was to lose some steam.

The external value of the dollar has remained a topic of discussion. If the interest differential was to shift (for example, if the EU was to continue raising rates, while the Fed stops) then the dollar could well lose substantial value. The rand has performed well against the greenback – and other currencies – as a consequence of renewed interest in emerging markets; high commodity prices; and an inflow of foreign direct investment (of which the Barclays deal was the largest). The strength of the rand has been very good for inflation. However, the stronger currency has had adverse consequences for exports from South Africa – and, indeed, Namibia.

The price of oil surprised in 2005, on account of troubles in a number of regions, including Nigeria and Iraq, as well as continued strong demand and the failure of significant new fields coming on stream (a consequence of the low oil price in the 1990s). China has become the second largest importer of oil – and has been behind the run-up in a number of commodity prices.

#### Political developments

President Hifikepunye Pohamba has settled into his role as leader of the country. The transition from the founding president has been smooth. President Pohamba has focused on economic transformation, particularly land and enterprise ownership, and employment.

#### Namibian economy

According to official estimates, Namibia registered economic growth of over 3% last year, a slowdown from 2004 – but a good performance, given the challenges. The figures for the third quarter were disappointing according to the central bank. Commodity prices (outside of the fishing sector) have performed well, thanks to a robust global economy and a weaker US dollar, in which many prices are denominated. This has continued to help some commodity exporters in Namibia offset some of the negative impact of the stronger rand. In December 2005 Namibia received a BBB (investment grade) rating for its long-term foreign currency debt from Fitch, a rating agency globally recognised by financial markets for the quality of its ratings.

The South African economy – the Republic is Namibia's most important trading partner – performed well in 2005, and prospects remain good for 2006. South Africa has enjoyed one of the longest expansionary phases on record. Low inflation in South Africa has a positive spin-off for Namibia's inflation rate (90% of Namibia's imports come

from South Africa). South Africa is also an important market for many firms outside the diamond and mining sectors. Continued good prospects for commodities underpin a positive growth outlook.

Namibia's economic fundamentals remain good. Policy formulation and implementation are generally favourable, and the macro-environment remains positive. A spot on the horizon remains the increase in government debt, although the government's target of a surplus (even if not attained) indicates positive attention to this aspect of the economy.

### Economic growth

Growth in 2005 is officially projected at a disappointing 3,2%. However, the prospects for 2006 are better, and this is expected to continue into 2007. Faster diamond output growth, higher uranium production and the first full year of zinc production at Skorpion underpin the mining sector. Construction will be boosted by a number of major projects, while manufacturing will be sustained mainly by processing of commodities. The development of the Kudu offshore gas field and its associated power station will also increase activity. The strong rand and changes in the global clothing and textiles market have made the operating environment for firms in this sector particularly challenging.

A rise in interest rates, if it occurs, is unlikely to be large. Low interest rates boosted consumer confidence as well as the construction sector in 2005. From this higher base, some slowing in expansion in consumer demand is to be expected. The stability in rates and the generally positive economic climate, suggest that consumer confidence will remain reasonable.

### Sectoral performance

The challenges facing the fishing industry remained a concern. A strong rand, high fuel prices, low quotas (Namibia has an enviable reputation for its prudent regulations), adverse global prices and poor size mix in some resources have all contributed to the problem. There is guarded optimism that the sector can expect a better 2006. Namibia's continued good stewardship of its resources should stand it in good stead over the medium term.

Agriculture in 2005 saw only a mild recovery in the number of cattle marketed and poor rainfall affected the production of grains. As always, weather conditions will be key for this sector. Namibia is exporting much of the beef allowed at preferential rates to the EU. The country's land reform process is not expected to adversely affect output on commercial farms over the forecast period.

Retail sales received a boost from cuts in interest rates. The cutting cycle is at, or near, its end. Thus the benefit of

these cuts in interest rates have mostly already been felt, and spending growth from the higher base will likely be lower in 2006 than it was in 2005. However, positive growth in spending is still pencilled in.

The strength of the rand has had a negative impact on tourism receipts, but the industry has generally adapted to the currency's strength. The lower volatility in the currency helps tourism as well as other companies to plan better. Moreover, Namibia has never been marketed as a mass tourist destination, although its diverse attractions and socio-political stability remain draw cards. In the third quarter of 2005, hotels and restaurants (as a proxy for tourism) declined by nearly 10%. The high fuel price had an impact and foreign tourist arrivals continued to fall.

Growth in the provision of government services has been constrained and, as an important sector, it adversely affected overall GDP growth in the short term. However, this restraint is very important for the long-term expansion of the economy and the restraint should be applauded.

### Government debt

Namibia is in the fortunate position of having a manageable public debt stock both internally and externally. After a rapid rise in the budget deficit in 2003/04, the Finance Ministry has managed to bring the deficit down sharply. Although it is unlikely to attain a budget surplus soon, it is pleasing to note that the authorities are committed to their maximum debt/GDP target of 25%.

From a debt management perspective, the introduction in late 2004 of GC 24 (a long-dated government debt instrument maturing in 2024) to fund the central government's domestic borrowing requirements by issuing long-term bonds is a positive factor in changing the composition of government debt from short to long term. Financial account liberalisation and the process of financial globalisation currently underway, have increased capital inflows into the Namibian economy and consequent accumulation of external debt to fund the development process. However, most of Namibia's debt is domestic and therefore the economy is not exposed to external debt problems.

### Current account

Exports of commodities, mainly diamonds, zinc and uranium, should help exports in 2006. Traditionally, Namibia has a strong surplus on the current account of the balance of payments. In the third quarter, there was a sharp contraction, mainly as a result of a fall in service and investment income. Although the strong Namibia dollar adversely impacted the current account, an improvement in the surplus to over US\$300 million is pencilled in for last year. The overall surplus on the current account is forecast to be around US\$500 million in 2005. In 2006 an expected

## Chairman's report continued

fall in customs union receipts could adversely affect the current account, although a surplus is still expected.

Namibia's stock of external assets is likely to have risen appreciably, thanks to the good performance of the JSE in 2005 and into early 2006.

### The Namibia dollar

The rand, which remains legal tender in Namibia, and to which the Namibian dollar is pegged, performed strongly in 2005. This has continued into 2006, although an adverse shift in the interest differential between South Africa and other major economies, as well as an expected deterioration in that country's current account balance, could lead to limited weakness in the unit against the US dollar and other major units in 2006. Of course, if the US dollar were to fall sharply against the euro, for example – a possibility, given the extent of the US's external imbalances – the rand could well strengthen appreciably against the greenback.

### Inflation and interest rates

Namibia's inflation rates are closely tied to South Africa's, since our southern neighbour provides over four fifths of our imports. Inflation in Namibia attained a level of just over 2% in 2005, and is forecast to rise marginally. This is thanks in no small measure to the continued high international fuel price. Events in South Africa, the external value of the rand and the price of oil – as well as rainfall in Namibia - will all be important factors in how prices perform. Policy initiatives, for example, restructuring of parastatals, could inject a strong local component to the performance of inflation.

Namibia's prime rate has traditionally been above that of South Africa. Following rapid declines in 2004, prime fell only marginally in 2005 and is currently at 11,75%. The nominal cost of borrowing has therefore declined substantially in the past few years, and has been a major impetus for consumer and investor activity. When interest rates start rising again, the increases will probably be low. Thus economic activity is unlikely to be choked by adverse monetary policy moves. What is of almost as much importance as the level of interest rates for support of economic growth, is the decline in volatility of rates. With the South African and Namibian central banks committed to price stability and attaining success in their commitment, the outlook is for far more stable lending and borrowing rates than was the case in the past.

### Policy challenges

Significant challenges remain. These include improving skills levels to move to higher value-added activities; to

lower reliance on imports and exports (Namibia is a particularly open economy). Challenges also include shifting the racial characteristics of the economy in an equitable and constitutional manner, while ensuring growth: whites still hold much of the skills and wealth, and much of the commercial agricultural land. Creation of jobs, particularly for the youth, remains an important challenge facing policy makers. Another significant problem is that posed by HIV/Aids.

The renegotiated Southern African Customs Union (SACU) agreement is a victory for the smaller members of the union. However, in light of this, and the lowering of tariff barriers, Namibia faces an important challenge to diversify its tax base, since SACU revenues, in real terms, are likely to decline substantially in the longer term. The country has moved to address this, with a higher VAT rate on luxury items, and a focus on ensuring all who should be in the tax net actually are. The land tax should not only help to fill the coffers, but has also been designed to aid a constitutionally acceptable land redistribution objective.

Government expenditure is a significant part of gross domestic product, as measured from the expenditure side. There have been good efforts to improve the efficiency of expenditure, and a continuation of such efforts is welcome. Greater attention on issues of corruption is not only to be supported for their own sake, but they should also help in some measure to ensure better effectiveness of government spending.

Government is striving to encourage more investment of pension assets in the local economy. This is a laudable objective, but this should not be to the detriment of the returns for holders of pension funds. After all, making an adequate provision for one's retirement relieves the state of an important social obligation.

### Conclusion

Namibia can continue to play an important role in the southern African region. The integration efforts of the region are an example to the rest of the continent.

The country has shown that it can attract significant investment, which is particularly noteworthy given the size of the economy. Namibia has a sound and secure administrative, taxation and legal framework, which is important for encouraging foreign and local investment.

With continued goodwill between government, business and the people, Namibia can build on what has been achieved in its first decade and a half of independence. Development is a long, difficult and slow process. But the rewards of getting it right – for individuals and the nation as a whole – make it worthwhile.

## Directorate

During 2005 the following directors were appointed:

Mr GD Marais

The following directors resigned:

Mr JM Hill

My sincere thanks to all directors on the board of Standard Bank Namibia, for their guidance and direction as well as the continued supervision that makes us successful.

## Employees

The following changes were noted in the Executive committee:

New appointments:

Mr P Cinnamon	- Credit
Mrs C de Wet	- Corporate Banking Division
Mr GD Marais	- Deputy Managing Director & Head of Wholesale

Unfortunately, the following senior managers resigned during the year:

Mrs E Fahl	- Human Resources
Mr J van der Westhuizen	- Corporate Banking Division
Mr J Hill	- Deputy Managing Director

To all employees and management, we appreciate your loyalty, dedication and support throughout the year.

## Shareholders

Thank you also to the Standard Bank Group and specifically Stanbic Africa, for their continued guidance and support throughout the year.



**Dr Leake Hangala**

Chairman

## Managing Director's report



### Celebrating 90 years of banking in Namibia.

**Theofelus Mberirua**  
Managing Director

The year 2005 proved to be an exciting and challenging one for Standard Bank in Namibia.

Some of the highlights included the launch of the bank's vision and values by the Standard Bank Group CEO Jacko Maree in Windhoek; installation of the first ever drop-down ATM in Africa in Okuryangava, a function attended by many dignitaries, including the Minister of Finance; and the hosting of the STARS 2004 event in Windhoek, which was enjoyed by more than 500 staff members from Swaziland, Lesotho and Botswana.

The bank celebrated 90 years of banking in Namibia on 19 August 2005, making Standard Bank the first commercial bank to localise its operations in this country. During the celebrations and beyond, the bank looked back at a rich and diverse history in this beloved country. This momentous occasion was celebrated with many dignitaries, including the Prime Minister and representatives of Standard Bank South Africa. Ninety years of banking in Namibia was also celebrated together with customers to reinforce our message of commitment and dedication to this land and its people.

### National Payment System

In line with the National Payment System Act and the formation of the Namibian centralised payments and clearing company, Namclear (Pty) Limited, Standard Bank Namibia has successfully migrated the processing of its cheques and cheque deposits via Namclear. The cheque payments system went live in August 2005. The next phase will be to centralise the Namibian banking industry's card transactions, which is due to go live late 2006, early 2007.

### Credit function

The centralisation of the credit function was finalised early

in 2005. A new department, Retail Collections, was formed in April 2005 to manage the prevention and recovery of bad and doubtful debts. The department has been successful in managing the bad debt book. The year also saw the establishment of a Wholesale Credit office in the north of the country. This was started when Corporate Banking placed an account executive in the north to service corporate customers. Each account executive is assigned a dedicated credit manager to prepare applications and attend to other credit-related matters.

### Risk management

Due to the realisation that risk interdependencies require an integrated approach, Standard Bank adopted an enterprise-wide risk management framework. A risk management department has therefore been created to identify, measure, evaluate and monitor the risk within the bank. Some of the risks we are currently monitoring are people, processes, systems and external threats. Market and credit risk are also being monitored on a regular basis.

To ensure compliance with the regulatory requirements, the bank has created a compliance division to provide a more focused approach to compliance risk.

A risk-management policy was adopted by the board in 2005. Regular feedback on the risk profile of the bank is provided to the Board Audit Committee which meets on a quarterly basis. More frequent assessment and monitoring of risk is performed through the Risk Management Committee.

At the end of 2005 an anti-money laundering campaign was also launched. Although the act has not yet been passed, Standard Bank has been pro-active in sensitizing the customers and staff about this issue, in order to avoid any losses to customers.

## Human resources

### Management of human resources

We remain committed to a fair, equitable and transparent human resources policy focusing on the development of employee potential both in the form of on-the-job training as well as internal and external training courses. This is to deploy the best people in our network.

All our managers have been exposed to a leadership programme to ensure that sound leadership and management principles are part of the leadership culture envisaged for the Standard Bank Group operations in Africa outside South Africa. Effective management of non-performers and our top performers remains a priority.

Job profiling continues to provide evidence that this tool, if used correctly, can influence the quality of customer service and lead to improved operational performance.

The number of permanent staff in our employ at the end of December 2005 had increased to 1 104.

### Employment equity

Standard Bank Namibia received the award as Best Performer and Overall Winner from the Employment Equity Commissioner acknowledging progress made for the preceding three years. We met our targets for the first three years and are in a good position to meet them for the next three years.

Our drive to progressively and actively grow employee diversity, particularly at management level, has met all the targets we set for 2005. The focus is to grow previously disadvantaged personnel both internally and by employing talent available in the market place.

Woman in management positions increased from 36,31% to 40,57% of the total staff complement. Poaching or resignations to follow other careers is an issue that still causes disruption. Substantial investment in extensive training programmes is lost when these employees move to other companies.

Training programmes continue to play a very important role in our activities. Our training college is now providing training not only to Namibians but also to other Stanbic Africa employees. The college trained 1 948 employees on 316 different training courses in 2005.

### Kellogg Banking Group Programme

The WK Kellogg Foundation and Standard Bank launched the programme, which is aimed at integrating talented undergraduate students into the banking industry before graduation. In 2005 all students completed their training successfully and are now part of our staff complement.

## HIV/Aids

The results of the Prevalence Survey conducted in November 2004 were received from Wits Health Consortium and delivered to the respective MD's. A letter signed by the Managing Director was forwarded to all staff informing them of the results, which showed a prevalence rate of 8,2% within the banking industry. At the last Prevalence Survey Meeting of the Bankers Association of Namibia held in 2005, it was agreed that the prevalence survey would be repeated in the near future.

A "Know Your Status" campaign was launched together with the prevalence survey to encourage staff to know their HIV status to be able to plan life accordingly.

### ICAS (Independent Counselling and Advisory Service)

Since its inception the Independent Counselling and Advisory Service (ICAS), has held several presentations at head office and a number of branches explaining the services it offers. Positive feedback was received from staff with regard to the presentations. ICAS reported that after the presentations there was a substantial increase in the use of its services. The ICAS contract has been renewed for another three years.

## Health and safety

The Occupational Health and Safety Policy was implemented in 2005. International SOS provided first-aid training to our staff, as required by legislation.

## Social responsibility

Human resources in cooperation with the Marketing department launched the "We Care Trust", which assists staff members who are experiencing hardships beyond their control.

### Brand campaign – Inspiration lives in Africa

Inspired by Africa's success stories, Standard Bank launched the first-ever PR based brand campaign aimed at recognising inspirational community projects. The Standard and Stanbic Bank brand campaign – "Inspiration lives in Africa", – sought to encourage people in Uganda, Namibia, Botswana, Zambia, Malawi and Swaziland to nominate projects that are making a difference in their communities.

Together with media partners in each country, Standard Bank invited people to nominate worthy projects throughout the country. The projects short-listed for recognition by Standard Bank had their stories told through regular newspaper coverage. People involved in the projects also had an opportunity to talk about what they are doing and

## Managing Director's report continued

the challenges they face during regular radio programmes. Standard Bank Namibia received more than 170 projects through its branch network, Internet and newspaper entries. Of these, 24 projects were selected for the finals and four were awarded a prize of N\$50 000 each.

### Corporate social investment

In 2005, we supported 23 different projects, totalling an amount of approximately N\$700 000. An amount of N\$1,3 million has been committed for 2006.

### Statement on corporate social investment

We recognise our obligation as one of Namibia's leading banking organisations to contribute to improvement in education, poverty relief, health and general social upliftment. We believe in acting as a socially responsible bank through both our core business practices and the support of community programmes aimed at the improvement of the societies within which we operate. We are committed to giving 1% of our after-tax profit towards funding social responsibility programmes.

Rooted in Africa, we are a regional banking force with global sweep. We owe our existence to the people and communities within which we operate. Our aim is to be a non-exploitative and socially responsible bank through both our core business practices and the support of community programmes aimed at improving the societies within which we operate. We are committed, therefore, not only to the promotion of economic development but also to the strengthening of civil society and human well-being.

### Social investment focus areas

Standard Bank focuses its social investment spending on four areas for the greatest impact. These are:

- African achievements
- Science, technology and energy
- Human development
- Skills development.

### African achievements

We support programmes that promote a positive perception of Africa. This involves building our identity on the foundation of our best ancestral values and the achievements of past generations so future generations may be inspired to reach even greater heights in business, leadership, science and technology.

### Science, technology and energy

We support programmes involving Africans in the fields of science, technology and energy. We do this through:

- our involvement in developing rural and urban infrastructures;

- cultivating creativity in mathematics, engineering, chemistry and science;
- supporting scientific research in health and pharmacology; and
- promoting cooperation and knowledge sharing across these fields.

### Human development - New Partnership for Africa's Development

Our involvement in the human resource development initiatives of the New Partnership for Africa's Development (Nepad) includes reducing poverty, improving education, reducing the brain drain and addressing the health of the continent's people.

### Skills development in commerce

We support programmes that promote excellence in commerce through skills development among all learners, businesses, entrepreneurs, economists and journalists. As an African bank, we owe our existence to the people and communities with whom we do business.

### Outlook for 2006

The year 2005 was challenging for the banking industry as a whole and also for our employees. The new vision and values were introduced and staff members are encouraged to live up to these on all occasions, be it in their dealings with customers or colleagues or other stakeholders.

Service is one of the key words in 2006 and the focus is on keeping existing customers happy at all times while at the same time satisfying the requirements of new customers effectively and efficiently.

### Thank you

We are all aware, that we cannot run our business without people, be it customers, investors, shareholders or staff. Employees constitute the biggest and most important aspect of our business. They can make or break it and I would therefore like to take this opportunity to thank our staff for their hard work, loyalty, commitment and dedication. I feel that we have a really strong, focused and motivated team that is willing and able to take any challenges head-on. They have done so in the past and will do so in future, of that I am confident.

**Theofelus Mberirua**

Managing Director

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## Our achievements for 2005

Standard Bank was awarded gold (for the second year in a row) in the bank category of Professional Management Review's (PMR) annual survey in Namibia. The bank was awarded for their contribution to the economic growth of our country.

For the second year in a row Standard Bank won the "Best Bank in Namibia" award in Euromoney's Awards for Excellence 2005.

Standard Bank Namibia received the award as Best Performer and Overall Winner from the Employment Equity Commissioner acknowledging progress made for the preceding 3 years.

The Standard Bank Group has also been named the "Best Cash Management Bank in Africa" by Global Finance magazine. In an exclusive survey published in the magazine's March 2006 issue, the bank has also been selected as the "Best Bank for Payments and Collection in Africa" for the second consecutive year. Furthermore, the bank was awarded the "Best CLS (Continuous Linked Settlement) Bank Offering" award.

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## Our vision

- We are committed to making a real difference to financial services in South Africa and other emerging markets.
- We will ensure long-term sustainability by harmonising the needs of our customers, our people and our shareholders and by being relevant to the societies in which we operate.
- We will only succeed if we are able to attract, retain, develop and deploy teams of people with energy, passion and skills.

## Our values

- **Serving our customers**

We do everything in our power to ensure that we provide our customers with the products, services and solutions to suit their needs provided that everything we do for them is based on sound business principles.

- **Growing our people**

We encourage and help our people to develop to their full potential, and measure our leaders on how well they grow and challenge the people they lead.

- **Delivering to our shareholders**

We understand that we earn the right to exist by providing appropriate long-term returns to our shareholders. We try extremely hard to meet our various targets and deliver on our commitments.

- **Being proactive**

We strive to stay ahead by anticipating rather than reacting, but our actions are always carefully considered.

- **Working in teams**

We, and all aspects of our work, are interdependent. We appreciate that, as teams, we can achieve much greater things than as individuals. We value teams within and across business units, divisions and countries.

- **Guarding against arrogance**

We have confidence in our ability to achieve ambitious goals and we celebrate success, but we must never allow ourselves to become arrogant.

- **Respecting each other**

We have the highest regard for the dignity of all people. We respect each other and what Standard Bank stands for. We recognise that there are corresponding obligations associated with our individual rights.

- **Upholding the highest levels of integrity**

Our entire business model is based on trust and integrity as perceived by our stakeholders, especially our customers.

We are  
passionate  
about our  
customers.



## Executive management



**Theofelus Mberirua** (44)  
Managing Director

MBA Accounting and Finance; B Sc.  
Standard Bank: 2002  
Appointed to Exco: 2002



**Carin de Klerk** (33)  
Head: Marketing

BBK (Hon) – PU for CHE;  
MDP – Stellenbosch; APR – PRISA.  
Standard Bank: 1997  
Appointed to Exco: 2005



**Cica de Wet** (44)  
Head: Corporate Banking Division

MDP – Stellenbosch; Programme in  
Management – Graduate Institute of  
Management and Technology;  
High Performance Leadership  
Development programme – Gordon  
Institute of Business Science,  
University of Pretoria.  
Standard Bank: 1980  
Appointed to Exco: 2006



**Ehrenfried Itamunua Meroro** (49)  
Head: Compliance and Legal  
Services

MSc Economics, BSc Economics –  
A&T State University, NC, USA;  
EDP– Wits; MDP – Stellenbosch;  
Market Risk Management – Brit  
Training. Certificates from Intuition  
Web – Value at Risk, Credit Risk  
Management, Foreign Exchange  
Risk and Risk Management  
Processes.  
Standard Bank: 2003  
Appointed to Exco: 2004



**Moody Tembo** (38)

Manager: Payment Strategy and Interbank

Bachelor of Economics – UNAM; MSc. Money and Finance – University of Paris 10 - Nanterre, France; M. Phil. Money, Banking and Finance – Doctorate School, University of Paris 10 - Nanterre. Standard Bank: 2001  
Appointed to Exco: 2005



**Derek Kimber** (48)

Head: Retail

Certificate in Banking – Institute of Bankers in SA; Licentiate Diploma in Banking – Institute of Bankers in SA. Standard Bank: 1976  
Appointed to Exco: 2004



**Grant Marais** (46)

Deputy Managing Director  
Head: Wholesale

BCom; CAIB – SA. Standard Bank: 1981  
Appointed to Exco: 2005



**Virginia Kaimu** (38)

Head: Internal Audit

BCom; MBA Banking and Finance – University of Wales, UK. Standard Bank: 2002  
Appointed to Exco: 2002



**Sven von Blottnitz** (36)

Head: Finance

CA – Namibia; CA – SA; FCIS. Standard Bank: 2004  
Appointed to Exco: 2004



**Patrick Cinnamon** (46)

Head: Credit

Management Advancement Programme – Wits Business School, University of the Witwatersrand, SA. Standard Bank: 1981  
Appointed to Exco: 2005



**Mark Walsh** (46)

Head: IT

Dip. Proj.M – Damelin Management School; MDP – Stellenbosch; Senior Management Programme (SMP) – Stellenbosch. Standard Bank: 1994  
Appointed to Exco: 2004



**Richard Meeks** (36)

Head: Operations

MDP – Unisa; EDP – Unisa. Standard Bank: 1991  
Appointed to Exco: 2004

## Retail Banking

### Branch network

The past year was one of consolidation as the branches concentrated on embedding the revised operating model, which was implemented in 2004. Continued focus was placed on providing improved service to our customers. Our sales capabilities were also improved through the introduction of non-branch sales channels such as the personal mobile consultants and a Group Scheme offering.

Our Ondangwa branch relocated to new premises in November 2005, and now boasts the most up-to-date design and branding, in line with group requirements.

### Home loans

These remain core retail products in view of the many cross-sell opportunities they present. During the year much attention was given to improving our systems and processes to improve customer service. A new system "Law Active" was implemented towards the end of the year and this has reduced the turnaround times with local attorneys loaded to the system. The home loans market in Namibia remains highly competitive and good business continues to be written. The home loans book now exceeds N\$2 billion.

### Focus areas for 2006

To drive a fully integrated sales culture incorporating all business units and associate companies with specific focus on achieving increased cross-sell opportunities.



Improve the service at all our points of representation, Executive Banking and Business Banking using the CEBS evaluation of service as the barometer of our performance. (Customer Evaluation of Branch Service)



Improve retail income through the prudent management of pricing, revenue and cost.



Increase our overall market share with specific focus on home loans, vehicle and asset finance and transaction accounts (savings and current accounts).



More aggressive approach to Group Schemes through closer interaction with Corporate Banking account executives and Business Banking managers (focusing on E Plan, FuneralPlan, home loans and vehicle and asset finance).



Deploy additional mobile resources to maximise sales opportunities.



Introduction of Optimax (tele-sales channel).



Increase customer base in our Executive Banking Suite by focusing on emerging black market.



Aggressively grow the Business Banking account base.



Revamp and relocation of our points of representation at Ombalantu, Swakopmund and Otjiwarongo.

## Executive Banking

Executive Banking, which services Retail Banking's high net worth customers, has adapted its business model to enable it to better compete in the top end of the personal market. This improved focus ensures that Executive Banking's offerings are attractive and meet our customers' expectations.

## Business Banking

This segment focuses on providing personal relationship banking to the agricultural and business markets. Selected farming and business customers now have direct access to dedicated business managers who are located throughout the main cities and towns.

## E Plan

This electronic transaction product, aimed at the mass consumer market, continues to provide affordable banking to a large sector of the previously unbanked community.

Our E Plan accounts are an attractive option for many customers, providing them with access to a range of products, services and the convenience of being able to transact at any of our 110 ATMs countrywide. In 2005 we opened 43 974 new E Plan accounts.

## Vehicle and asset finance

Standard Bank Vehicle and Asset Finance had its best year in 2005 and the structures and systems are now in place to produce even better results in 2006.

Some of the highlights of 2005 include 10% growth in the capital book, 25% growth in turnover and 29% growth in non-interest revenue.

Other highlights include the integration of the collections/legal department into Retail Collections, the sales office in Oshakati and the Maintenance Monitoring Unit in Windhoek.

Market conditions remain tight, with only a marginal increase in new vehicle sales expected. The uncertainty around grey imports still dominates the used vehicle market. The stable exchange rate and flat interest rate

expectations are supporting capital investment in general. Most of the growth is expected to come from non-vehicle finance.

## Channel delivery

We remain committed to offering appropriate, efficient and cost-effective self-service banking channels.

Our network of 110 ATMs countrywide is serving us well and we are particularly proud of our high availability average of 96,90% in 2005. Transaction volumes continue to grow at more than 12% a year. We are also proud to have achieved two major milestones in 2005 – 1 million transactions in one month and exceeded 10 million transactions.

Our Internet banking service has also shown substantial growth. There were 180 000 transactions a month representing an increase of 10%. Our superior offering has enabled us to capture a 30% market share.

### 2005 highlights

Improvement in customer evaluation of branch service to 8,61 out of a possible 10 in October 2005.

Overall improvement in routine control standards and internal audits at branches and within business units.

Successful relocation of Ondangwa Branch to new premises.

Number of ATMs increased from 95 to 110 during the year.

Exceeded sales targets in each of the three national sales campaigns held in 2005.

Grew the home loans book to more than N\$2 billion.

Grew the vehicle and asset finance book to more than N\$1,3 billion.

Successful implementation of the mobile sales force.

Successful implementation of Group Schemes.

## Subsidiary and associated companies

### Standard Insurance Brokers Namibia (Pty) Limited

Standard Insurance Brokers offers its customers a wide range of highly specialised products and services. Its core business has been the same for more than two decades - to take care of customers' insurance needs. This is embedded in providing short-term insurance products and services aimed at specific market segments, as well as using and optimising the Standard Bank branch network as its main delivery channel.

The company provides products to the commercial, corporate and especially personal and bancassurance markets. Standard Insurance Brokers is the leading bancassurance provider in Namibia.

Standard Insurance Brokers had a challenging year in terms of sacrificing profit to add value to its products.

The Board of Directors consists of T Mberirua (executive chairman), MEH Haitengela (managing director), CJ Brooke, H Stemmet, AH Bennetts, AM Booyesen, DJ Kimber and S von Blottnitz (secretary).

Standard Insurance Brokers offers the following specialised products:

#### Stansure

Stansure caters to customers' individual needs and covers all aspects of their life.

#### Automatic Settlement Benefit (ASB)

The Automatic Settlement Benefit (ASB) is a credit life policy that covers vehicles and asset finance agreements in the event of the customer's death, temporary or permanent disability, dread disease or retrenchment.

#### Stanmotor

Stanmotor is a policy that covers vehicles only.

#### Top up cover

Top up cover offers customers a choice between either claiming back the motor excess or motor deposit in the event of the car being written off.

#### Home loan policy

Home loan policy offers home owners peace of mind as they are covered in case of fire and allied perils such as water and storm damage, floods and more.

#### Home Loan Protection Plan

Home Loan Protection Plan insures home loans for up to N\$500 000 in case of death, retrenchment, or permanent or temporary disability.

The Personal Loan Protection Plan (PLP) is credit life insurance that covers all personal loans in the event of the customer's death, permanent disability or dread disease to a maximum of N\$500 000. No medical test is required and premiums are based on the outstanding balance of the customer's loan.

#### Credit Card Protection Plan

Credit Card Protection Plan covers debt on the customer's credit card in the event of death, disablement or retrenchment.

#### FuneralPlan

FuneralPlan provides cost-effective funeral insurance cover for customers, their families and extended families.

#### Legal Challenge

Legal Challenge provides affordable access to legal representation. Various options are available to suit the customer's needs.

#### DentSure

DentSure is a policy that covers small body repairs to vehicles without the customer having to risk paying higher premiums or compromising their no claim bonus.

#### Bereavement cover

Bereavement cover provides a benefit in the event of death of the policyholder and is paid out within 24 hours.

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## **Stanfin Namibia (Pty) Limited and Standard Bank Namibia Unit Trust Management Company Limited**

These companies provide asset management services mainly to the pension fund industry and unit trust products to retail and corporate investors.

### **Stanfin Namibia (Pty) Limited**

The year 2005 was marked with a shift in focus from the home loans to conventional risk business, and an increase in support to the in-house investment business through Standard Bank Namibia Unit Trust Management Company Limited Namibia. Apart from the lower share in the home loan business and lower income from the Standard Bank Namibia Unit Trust Management Company Limited, Stanfin managed growth of 38% in new business.

In 2006 focus will be on higher penetration of our customer base with an increase in the number of consultants and activity.

## **Standard Bank Namibia Unit Trust Management Company Limited and Stanlib Namibia (Pty) Limited**

Standard Bank Namibia Unit Trust Management Company (Pty) Limited provides unit trust products for retail and corporate investors, whilst STANLIB Namibia (Pty) Limited provides asset management capabilities primarily to the pension fund industry. Both companies reflected positive growth for the year as Funds Under Management grew by 20,40% to N\$3,8 billion.

During 2005 two new unit trust products, the Standard Bank Namibia Income Fund and the Standard Bank Namibia Flexible Property Income Fund were launched thus widening the investment product offering to investors. Both products have been received positively in the market. During 2006 both companies will focus primarily on the widening of the retail and institutional distribution strategies.

## Wholesale banking

This division incorporates Corporate Banking and Structured Finance, Asset and liability management, Treasury and Custody.

### Corporate Banking and Structured Finance

All areas of Corporate Banking and Structured Finance performed well in 2005, with a finely balanced mix of income arising from net interest income, trading revenue as well as fee and other income.

Customer relationship management combined with a passion for service saw the divisions thrive in 2005. Service has remained the core focus and has led to a stable and satisfied customer base.

The largest focus has been on the provision of transactional banking services and, as a result, business volumes continued to grow. New business was won, including Air Namibia, Agra, Roads Contractor Company, floating dock in Walvis Bay. Financing of airplanes was also done with Comav and Desert Air.

In addition, self-service banking has been in demand, which has resulted in a significant number of corporates using these services.

The quality of the lending book was well monitored. As interest rates might rise in the next year the quality of the lending book is of prime importance. The current problems being experienced in the fishing sector as a result of a stronger Namibia dollar are being closely monitored.

### Asset and liability management

Due to the importance of sound asset and liability management practices on the bank's overall profitability, the division provides input in all decisions on funding, lending and capital management.

A newly developed ALM system was introduced in 2005. This has resulted in a shift from one based mainly on compliance with policies to a more strategic decision-making forum, which allows scenario planning in all areas of the bank.

### Treasury

The money market, bond and associated interest rate derivative trading businesses performed well under difficult market conditions.

This remains one of the largest contributors to our non-interest income. As a result of its understanding of its customers and the foreign exchange markets the division showed growth in excess of market expectations in 2005.

Support from numerous offshore and South African parties ensures we follow international norms and continue with best practices. Product proliferation and differentiation will ensure that we stay at the cutting edge in terms of our product offerings.

### Focus areas for 2006

Focus on transactional banking.



Focus on asset financing.



Concentrate on curbing credit losses.



Improve customer service.



Improve staff training and overall development.

## Custody

Asset management continues to be one of the more important businesses in Namibia. With the significant flow of funds and investments into equities, bonds and other money market instruments custody services continue to be in demand.

The provision of excellent service has firmly entrenched us as a leader in this field. We will continue to improve and upgrade systems and processes to ensure we comply with best of breed.

Corporate Banking and Structured Finance enjoy a substantial share in capital markets and continually seek to boost their vanilla and structured product delivery to their customers. The general outlook for 2006 is positive.

### 2005 highlights

Wholesale banking earnings increased by 8,32%.

All major business units contributed positively.

Overall business volumes increased marginally.

Trading revenue ended the year 2,73% up, primarily due to good performance in debt securities and foreign exchange.

## Board of directors



**Alan Bennetts** (53)

Appointed: 2004  
CAIB – SA, AEP – Unisa.  
Directorships: Stanbic Botswana;  
Standard Bank Lesotho; Standard  
Bank Swaziland.



**Dr. Ndapewa Hamunime** (47)

Appointed: 2004  
Masters Degree in General Medicine  
– Patrick Lumumba University,  
Moscow.  
Directorship: Standard Bank  
Namibia.



**Grant Marais** (46)

Appointed: 2005  
B Comm – Unisa; CAIB – SA  
Directorship: Standard Bank  
Namibia.  
Member: Exco, Alco, Risk, Credit,  
Bankers Association.



**Dr. Leake S. Hangala** (52)

Appointed: 2001  
B Sc Geology and Mineralogy, 1981;  
M.Sc, Ph.D 1987 – University of  
Helsinki.  
Directorships: Chairman – Standard  
Bank Namibia; Pandu Holdings;  
Pamue Investment Corporation;  
NamPower; Evi.



**James Chapman** (51)

Appointed: 1997  
Directorships: Standard Bank  
Namibia.



**Stephanus (Fanie) Christian  
Smith** (62)

Appointed: 1994  
Directorship: Deputy Chairman –  
Standard Bank Namibia  
Member: Chairman – Standard Bank  
Namibia; Chairman – Board Audit  
Committee, Standard Bank Namibia.



**Theofelus Mberirua** (44)

Appointed: 2002  
MBA Accounting and Finance, B Sc  
Directorships: Standard Bank  
Namibia; One Namibia (Pty) Limited  
Member: Exco; Alco; Risk; Credit;  
President of Bankers Association;  
Board Audit Committee; Standard  
Bank Namibia Board; Namibia  
Steering Committee; Standard  
Insurance Brokers; Stanfin, Stanlib,  
Charter Life; Chairman of SADC  
Banking Association; Namibian  
Financial Services Charter;  
Presidential Economic Advisory  
Council; Presidential Anti-Corruption  
Commission.



**Bernhardt Zaaruka** (52)

Appointed: 2001  
Grade 12  
Directorships: Standard Bank  
Namibia; Chairman – Valombola  
Vocational Training College;  
Treasurer – NANCA.  
Member: Board Audit Committee



**David Smuts** (51)

Appointed: 2002  
BA LLB – Stellenbosch; LLM –  
Harvard; Senior Advocate.  
Directorships: Standard Bank  
Namibia; Former Acting Judge –  
High Court of Namibia; Former  
President – Society of Advocates;  
Founder – Legal Assistance Centre;  
Chairperson – Legal Assistance  
Trust.  
Member: Board Audit Committee

## Corporate governance

### Standard Bank Group Limited – overview

The Standard Bank Group Limited traces its roots back to 1862 and has a primary listing on the JSE Securities Exchange South Africa (JSE) with a secondary listing on the Namibian Stock Exchange (NSX). It is a registered bank controlling company and its main operating subsidiary is The Standard Bank of South Africa Limited.

The group remains committed to good corporate governance in all aspects of its operations. The establishment of subsidiaries within the group is carefully managed to ensure compliance with both domestic and international regulatory requirements.

The board of directors is responsible for the overall corporate governance of the group, ensuring that appropriate practices are in place. A number of committees have been established that assist the board in fulfilling its stated objectives. The committees' roles and responsibilities are set out in terms of agreed mandates, which are reviewed annually to ensure they remain relevant.

Stanbic Africa is a division of The Standard Bank of South Africa Limited and oversees the group's operations in Africa outside of South Africa.

### Standard Bank Namibia Limited

#### Codes and regulations

The bank complies with applicable legislation, regulations, standards and codes, with the board continually monitoring regulatory compliance.

#### Board of directors

The board of directors is responsible for the overall corporate governance of the bank, ensuring that appropriate controls, systems and practices are in place.

#### Strategy

The board is responsible to the bank's shareholders for its overall strategy and direction.

#### Board effectiveness

The board is led by a majority of independent board members who, through their skills and diversity, contribute to the efficient running of the board. The board is focused on continued improvements to its effectiveness and corporate governance performance.

During the year under review the board conducted a self-assessment, which was divided into structure, process and effectiveness. A special meeting was convened to discuss the outcome and address areas of concern. The results will be used to improve board functioning.

### Risk management

The board has ultimate responsibility for risk management, which includes evaluating key risk areas and ensuring the processes for risk management and systems of internal control are implemented. To assist in fulfilling this duty the board has established a Board Audit Committee and a Board Credit Committee.

### Governance

The bank operates in a highly regulated industry and is committed to complying with legislation, regulation and codes of best practice. It also seeks to maintain the highest standards of governance, including transparency and accountability. While we continue to nurture a strong culture of governance and responsible risk management in line with Standard Bank Group's risk appetite and governance framework, we are constantly monitoring our practices to ensure they are the best fit for the bank and enhance business and community objectives.

### Board and directors

There are currently two executive directors and seven non-executive directors. The board has the right mix of competencies and experience.

### Strategy

At an annual meeting with management the board considers and approves the bank's strategy and its plans on how to achieve the agreed objectives, which are in line with the group's overall objectives. The board continuously monitors performance against strategies and agreed budgets.

### Director's appointments, induction and training

During the year, the bank appointed one new director, Grant Marais. In terms of the articles of association, the appointments are only effective until the next annual general meeting, at which time the shareholders will be asked to approve each appointment. Each of the appointments complied with the requirements of the Companies Act and the Banks Act of both home and host countries.

### Going concern

The board has again reviewed the facts and assumptions on which it relied and, based on these, will continue to view the company as a going concern for the foreseeable future.

### Social investment policy

We recognise our obligation as one of Namibia's leading banking organisations to contribute to improvement in education, poverty relief, health and general social upliftment. We believe in acting as a socially responsible

### Corporate governance continued

bank through both our core business practices and the support of community programmes aimed at the improvement of the societies within which we operate. We are committed to giving 1% of our after-tax profit towards funding social responsibility programmes.

Rooted in Africa, we are a regional banking force with global sweep. We owe our existence to the people and communities within which we operate. Our aim is to be a non-exploitative and socially responsible bank through both our core business practices and the support of community programmes aimed at improving the societies within which we operate. We are committed, therefore, not only to the promotion of economic development but also to the strengthening of civil society and human well-being.

## Chief Financial Officer's report

### Changes to accounting policies

The effects of the first-time adoption of International Financial Reporting Standards (IFRS) are stated more fully in the accounting policy notes on page 32. Our elections for first time adoption were:

- Property and equipment is carried at depreciated cost instead of fair value.
- The comparatives for IAS 32 – Financial Instruments: Disclosure and Presentation and IAS 39 – Financial instruments: Recognition and Measurement were not restated.
- IAS 18 requires the spreading of revenue over the effective term of the deal.

The impact on the changes in equity are displayed in the Statement of Changes in Equity on page 43 and in note 29 and are summarised as:

- Property, plant and equipment increases by N\$10,0 million
- IAS18 causes a decrease in profits of N\$2,3 million

As a result prior year profit after taxation has been restated to give comparability to the numbers.

### Significant estimates

Explained more fully in note 2 on page 45 to the annual financial statements are the critical accounting estimates and judgements. The only critical estimate is on impairment losses on loans and advances for the performing loans book. The effect of the estimate is a net release of excess provisions of N\$3,8 million (refer to note 6, page 47).

### Comments on major year on year variances

#### Impairments

The current year provision is significantly more than 2005 due to a prior year release of provisions of N\$11,7 million caused by changes in the treatment of below market staff housing loans in 2004.

#### Change in treatment of financial instruments

The election on IAS32, to reclassify financial instruments previously held for trading, now available for sale resulted in N\$12 million gains in 2004 included in trading income, which are now recognised as changes to equity to the extent as they relate to the statutory liquid asset portfolio.

### Expenses

Staff costs increased by approximately N\$3 million from the impact of the change in treatment of below market staff housing loans.

The provision for post-retirement health care benefits increased by N\$6,7 million due to a change in the actuarial assumptions as can be seen in note 14.

Staff expenses for the prior year included a share bonus allocation under the Tutuwa staff share scheme of N\$6 million.

### Capital adequacy

The bank remains adequately capitalised at a capital adequacy ratio of 13,2% (2004: 12,9%). In addition, the leverage ratio as introduced in Determination BID5 under the Namibian Banking Institutions Act, effective from 1 January 2004, remains in control, with the bank achieving a 6,7% (2004: 6,1%) leverage ratio at year-end.

**Sven von Blottnitz**

Chief Financial Officer



Our stakeholders  
are our business.



## Annual financial statements

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## Statement of responsibility by the board of directors

The reports and statements as indexed hereunder are presented in compliance with the requirements of the Namibian Companies Act, 1973, as amended and in accordance with International Financial Reporting Standards (IFRS).

### Business and postal address

Corner of Werner List Street and Post Street Mall  
5th Floor, Standard Bank Centre  
Windhoek, Namibia

PO Box 3327  
Windhoek, Namibia

### Registered address

5th Floor, Standard Bank Centre  
Corner of Post Street Mall and Werner List Street  
Windhoek, Namibia

### Registration number

78/01799/06

### Country of incorporation

Republic of Namibia

### Directors

Dr LS Hangala (Chairman)  
SC Smith (Deputy Chairman)  
T Mberirua (Managing Director)  
GD Marais\* (Deputy Managing Director)  
AH Bennetts\* (Resigned 28 February 2006)  
JW Chapman  
Dr NGM Hamunime  
B Zaaruka  
Adv DF Smuts

\* South African

### Secretary

S von Blottnitz

## Statement of responsibility by the board of directors

for the year ended 31 December 2005

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Standard Bank Namibia Limited. The financial statements presented on pages 30 to 64 have been prepared in accordance with International Financial Reporting Standards, and include amounts based on judgements and estimates made by management. The directors have also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company.

The financial statements have been audited by the independent auditor, PricewaterhouseCoopers, who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit are valid and appropriate.

The audit report of the independent auditors is presented on page 29.

The financial statements were approved and authorised for issue by the Board of Directors on 28 February 2006 and are signed on its behalf by:

**Dr LS Hangala**

Chairman

**T Mberirua**

Managing Director

## Auditor's report

Independent auditor's report to the members of Standard Bank Namibia Limited.

We have audited the annual financial statements of Standard Bank Namibia Limited set out on pages 30 to 64 for the year ended 31 December 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing

the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 31 December 2005, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies Act.

Without qualifying our opinion we draw attention to the fact that the company did not prepare consolidated annual financial statements for the reason set out in accounting policy 1.22.



**PricewaterhouseCoopers**

Registered Accountants and Auditors  
Windhoek  
28 February 2006

## Directors' report

### Results for the year

The directors report that net profit after taxation derived from banking and related operations for the year ended 31 December 2005, was N\$169,4 million compared to N\$173,7 million for the previous year. Total assets increased by N\$653 million (2004: N\$1 141 million) from N\$7 806 million to N\$8 459 million.

### Dividends

A dividend of N\$90 million was declared from reserves in the year under review (2004: N\$525 million).

### Retained earnings

The aggregate net transfer to distributable reserves amounted to N\$65,8 million (2004: transfer from distributable reserves: N\$361,8 million).

### Capital

The authorised and issued share capital remains unchanged for the year.

### Ownership of the bank

At 31 December 2005, Standard Bank Group Limited, registered in the Republic of South Africa, owned the entire issued share capital of 2 000 000 (2004: 2 000 000) shares of N\$1 each.

### Nature of operations and principal activities

The bank operated profitably during the period as can be seen from the return of 26,4% (2004: 30,8%) on year-end shareholders' equity. Its operations are confined to Namibia where it has offices in all the main centres with the head office in Windhoek.

As a registered bank, a full range of banking services is offered as follows:

- Insurance broking services through associated companies Stanfin Namibia (Pty) Limited (50%) and Standard Insurance Brokers (Namibia) (Pty) Limited.
- Asset management through our subsidiary company Stanlib (Namibia) (Pty) Limited (100%).
- Unit trust services through our subsidiary company Standard Bank Namibia Unit Trust Management Company Limited (100%).
- Safe custodianship through our subsidiary company Standard Bank Namibia Nominees (Pty) Limited (100%).

The bank also offers an international banking service through its association with Standard Bank Group Limited.

### Directors and secretary

The names of the directors of the bank are given on page 22. The name and registered address of the company secretary are given on page 28.

### Events subsequent to balance sheet date

There is no material fact or circumstance that has occurred between the balance sheet date and the date of this report.

### Interest of directors in the capital of the bank

The directors have no beneficial interest in the capital of the bank. As at 31 December 2005, they had a non-beneficial interest in 1 000 (2004: 1 000) ordinary shares.

## Interest in subsidiary and associated companies

	% interest and voting power	Nature of operations	Amount of issued shares	Investment	Loans	Investment	Loans
				2005	2005	2004	2004
				N\$'000	N\$'000	N\$'000	N\$'000
<b>Subsidiaries</b>							
Standard Bank Namibia Unit Trust Management Company Limited	100	Unit Trust Management Company	3 000 000	<b>3 000 000</b>	-	2 000 000	-
Stanlib (Namibia) (Pty) Limited	100	Asset Management Company	1	<b>1</b>	-	1	-
Standard Bank Namibia Nominees (Pty) Limited	100	Nominee Company	2	<b>2</b>	-	2	-
			3 000 003	<b>3 000 003</b>	-	2 000 003	-
<b>Associated companies</b>							
Stanfin Namibia (Pty) Limited	50		2	1	-	1	-
Standard Insurance Brokers Namibia (Pty) Limited	0		1	0	-	0	-
Namclear (Pty) Limited	25	Interbank clearing house	12 500 000	<b>1 827 000</b>	-	1	985 396

All subsidiaries and associated companies are incorporated in the Republic of Namibia and are accounted for at cost.

## Subsidiary companies' results

	Interest in	Interest in	Profit after tax	Profit after tax
	2005	2004	2005	2004
	N\$	N\$	N\$	N\$
Standard Bank Unit Trust Management Company Limited	<b>444 905</b>	444 905	-	-
Stanlib (Namibia) (Pty) Limited	<b>7 012</b>	-	-	471 710
Standard Bank Namibia Nominees (Pty) Limited	-	-	-	-

## Accounting policies

The principal accounting policies applied in the presentation of the financial statements are set out below.

### 1.1 Basis of preparation

These financial statements are prepared in accordance with, and comply with International Financial Reporting Standards (IFRS) and the Namibian Companies Act. The financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of financial instruments classified as available-for-sale, financial assets and liabilities held at fair value through profit and loss, and derivative instruments.

The accounting policies are consistent with those adopted in the previous year, except for changes made as a result of the adoption of IFRS. The revised IFRS policies have been consistently applied to both years presented with the exception of policies where the company elected to apply IFRS with effect from 1 January 2005 as described below.

The key principle of IFRS 1 – First-time Adoption of International Financial Reporting Standards is full retrospective application of IFRS but this statement provides exemptions from retrospective application in certain instances. The company's transitional elections are set out below:

#### Elections 1 January 2004

**Property and equipment:** A first time adopter may elect to use the fair value of individual property and equipment at transition date as the deemed cost. The company did not make use of this transitional exemption and elected to measure individual items of property and equipment at depreciated cost determined in accordance with IFRS.

#### Elections 1 January 2004 but not applicable

**Business combinations:** The company elected not to retrospectively apply the requirements of IFRS 3 for business combinations that occurred prior to 1 January 2004. As a result, the carrying amount of goodwill is the depreciated amount on 31 December 2003 and previously amortised goodwill and goodwill eliminated against reserves were not re-instated.

**Employee benefits:** The company elected not to apply the exemption to account for all deferred actuarial gains or losses, including a 10% tolerance limit for differences in actuarial assumptions, in opening equity as at 1 January 2004. This exemption was not elected as the company's accounting for employee benefits under previous GAAP was already substantially in compliance with IAS 19 – Employee Benefits.

#### Not elected 1 January 2004

- Cumulative foreign currency translation adjustment
- Compound financial instruments
- Assets and liabilities of subsidiaries, associates and joint ventures
- Designation of previously recognised financial instruments
- Share-based payments
- Insurance contracts
- Decommissioning liabilities included in cost of property, plant and equipment
- Leases
- Fair value measurement of financial assets and liabilities at initial recognition

#### Elections applicable 1 January 2005

**Comparative numbers restated for financial instruments:** The company elected the exemption not to restate its comparatives for IAS 32 – Financial Instruments: Disclosure and Presentation and IAS 39 – Financial instruments: Recognition and Measurement. SBN has therefore applied GAAP applicable as at 31 December 2004 to financial instruments in its 2004 numbers disclosed as comparatives for the 2005 IFRS results.

**Designation of financial assets and financial liabilities in terms of IAS39.** In terms of the transitional arrangements SBN elected the option to reclassify certain financial assets and liabilities.

There are no changes to estimates made under previous GAAP for transition to IFRS. Where estimates have previously been made under GAAP, consistent estimates (after adjustments to reflect any difference in accounting policies) have been made at the same date.

#### Primary differences between Namibian GAAP applicable at 31 December 2004 and IFRS

The primary differences between Namibian GAAP and IFRS are set out below and the quantification of the restatements and opening reserve adjustments following the adoption of IFRS are set out in the financial statements in note 29.

## Accounting policies before adoption of IFRS

### *Impairment for credit losses*

Impairment for credit losses on performing loans was based on an expected loss model. In terms of this model expected future cash flows were discounted using the effective interest rate excluding the credit premium inherent in the contract.

### *Origination fees received on financial assets*

Some origination fees received, including documentation and assessment fees, were previously accounted for as income when the related origination services were performed. Where origination fees were deferred it was generally brought to income on a straight line basis.

### *Goodwill*

None

### *Depreciation of buildings and equipment*

Buildings and equipment were previously depreciated on a straight-line basis to their estimated residual values. These residual values were fixed at the date of acquisition and not reassessed annually.

## Accounting policies adopted for IFRS

Impairment for credit losses on performing loans are now based on an incurred loss model and estimated future cash flows are discounted using the original effective interest rate inherent in the loan, including the credit premium.

All origination fees received on financial assets are now accounted for as an adjustment to the carrying value of the financial asset and recognised as income as an adjustment to the effective interest rate over the term of the financial asset.

Goodwill arising on acquisitions after 31 December 2003 and the carrying value of goodwill that existed at this date are not amortised, but allocated to cash generating units and tested annually for impairment.

The residual values of buildings and equipment are now revalued on each balance sheet date. Depreciation ceases when the carrying value of the asset equals the residual value. The carrying values that were previously fully depreciated have been partially re-instated to reflect the residual value at the time when the carrying value equalled the revalued residual value.

## 1.2 Foreign currency translations

### Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (functional currency). Standard Bank Namibia's functional and presentation currency is Namibian Dollars and all amounts, unless otherwise indicated, are stated in thousands of Namibia Dollars (N\$000).

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of

monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities classified as available-for-sale financial assets are included in the available-for-sale reserve in equity whereas the exchange differences on equities held at fair value through profit or loss are reported as part of the fair value gain or loss

## 1.3 Cash and cash equivalents

Cash and cash equivalents disclosed in the cash flow statement consist of cash and balances with banks

Cash and balances with banks comprise coins and bank notes and balances with central and other banks.

## Accounting policies continued

### 1.4 Short-term negotiable securities, trading assets and investment securities

#### Recognition and measurement

Financial assets are held for investment, trading or hedging purposes. All financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. These financial assets are recognised on the date the company commits to purchase the assets (trade date) and are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all the risks and rewards of ownership. Gains or losses on disposal are determined using the average costing method.

#### Classification

Management determines the appropriate classification of financial assets on acquisition.

#### Held-to-maturity

Short-term negotiable securities and investment securities with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. Were the company to sell more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. Financial assets classified as held-to-maturity by the company are carried at amortised cost, using the effective interest method, less any provisions for impairment.

#### Financial assets at fair value through profit or loss

Financial assets that the company holds for short-term profit taking (trading assets) are classified as financial assets at fair value through profit or loss. Subsequent to initial recognition, these trading assets are measured at fair value. All related realised and unrealised gains and losses arising from the change in fair value are included in trading income in the income statement. Interest earned and dividends received while holding trading assets at fair value through profit and loss are included in trading revenue.

Financial assets that the group holds for short-term profit taking (trading assets) are classified as financial assets at fair value through profit or loss. Subsequent to initial recognition, these trading assets are measured at fair value. All related realised and unrealised gains and losses arising from the change in fair value are included in trading income in the income statement. Interest earned and dividends received while holding trading assets at fair value through profit and loss are included in trading revenue.

Financial assets that the company designates at inception as financial assets at fair value through profit or loss are carried at fair value subsequent to initial recognition. All income and realised and unrealised gains and losses arising from the change in fair value of these financial assets are included in interest income for all dated financial assets and in other revenue for all undated financial assets. Such classification is not changed subsequent to initial recognition.

#### Available-for-sale

Available-for-sale financial assets are held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Financial assets that are not classified as loans and receivables, held-to-maturity or financial assets at fair value through profit or loss, are classified as available-for-sale assets and carried at fair value. Unrealised gains or losses arising from the changes in the fair value of available-for-sale assets are recognised in equity. On disposal of available-for-sale assets, the fair value adjustments accumulated in equity are recognised in the income statement. Interest, calculated using the effective interest method, and dividends received on available-for-sale instruments are however recognised directly in the income statement.

#### Fair value

The fair values of financial assets are based on quoted bid prices, excluding transaction costs. If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is estimated using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date for a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the balance sheet date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price. Any gain or loss on the first remeasurement after initial recognition is deferred and recognised over the life of the instrument on a straight-line basis.

If specific circumstances occur that disqualify a financial asset from continuing to be accounted for at amortised cost, the difference between amortised cost and fair value is accounted for in the period in which it arises in the income statement, if the financial asset is reclassified as a financial asset at fair value through profit or loss. The

difference is accounted for in equity if the financial asset is reclassified as an available-for-sale instrument.

## 1.5 Repurchase and resale agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements as trading or investment securities and valued in terms of accounting policy number 1.4. The liability to the counterparty is included under deposit and current accounts.

Securities purchased under agreements to resell are recorded as loans granted under resale agreements and included under loans and advances to other banks or clients as appropriate.

The difference between the sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective interest method.

Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with accounting policy number 1.4. Securities borrowed are not recognised in the financial statements unless these are sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions.

## 1.6 Derivative financial instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. All derivatives are accounted for as trading instruments unless they meet the criteria for hedge accounting. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into.

The best evidence of the fair value of a derivative at initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option pricing valuation technique whose variables include only data from observable markets. When such observable market data indicates that fair value differs from cost on initial recognition, the resulting profit or loss is deferred and recognised on a straight-line basis over the life of the instrument.

Subsequent to initial recognition, derivatives are remeasured at fair value. Fair values are obtained from quoted market prices and dealer price quotations in active markets. Where valuation techniques like discounted cash

flow models and option pricing models are used, a gain or loss is only recognised to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price. Gains and losses on realisation or remeasurement are recognised in the income statement. All derivative instruments of the company are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles as described in accounting policy number 1.18.

Embedded derivatives included in hybrid instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with fair value changes recognised in the income statement. Where separated from the host contracts, embedded derivatives are accounted for and measured at fair value with any gains or losses from the change in fair value included in the income statement. The host contracts are accounted for and measured applying the rules of the relevant category of that financial instrument.

## 1.7 Hedge accounting

On the date that a derivative contract is designated as a hedging instrument, the company designates the derivative as either:

- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- a hedge of a highly probable future cash flow attributable to a recognised asset or liability, a forecast transaction (cash flow hedge); or
- a hedge of a net investment in a foreign entity.

A hedging relationship exists where:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the reporting period; and
- for a hedge of a forecast transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net profit.

Hedge accounting requires that the hedging instrument be measured at fair value. The fair value of a derivative hedging instrument is calculated in the same manner as the fair value of a trading instrument.

## Accounting policies continued

### Fair value hedges

Where a hedge relationship is designated as a fair value hedge, the hedged item is stated at fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the fair value hedge and the hedged item are recognised in the income statement. Fair value adjustments relating to the hedged instrument are allocated to the same income statement category as the related hedged item. If the hedge relationship is discontinued on a hedged debt instrument carried at amortised cost, the fair value adjustment to the carrying value of the hedged item is amortised over the debt instrument's remaining life using the effective interest rate method.

### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are cash flow hedges are recognised in equity. The ineffective part of any gain or loss is recognised in the income statement. Where a forecast transaction results in the recognition of a non-financial asset, or non-financial liability, income or expense, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset, liability, income or expense. If the hedged transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains and losses that were recognised directly in equity are classified into the income statement in the same period or periods during which the asset or liability affects the income statement (i.e. when interest income and expense is recognised).

When a hedging instrument or hedge relationship is terminated, but the hedged transaction is still expected to occur, the cumulative gains or losses recognised in equity remain in equity and are recognised in accordance with the above policy. If the hedged transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately recognised in the income statement and are classified as trading revenue.

### 1.8 Loans and advances

Loans and advances are classified on initial recognition as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss. Loans and advances classified as held-to-maturity or financial assets at fair value through profit or loss are accounted for in terms of accounting policy number 1.4.

Loans and advances classified as loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and include purchased loans. Loans and receivables are accounted for

at amortised cost using the effective interest method.

Origination transaction costs and origination fees received are capitalised to the value of the loan and amortised through interest income.

Where the company has elected to classify and account for any loan as a financial asset at fair value through profit and loss, the movement in the fair value is accounted for in the income statement as interest income.

### 1.9 Impairment of Financial Assets

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. A financial asset or company of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the balance sheet date, that indicates that it is probable that the company will be unable to collect all amounts due. The carrying amount of a financial asset identified as impaired is reduced to its estimated recoverable amount.

#### Financial assets at fair value through profit or loss

The recoverable amount of a financial asset at fair value through profit or loss is the quoted market price for quoted instruments. For unquoted instruments, the recoverable amount is the present value of expected cash flows discounted at the current market rate of interest for a similar financial asset.

#### Available-for-sale financial assets

An available-for-sale-instrument is generally considered impaired if a significant or prolonged decline in the fair value of the security below its cost has occurred. Where an available-for-sale asset which has been remeasured to fair value directly through equity is impaired, and a loss on the financial asset was previously recognised directly in equity, the cumulative net loss that had been recognised in equity is transferred to the income statement and is recognised as part of the impairment loss.

Where an available-for-sale asset is impaired, and an increase in the fair value of the financial asset was previously recognised in equity, the increase in fair value of the financial asset recognised in equity is reversed to the income statement to the extent that the asset is impaired and recognised as part of the impairment loss. Any additional impairment loss is recognised in the income statement. If in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, where the instrument is a debt instrument, the write-down is reversed through the income statement. An

impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through the income statement.

### Loans and receivables

Non-performing loans are impaired for doubtful debts identified during periodic evaluations of advances. The impairment to non-performing loans takes account of past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions.

When a loan carried at amortised cost has been identified as impaired or the interest earned is not at a market-related rate, the carrying amount of the loan is reduced to an amount equal to the present value of expected future cash flows, including the recoverable amount of any collateral, discounted at the original effective interest rate of the loan. For variable rate loans the original effective interest rate is the effective interest rate at the balance sheet date. The resulting loss is accounted for as an impairment of a financial asset in the income statement.

Subsequent to impairment, the effects of discounting unwind over time as interest income, based on the original effective interest rate.

Impairment of performing loans can only be accounted for if there is objective evidence that a loss event has occurred after the initial recognition of the financial asset but before the balance sheet date. In order to provide for latent losses in a portfolio of loans that have not yet been individually identified as impaired, a credit impairment for incurred but not reported losses is created based on historic loss patterns and estimated emergence periods. Loan impairments are also made where adverse economic conditions exist at the balance sheet date which may impact future cash flows.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in the income statement. Advances impaired are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent recoveries or reductions in amounts previously impaired are accounted for as a reduction in impairment for credit losses in the income statement.

## 1.10 Assets leased to clients and instalment sale contracts – lessor accounting

Lease and instalment sale contracts are primarily financing transactions, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances on the balance sheet.

Finance charges earned are computed using the net investment method which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalised to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return. The benefits arising from investment allowances on assets leased to clients are accounted for in tax.

### 1.11 Lessee accounting

Leases, where the company assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor effectively retains all the risks and benefits. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

### 1.12 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net assets of the acquired subsidiary, associate or joint venture at the date of acquisition.

Goodwill arising on acquisitions after 31 December 2003 and the carrying value of goodwill that existed on this date are not amortised, but allocated to cash generating units and is tested annually for impairment. Cash generating units are the smallest identifiable companies of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss is recognised if the carrying amount of a cash generating unit exceeds its recoverable amount. Negative goodwill is recognised as income in the period in which it arises. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## Accounting policies continued

### 1.13 Intangible assets

Generally, costs associated with developing or maintaining computer software programs and the acquisition of software licenses are recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the company and have a probable benefit exceeding one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Direct computer software development costs recognised as assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets, not exceeding five years, and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds the recoverable amount.

### 1.14 Property and equipment

Equipment, furniture, vehicles and other tangible assets are stated at historic cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the company and the cost of the item can be measured reliably. Maintenance and repairs, which do not meet these criteria, are charged against income as incurred. Gains and losses on disposal of assets are included in the income statement.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to the current values of their expected residual values. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying value of assets is reviewed regularly to assess whether there is any indication of impairment and where the carrying amounts of assets are greater than their recoverable amounts, the assets are written down to these recoverable amounts. The recoverable amount is the greater of the fair value of the asset less costs to sell or the value in use. Depreciation and impairment losses are included in the income statement.

Freehold buildings, comprising mainly offices and branches, are generally classified as owner-occupied properties and accounted for in terms of the cost method. These buildings are depreciated on the straight-line basis over their estimated useful lives, not exceeding 40 years, to the current value of their estimated residual value. The

freehold land portion is not depreciated.

The estimated useful lives of tangible assets are as follows:

Buildings	40 years
Computer equipment	3 to 5 years
Motor vehicles	5 years
Office equipment	8 years
Furniture and fittings	5 to 13 years
Improvements to leasehold property	over the shorter of the lease term or its useful life.

Leasehold buildings are depreciated over the period of the lease or over such lesser period as is considered appropriate.

### 1.15 Provision for leave pay

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the balance sheet date.

### 1.16 Other provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### 1.17 Tax

#### Normal tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred income tax are provided for on the comprehensive basis, using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets and liabilities are not discounted.

Deferred tax relating to items which are charged or credited directly to equity, is also charged or credited directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

### 1.18 Offsetting

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.19 Dividends

Dividends are recognised in the period in which they are declared.

### 1.20 Revenue

Revenue is derived substantially from the business of banking and related activities and comprises net interest income, fee and commission income, and trading and other income.

#### Net interest income

Interest income and expenses are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the carrying amount on the financial statements. Direct incremental transaction costs incurred and origination fees received as a result of bringing margin-yielding assets on balance sheet, are capitalised to the carrying amount of financial instruments (excluding financial instruments at fair value through profit and loss) and amortised through interest income over the life of the asset.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate. Net interest income includes fair value adjustments on interest-bearing financial instruments held at fair value, excluding financial instruments held for trading. Dividends received on lending activities are included in interest income.

#### Non-interest revenue

Non-interest revenue includes dividends from investments, fees and commissions from banking, insurance and related transactions and net revenue from exchange and securities trading.

Dividends are recognised in the period in which right to receipt is established. Scrip dividends are recognised as

dividends received to the extent that they compare to cash dividends in a similar entity. Fees and commission are generally recognised on an incurred basis when the related services are provided or on execution of a significant act. Fees charged for servicing a loan are recognised as revenue as the service is provided. Loan syndication fees, where the company does not participate, are generally recognised as revenue when the syndication has been completed.

#### Investment income

Investment income comprises income from financial services activities, net rental income from properties, interest and dividends. Dividends are recognised when the right to receive payment is established. Interest and other investment income are accounted for on an accrual basis. Net rental income comprises rental income net of property expenses.

### 1.21 Employee benefits

#### Pension obligations

The bank operates a defined contribution plan, based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are held in a separate trustee-administered fund. Contributions are recognised as an expense in the income statement in the period to which they relate.

#### Post-retirement medical benefits

The bank has an obligation to provide 75% of pensioners' medical aid contributions, this entitlement is dependant on the employee remaining in service until retirement age and completing a minimum service period, and is subject to periodic review. The valuations of these obligations are carried out by independent qualified actuaries. The expected cost of these benefits are accrued over the period of employment using the projected unit credit method. Actuarial gains or losses are recognised as they arise.

### 1.22 Subsidiaries and associated companies

Details of subsidiaries are set out in the directors' report. Group annual financial statements are not presented in view of the insignificant amounts involved, and for similar reasons equity accounting is not applied in respect of the associated companies.

Investment in subsidiaries and associated companies are accounted for at cost.

The Standard Bank Group Limited, with registered offices at Standard Bank Centre, Johannesburg, presents consolidated financial statements.

## Accounting policies continued

### 1.23 Share capital

#### Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

#### Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the bank's shareholder.

### 1.24 Comparative figures

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year (refer note 30).

## Balance sheet for the year ended 31 December 2005

	Notes	2005 N\$'000	2004 N\$'000
<b>Assets</b>			
Cash and short-term funds	3	357 326	254 384
Short term negotiable securities	4	682 223	788 483
Investment securities	5	1 267 395	977 877
Loans and advances	6	5 874 919	5 604 286
Interest in associate and subsidiary companies	7	4 827	2 000
Other assets	8	146 030	61 404
Current taxation		32 337	22 289
Property and equipment	9	94 747	95 734
<b>Total assets</b>		<b>8 459 804</b>	<b>7 806 457</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Deposit and current accounts	10	6 986 229	6 905 391
Other creditors and accruals	11	629 125	58 523
Borrowings	12	149 512	149 512
Current taxation		5 333	3 040
Deferred income tax	13	19 521	104 439
Provision for post retirement medical benefits	14	29 087	22 386
<b>Total liabilities</b>		<b>7 818 807</b>	<b>7 243 291</b>
<b>Equity</b>			
Share capital	15	2 000	2 000
Share premium	16	441 230	441 230
Non-distributable reserve	17	46 809	34 778
Retained earnings		150 958	85 158
<b>Total equity</b>		<b>640 997</b>	<b>563 166</b>
<b>Total liabilities and equity</b>		<b>8 459 804</b>	<b>7 806 457</b>

## Income statement for the year ended 31 December 2005

	Notes	2005 N\$'000	2004 N\$'000
Interest and similar income		771 760	727 619
Interest expense		437 342	432 971
<b>Net interest income before credit impairment charges</b>	18.1	<b>334 418</b>	294 648
Credit impairment of loans and advances	18.2	18 640	1 599
<b>Net interest income after credit impairment charges</b>		<b>315 778</b>	293 049
Non-interest revenue	18.3	253 059	244 525
<b>Total income</b>		<b>568 837</b>	537 574
Operating expenses		342 998	317 489
Staff costs	18.4	171 651	153 839
Other operating expenses	18.5	171 347	163 650
<b>Profit before taxation</b>		<b>225 839</b>	220 085
Taxation expense	19	56 388	46 370
<b>Net profit after taxation attributable to the shareholder</b>		<b>169 451</b>	173 715
Return on year-end shareholders' equity		26,44%	30,85%
Return on year-end assets:			
Profit before taxation		2,67%	2,82%
Net profit after taxation		2,00%	2,23%
Earnings per share (cents)	21	8 473	8 686
Dividends per share (cents)		4 500	26 250

## Statement of changes in equity for the year ended 31 December 2005

	Notes	Share capital	Share premium	Non-distributable reserve	General credit risk reserve	Retained earnings	Total
		N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Balance at 31 December 2003		1 720	7 380	93	24 156	437 423	470 772
Effect of transition to IFRS	29	-	-	-	-	9 549	9 549
Balance at 31 December 2003, as restated		1 720	7 380	93	24 156	446 972	480 321
Effect of transition to IFRS	29	-	-	-	-	(1 810)	(1 810)
Net profit for the year 2004 as previously reported		-	-	-	-	175 525	175 525
Total recognised profit for 2004		-	-	-	-	173 715	173 715
Transfer to general credit risk reserve					10 529	(10 529)	-
Share issue		280	433 850	-	-	-	434 130
Dividend for 2004		-	-	-	-	(525 000)	(525 000)
Balance at 31 December 2004		2 000	441 230	93	34 685	85 158	563 166
Transfer to general credit risk reserve		-	-	(93)	6 693	(6 600)	-
Revaluation reserve - available for sale investments							
• 1 January 2005 adjustment	29	-	-	7 051	-	(7 051)	-
• current year movement		-	-	(1 620)	-	-	(1 620)
Net profit for the year 2005		-	-	-	-	169 451	169 451
Dividend for 2005		-	-	-	-	(90 000)	(90 000)
Balance at 31 December		2 000	441 230	5 431	41 378	150 958	640 997

## Cash flow statement for the year ended 31 December 2005

	Notes	2005 N\$'000	2004 N\$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers	22.1	1 021 273	969 257
Cash paid to customers, employees and suppliers	22.2	(763 503)	(756 451)
Dividends received	22.3	3 096	2 887
	22.4	260 866	215 693
Taxation paid	22.8	(148 878)	(23 946)
Cash flows from operating profits before changes in operating assets and liabilities		111 988	191 747
Changes in operating assets and liabilities			
Increase in income earning assets	22.5	(548 463)	(1 384 436)
Increase in deposits and current accounts and other creditors	22.6	335 565	1 121 612
Net cash from operating activities		(100 910)	(71 077)
<b>Investing activities</b>			
Capital expenditure on			
● Property		(2 570)	(3 472)
● Equipment		(22 496)	(28 350)
Proceeds on disposal of property and equipment		3 043	9 466
Net cash used in investing activities		(22 023)	(22 356)
<b>Financing activities</b>			
Borrowings		315 875	-
Issue of share capital and share premium		-	434 130
Dividends paid	22.7	(90 000)	(525 000)
Net cash from financing activities		225 875	(90 870)
<b>Net increase in cash and cash equivalents</b>		<b>102 942</b>	<b>(184 303)</b>
Cash and cash equivalents at beginning of the year		254 384	438 687
<b>Cash and cash equivalents at end of the year</b>		<b>357 326</b>	<b>254 384</b>

## Notes to the annual financial statements

### 2. Critical accounting estimates and judgements

In preparing the financial statements the company makes estimates and assumptions that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances.

#### Impairment losses on loans and advances

The company assesses its loan portfolios for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income

statement, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. The company applied the following loss emergence periods:

	Loss emergence period Months	Sensitivity <sup>1</sup> N\$ 000's
Corporate loans	12	986
Retail loans	12	986
Mortgage loans	12	0
Instalment finance	12	404

<sup>1</sup>Sensitivity is based on the effect of a change of one month in the emergence period on the value of the impairment.

Retail loans are individually impaired if the amounts are due and unpaid for three or more months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Recoveries of individual loans as a percentage of the outstanding balances are estimated as follows:

	Recoveries as a % of impaired loans %	Sensitivity <sup>1</sup> N\$ 000's
Corporate loans	0,0	-246
Retail loans	0,0	-246
Mortgage loans	0,0	-223
Instalment finance	0,2	-112

<sup>1</sup>Sensitivity is based on the effect of a change of one percentage point in the estimated recovery on the value of the impairment.

## Notes to the annual financial statements continued

	2005 N\$'000	2004 N\$'000
<b>3 Cash and short-term funds</b>		
Cash in hand	134 448	128 866
Balances with related party (note 26)	66 735	6 723
Balances with other banks	-	(452)
Deposits with the central bank	156 143	119 247
	<b>357 326</b>	<b>254 384</b>
Mandatory reserve deposit included in above	<b>79 089</b>	69 963
<p>Banks are required to deposit a minimum average balance with the central bank in terms of the Banking Institutions Act. These deposits are not available for use in the Bank's day to day operations.</p> <p>Cash in hand and deposits with the central bank are non-interest bearing. Other balances are subject to variable interest rate risk.</p>		
<b>4 Short term negotiable securities</b>		
Treasury bills	<b>682 223</b>	788 483
<p>Treasury bills are debt securities issued by the Republic of Namibia treasury department for a term of three months, six months or a year. A separately identifiable portion is actively traded and is classified as held for trading, the majority portion is classified as available for sale. The bills are subject to variable interest rate risk.</p> <p>Treasury bills to the value of N\$105 000 000 (2004: N\$125 000 000) were pledged to the central bank to serve as security.</p>		
<b>5 Investment securities</b>		
Debt securities at fair value		
● listed	<b>82 032</b>	44 849
● unlisted	<b>25 000</b>	-
	<b>107 032</b>	44 849
Equity securities at fair value (note 26)		
● listed	<b>1 160 363</b>	933 028
<b>Total investment securities available for sale</b>	<b>1 267 395</b>	<b>977 877</b>

Debt securities have fixed coupons and are dated. N\$55 million are pledged to the central bank to serve as security.

Directors valuation of unlisted investments is N\$25 000 000.

Registers of investment securities are available for inspection by members, or their authorised agents, at the registered offices of the company.

The investment securities are subject to variable interest rate risk.

	2005 N\$'000	2004 N\$'000
<b>5 Investment securities</b> <i>continued</i>		
<b>The movement in debt securities may be summarised as follows:</b>		
Opening balance	44 849	43 618
Additions	59 125	-
Accrued interest and amortisation reserve	1 277	1 125
Changes in fair value	1 781	106
Closing balance	<b>107 032</b>	44 849
<b>6 Loans and advances</b>		
Loans and overdrafts	2 440 735	2 358 574
Mortgage advances	2 264 815	1 967 341
Instalment credit and leasing contracts	1 148 442	1 060 993
Preference shares and debentures	68 000	83 000
Accrued interest	23 615	195 202
	<b>5 945 607</b>	5 665 110
Contractual interest suspended	<b>(17 914)</b>	(13 817)
	<b>5 927 693</b>	5 651 293
Credit impairment charges	<b>(52 774)</b>	(47 007)
	<b>5 874 919</b>	5 604 286
<b>a) Segmental analysis</b>		
Agriculture	586 406	646 088
Mining	144 740	140 547
Manufacturing	123 082	218 546
Electricity	28 807	19 814
Construction	120 568	54 591
Wholesale	202 579	270 697
Transport	183 218	68 885
Finance	637 075	741 386
Individuals	3 251 382	2 911 948
Other services	667 750	592 608
	<b>5 945 607</b>	5 665 110
<b>b) Maturity analysis</b>		
Withdrawable on demand	1 525 997	1 102 507
Maturing within one month	305 747	260 632
Maturing after one month but within six months	301 221	416 134
Maturing after six months but within twelve months	227 845	228 909
Maturing after twelve months	3 584 797	3 656 928
	<b>5 945 607</b>	5 665 110

## Notes to the annual financial statements continued

	2005 N\$'000	2004 N\$'000
<b>6 Loans and advances</b> continued		
<b>c) Instalment sales analysis</b>		
Gross investment in finance leases	1 377 421	1 273 174
Unearned finance charges	(228 979)	(210 546)
Net investment in finance leases	1 148 442	1 062 628
The net investment in finance leases may be analysed as follows:		
No later than 1 year	346 574	320 677
Later than 1 year and no later than 5 years	801 868	741 951
	1 148 442	1 062 628
<b>d) Credit impairment charges</b>		
<b>Credit impairments for non-performing loans</b>		
Opening balance	25 855	32 443
Amounts written off	(17 094)	(17 079)
Provisions created	32 556	26 350
Provisions released	(6 641)	(3 333)
Mark to market adjustment	734	(12 526)
Closing balance	35 410	25 855
<b>Credit impairments for performing loans</b>		
Opening balance	21 152	26 263
Net release of provisions	(3 788)	(5 111)
Closing balance	17 364	21 152
<b>Total</b>	<b>52 774</b>	<b>47 007</b>
<b>7 Investment in associate and subsidiary companies</b>		
<b>a) Associate companies</b>		
Namclear (Pty) Limited	1 827	-
Stanfin (Pty) Limited	-	-
Standard Insurance Brokers (Pty) Limited	-	-
<b>b) Subsidiary companies</b>		
Carrying value	3 000	2 000
<b>Total</b>	<b>4 827</b>	<b>2 000</b>

See the directors report on page 30 for details regarding the subsidiaries and associated companies.

	2005 N\$'000	2004 N\$'000
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## 8 Other assets

Accounts receivable and prepayments	44 418	28 495
Receivables from related parties (note 26)	20 511	13 883
Loan to related party (note 26)	-	985
Remittances in transit	46 788	17 324
Accrued income	1 650	717
Other assets	32 663	-
	<b>146 030</b>	<b>61 404</b>

	2005 Cost N\$'000	2005 Accumulated depreciation N\$'000	2005 Net book value N\$'000	2004 Cost N\$'000	2004 Accumulated depreciation N\$'000	2004 Net book value N\$'000
<b>9 Property and equipment</b>						
<b>a) Summary of property and equipment</b>						
<b>Property</b>						
Freehold land and buildings	29 710	(649)	29 061	29 576	(600)	28 976
Improvements to leasehold property	5 799	(2 567)	3 232	3 938	(2 018)	1 920
	<b>35 509</b>	<b>(3 216)</b>	<b>32 293</b>	<b>33 514</b>	<b>(2 618)</b>	<b>30 896</b>
<b>Equipment</b>						
Computer equipment	69 148	(53 654)	15 494	64 935	(41 294)	23 641
Motor vehicles	40 630	(12 520)	28 110	31 159	(8 288)	22 871
Office equipment	7 983	(4 970)	3 013	6 028	(4 369)	1 659
Furniture and fittings	41 377	(25 540)	15 837	38 871	(22 204)	16 667
	<b>159 138</b>	<b>(96 684)</b>	<b>62 454</b>	<b>140 993</b>	<b>(76 155)</b>	<b>64 838</b>
<b>Total</b>	<b>194 647</b>	<b>(99 900)</b>	<b>94 747</b>	<b>174 507</b>	<b>(78 773)</b>	<b>95 734</b>

## Notes to the annual financial statements continued

	Net book value (as previously stated) N\$000	IFRS (refer note 29) N\$000	Net book value (restated) N\$000	Additions N\$000	Disposals N\$000	Depreciation N\$000	Net book value N\$000
<b>9 Property and equipment continued</b>							
<b>b) Movement in property and equipment</b>							
<b>2005</b>							
<b>Property</b>							
Freehold land and buildings	19 509	9 467	28 976	709	(575)	(49)	<b>29 061</b>
Improvements to leasehold property	1 920	-	1 920	1 861	-	(549)	<b>3 232</b>
	21 429	9 467	30 896	2 570	(575)	(598)	<b>32 293</b>
<b>Equipment</b>							
Computer equipment	16 209		16 209	4 337	(97)	(12 387)	<b>8 062</b>
Motor vehicles	19 968	2 902	22 870	13 698	(1 646)	(6 813)	<b>28 109</b>
Office equipment	1 660	-	1 660	1 955	-	(601)	<b>3 014</b>
Furniture and fittings	24 099		24 099	2 506	-	(3 336)	<b>23 269</b>
	61 936	2 902	64 838	22 496	(1 743)	(23 137)	<b>62 454</b>
<b>Total</b>	<b>83 365</b>	<b>12 369</b>	<b>95 734</b>	<b>25 066</b>	<b>(2 318)</b>	<b>(23 735)</b>	<b>94 747</b>
<b>2004</b>							
<b>Land and buildings</b>							
Freehold land and buildings	16 929	-	16 929	3 033	-	(453)	<b>19 509</b>
Improvements to leasehold property	2 171	-	2 171	439	-	(690)	<b>1 920</b>
	19 100	-	19 100	3 472	-	(1 143)	<b>21 429</b>
<b>Equipment</b>							
Computer equipment	30 602	-	30 602	3 852	(5 639)	(12 606)	<b>16 209</b>
Motor vehicles	13 938	-	13 938	13 555	(2 147)	(5 378)	<b>19 968</b>
Office equipment	2 140	-	2 140	43	-	(523)	<b>1 660</b>
Furniture and fittings	16 716	-	16 716	10 900	(164)	(3 353)	<b>61 936</b>
	63 396	-	63 396	28 350	(7 950)	(21 860)	<b>61 936</b>
<b>Total</b>	<b>82 496</b>	<b>-</b>	<b>82 496</b>	<b>31 822</b>	<b>(7 950)</b>	<b>(23 003)</b>	<b>83 365</b>

Registers of land and buildings are available for inspection by members or their authorised agents at the registered office of the bank.

The open market value of freehold land and buildings is estimated at N\$80 117 000 (2004: N\$71 336 100).

Buildings are regarded as owner occupied property.

	2005 N\$'000	2004 N\$'000
<b>10 Deposit and current accounts</b>		
Customers' current accounts	1 982 366	1 929 571
Customers' savings deposits	342 510	305 537
Customers' other deposits	2 328 741	2 329 712
Balances with other banks	448 531	1 120 386
Negotiable certificates of deposit	1 821 800	909 700
Accrued interest	62 281	310 485
	<b>6 986 229</b>	<b>6 905 391</b>
<b>Maturity analysis</b>		
Withdrawable on demand	3 428 465	4 321 119
Maturing within one month	750 069	646 124
Maturing after one month but within six months	1 695 675	1 375 292
Maturing after six months but within twelve months	1 103 726	561 394
Maturing after twelve months	8 294	1 462
	<b>6 986 229</b>	<b>6 905 391</b>
<b>11 Other creditors and accruals</b>		
Accrued expenses	17 934	14 838
Payables to related parties (note 26)	865	12 366
Credits in transit	41 260	21 811
Leave pay	12 228	11 376
Current borrowing	315 875	-
Other accounts	240 963	(1 868)
	<b>629 125</b>	<b>58 523</b>
On the 10th May 2005 the bank obtained a term loan facility of USD50 million on a club loan basis at an interest rate of LIBOR + 0.35% with a final maturity on 9th May 2006. A swap with Standard Bank South Africa was entered into to hedge the interest rate and currency risk.		
<b>12 Borrowings</b>		
Bonds - unsecured, subordinated and redeemable in 2011. (Qualifying as secondary capital in terms of applicable banking legislation)	<b>149 512</b>	149 512

Bonds with a nominal value of N\$150 000 000 issued and paying a fixed semi-annual coupon at a nominal rate of 12% per annum. The bonds carry an option to be called at their principal amount (together with interest due) on 20 November 2006 or any interest payment date thereafter, or upon notice for taxation reasons. After this option date, the coupon switches to fixed at Republic of Namibia GC10 12% Bond due 15 January 2010 rate plus 280 basis points, until maturity on 20 November 2011.

## Notes to the annual financial statements continued

	2005 N\$'000	2004 N\$'000
<b>13 Deferred income tax</b>		
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same revenue authority. The offset amounts are:		
Deferred tax assets:		
To be recovered after more than 12 months	29 017	18 471
To be recovered within 12 months	-	-
	<b>29 017</b>	<b>18 471</b>
Deferred tax liabilities:		
To be recovered after more than 12 months	-	1 190
To be recovered within 12 months	48 538	121 720
	<b>48 538</b>	<b>122 910</b>
	<b>19 521</b>	<b>104 439</b>
<b>Movement in deferred tax</b>		
Opening balance, as previously reported	103 401	78 903
IFRS adjustment (note 29)	1 038	2 104
Opening balance, as restated	104 439	81 007
Income statement charge (note 19a)	(84 735)	23 432
Tax charged to equity (available for sale financial instruments)	(183)	-
	<b>19 521</b>	<b>104 439</b>
<b>The balance comprises</b>		
Assets on lease	16 767	16 206
Portfolio impairment	(8 005)	(9 379)
Accelerated tax depreciation	21 096	16 866
Term finance and other temporary differences	(10 337)	80 746
	<b>19 521</b>	<b>104 439</b>
<b>14 Provision for post retirement medical benefits</b>		
Present value of unfunded obligations	29 087	22 386
Unrecognised actuarial gains/losses	-	-
Liability recognised in balance sheet	<b>29 087</b>	<b>22 386</b>
<b>The amounts recognised in the income statement are as follows:</b>		
Current service cost	1 587	923
Interest cost	2 104	1 827
Actuarial loss	3 493	3 188
Expected employer benefit payments	(483)	(329)
Miscellaneous items	-	(3 223)
Total included in staff costs	<b>6 701</b>	<b>2 386</b>
<b>The principal actuarial assumptions are as follows:</b>		
Discount rate	8,5%	9,5%
Medical inflation rate	7,0%	7,5%
Average retirement age	60 years	60 years

	2005 N\$'000	2004 N\$'000
<b>15 Share capital</b>		
<b>a) Authorised</b>		
6 000 000 ordinary shares of N\$1 each	6 000	6 000
<b>b) Issued and fully paid</b>		
2 000 000 (2004: 2 000 000) ordinary shares of N\$1 each	2 000	2 000
<b>c) Unissued shares</b>		
The unissued ordinary shares remain under the control of the directors until the next annual general meeting.		
<b>16 Share premium</b>		
Opening balance	441 230	7 380
Premium on new shares issued	-	434 720
Share issue expenses	-	(870)
Closing balance	441 230	441 230
<b>17 Non-distributable reserve</b>		
General credit risk reserve	41 378	34 685
Revaluation reserve - available for sale investments	5 431	-
Reserves arising from the revaluation of freehold land and buildings	-	93
	46 809	34 778
<b>18 Supplementary income statement information</b>		
<b>18.1 Net interest income</b>		
<b>Interest and similar income</b>		
Cash and short term funds	20 478	10 777
Investment and short term negotiable securities	143 293	115 545
Loans and advances	607 989	601 297
	771 760	727 619
<b>Interest expense</b>		
Deposits and current accounts	403 924	414 971
Borrowed funds	33 418	18 000
	437 342	432 971
<b>18.2 Credit impairment of loans and advances</b>		
Impairments for non-performing loans	22 428	6 710
Impairments for performing loans	(3 788)	(5 111)
	18 640	1 599

## Notes to the annual financial statements continued

	2005 N\$'000	2004 N\$'000
<b>18 Supplementary income statement information continued</b>		
<b>18.3 Non-interest revenue</b>		
Fees and commissions	192 941	173 308
Net gains less losses from dealing in foreign currencies	34 380	27 938
Commissions associated companies	16 043	16 629
Dividends from subsidiary	3 096	2 887
Fair value adjustment - financial instruments held for trading	450	12 226
Other income	6 149	11 537
	<b>253 059</b>	<b>244 525</b>
<b>18.4 Staff costs</b>		
Salaries, allowances and contributions to pensions	171 651	147 749
Tutuwa share scheme cost	-	6 090
	<b>171 651</b>	<b>153 839</b>
<b>18.5 Other operating expenses</b>		
Auditors' remuneration (note 18.6)	433	1 068
Directors' emoluments (note 18.7)	2 378	2 934
Operating lease charges (note 18.8)	20 614	19 117
Depreciation (note 9b)	23 735	23 003
Profit on disposal of fixed assets	(725)	(1 516)
Post retirement medical benefit charge (note 14)	6 701	2 386
Other expenditure	118 211	116 658
	<b>171 347</b>	<b>163 650</b>
<b>18.6 Auditors' remuneration</b>		
Audit fees – current year	479	720
Audit fees – prior year	(84)	-
Other services	38	348
	<b>433</b>	<b>1 068</b>
<b>18.7 Directors' emoluments</b>		
Services as directors	459	440
Pensions paid to past directors	11	11
Other services	1 908	2 483
	<b>2 378</b>	<b>2 934</b>
<b>18.8 Operating lease charges</b>		
Properties	18 724	17 261
Equipment	1 890	1 856
	<b>20 614</b>	<b>19 117</b>

	2005 N\$'000	2004 N\$'000
<b>19 Taxation expense</b>		
<b>a) Normal taxation</b>		
Current taxation	141 123	22 937
Deferred taxation	(84 735)	23 432
	<b>56 388</b>	<b>46 370</b>
<b>b) Tax rate reconciliation</b>		
<b>The taxation charge for the year as a percentage of the profit before tax is:</b>	<b>25%</b>	<b>19%</b>
The charge for the year has been reduced as a consequence of:		
• exempt income	13%	13%
• amount deductible for tax purposes only	-3%	3%
Statutory tax rate	<b>35%</b>	<b>35%</b>
<b>20 Dividends</b>		
Paid on 31 December	<b>90 000</b>	<b>525 000</b>
<b>21 Earnings per share</b>		
The calculation of earnings per share is based on the net income attributable to ordinary shareholders of N\$169 451 000 (2004: N\$173 715 000) divided by the year-end number of shares in issue of 2 000 000 (2004: 1 743 000).		
<b>22 Cash flow information</b>		
<b>22.1 Cash receipts from customers</b>		
Cash and short term funds	20 478	10 777
Investment and short term negotiable securities	143 293	115 545
Loans and advances	607 989	601 297
Fees and commission income	243 364	217 875
Other income	6 149	
	<b>1 021 273</b>	<b>969 257</b>
<b>22.2 Cash paid to customers, employees and suppliers</b>		
Interest expense	437 342	432 971
Operating expense	326 161	323 480
	<b>763 503</b>	<b>756 451</b>
<b>22.3 Dividends received</b>		
Dividend from subsidiary company	<b>3 096</b>	<b>2 887</b>

## Notes to the annual financial statements continued

	2005 N\$'000	2004 N\$'000
<b>22 Cash flow information</b> continued		
<b>22.4 Reconciliation of net income before taxation to cash flows from operating activities</b>		
Operating profit before taxation	225 839	220 085
Adjusted for:		
Depreciation	23 735	23 003
Specific and portfolio impairment	5 767	1 599
Profit on disposal of property and equipment	(725)	(1 516)
Post retirement medical aid benefit	6 701	2 386
Revaluation of financial instruments	(450)	(29 864)
	<b>260 867</b>	<b>215 693</b>
<b>22.5 Increase in income earning assets</b>		
Short term negotiable securities	106 260	(237 018)
Investment securities	(289 518)	(653 782)
Loans and advances	(277 752)	(507 163)
Interest in associate and subsidiary companies	(2 827)	58 482
Other assets	(84 626)	(44 955)
	<b>(548 463)</b>	<b>(1 384 436)</b>
<b>22.6 Increase in deposit and current accounts and other creditors and provisions</b>		
Customers' current, savings and other deposits, and loans from banks	80 838	1 041 385
Other creditors and accruals	254 727	80 227
	<b>335 565</b>	<b>1 121 612</b>
<b>22.7 Dividends paid</b>		
Amount unpaid at beginning of year	-	-
Paid from reserves	90 000	525 000
Amount unpaid at end of year	-	-
	<b>90 000</b>	<b>525 000</b>
<b>22.8 Taxation paid</b>		
Net amount prepaid at beginning of year	(19 249)	(18 240)
Income statement charge (note 19a)	141 123	22 937
Net amount prepaid at end of year	27 004	19 249
	<b>148 878</b>	<b>23 946</b>
<b>23 Contingent liabilities and commitments</b>		
<b>a) Contingent liabilities</b>		
Guarantees	415 595	400 038
Letters of credit	16 805	43 980
	<b>432 400</b>	<b>444 018</b>

No material losses are anticipated as a result of these transactions.

	2005 N\$'000	2004 N\$'000
<b>23 Contingent liabilities and commitments</b> <i>continued</i>		
<b>b) Capital commitments</b>		
Capital expenditure authorised but not yet contracted for	1 322	-
The expenditure will be funded from the bank's internal resources.		
<b>c) Operating lease commitments</b>		
Within one year	19 010	20 657
From one to five years	60 271	93 871
More than five years	46 918	153 046
	<b>126 199</b>	<b>267 574</b>
<b>d) Legal proceedings</b>		
There were a number of legal proceedings outstanding against the company at 31 December 2005. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.		
<b>24 Irrevocable commitments</b>		
The following irrevocable commitments were granted but not yet paid at year end.		
Irrevocable documentary credits	16 805	43 980
Cheques marked good for funds	334	347
	<b>17 139</b>	<b>44 327</b>

## 25 Retirement benefits

All eligible full-time employees are members of the Standard Bank Namibia Pension Fund, which has been registered in Namibia in accordance with the requirements of the Pension Funds Act. The fund is a defined contribution fund and is governed by the Pension Funds Act of 1956, and is actuarially valued every three years. An actuarial valuation was conducted as at 31 December 2004 and the actuary certified the fund as being financially sound as at that date. Members of the fund comprise 99% of the bank's full-time staff. The bank's contribution to the pension fund was N\$11 205 490 (2004: N\$10 431 980) and is based on a percentage of pensionable earnings and charged to income as incurred.

## Notes to the annual financial statements continued

## 26 Related parties

The company is 100% owned by the Standard Bank Group Limited.

A number of banking transactions are entered into with related parties in the normal course of business. These includes loans, deposits and investments as well as the purchase of services and receipt of commissions and dividends. The volume of related party transactions, outstanding balances at year end and relating expense and income for the year are as follows:

	Directors and key management personnel		Subsidiary and associated companies	
	2005 N\$'000	2004 N\$'000	2005 N\$'000	2004 N\$'000
<b>a) Loans</b>				
Loans outstanding at 1 January	4 038	-	235 948	-
Movement	5 283	4 038	(150 785)	235 948
Converted to investment in associate	-	-	(985)	-
Loans outstanding at 31 December	9 321	4 038	84 178	235 948
Interest income			2 661	1 597
No provisions have been made in respect of loans given to related parties (2004: nil)				
<b>b) Deposits</b>				
Deposits at 1 January	606	-	799 060	-
Movement	1 447	606	(779 852)	799 060
Deposits at 31 December	2 053	606	19 208	799 060
Interest expense			20 872	42 144
<b>c) Investments</b>				
Investment call - fellow subsidiary			66 735	6 723
Equity investment - subsidiary			1 160 363	933 028
			1 227 098	939 751
Interest income earned			20 478	10 777
Dividend income earned			78 632	56 066
			99 110	66 843
<b>d) Purchase of services</b>	<b>Relationship</b>	<b>Transaction type</b>		
Stanbic Africa Holdings	Fellow subsidiary	Management fees	21 194	23 383
The Standard Bank of South Africa Limited	Fellow subsidiary	Computer production costs	12 374	8 947
Namclear (Pty) Limited	Associate	Interbank clearing costs	2 244	350
T Mberirua	Key management	Rental	30	-
			35 842	32 680

			Subsidiary and associated companies		
			2005	2004	
			N\$'000	N\$'000	
<b>26 Related parties</b> continued					
<b>e)</b>	<b>Commissions and dividends received</b>	<b>Relationship</b>	<b>Transaction type</b>		
	Standard Insurance Brokers (Pty) Limited	Associate	Commission received	10 248	7 755
	The Standard Bank of South Africa Limited	Fellow subsidiary	Commission received	8 960	8 478
	Stanfin (Namibia) (Pty) Limited	Associate	Rental income	142	142
	Stanlib (Namibia) (Pty) Limited	Subsidiary	Dividend	3 096	2 887
			<b>22 446</b>	<b>19 262</b>	
<b>f)</b>	<b>Key management compensation</b>				
	Salaries and other short term employee benefits			3 941	2 354
	Post employment benefits			185	146
			<b>4 126</b>	<b>2 500</b>	
<b>g)</b>	<b>Year end balances from purchase of services and commissions and dividends received</b>				
	Receivables from related parties (note 8)				
	Subsidiary			7 315	5 218
	Fellow subsidiary			957	789
	Associate			12 239	7 876
			<b>20 511</b>	<b>13 883</b>	
	Payables to related parties (note 11)				
	Fellow subsidiary			865	12 366

The 2004 opening balance and details of the movement in balances for loans and deposits were not obtained as the benefit does not justify the effort involved.

## 27 Trust activities

The market value of assets held or placed on behalf of customers in a fiduciary capacity amounts to N\$168 million.

## 28 Risk Management

### Interest rate risk

Interest rate risk is the possibility of incurring losses as a result of changes in interest rates. The Assets and Liabilities Committee (ALCO) is responsible for managing the structure of the balance sheet and administering the key risks that arise during the ordinary course of banking.

By managing these risks, ALCO ensures that all future cash flow commitments and capital adequacy are met and at the same time ensuring that net interest income is maximised.

## Notes to the annual financial statements continued

N\$'000	Demand	months	0-1 months	1-6 months	6-12 months	after 12 sensitive	Non-rate Total
<b>28 Risk Management continued</b>							
Cash and short-term funds	66 734	-	-	-	-	290 592	357 326
Short term negotiable securities	-	76 664	321 657	283 902	-	-	682 223
Investment securities	449 553	56 529	380 126	299 155	82 032	-	1 267 395
Loans and advances	1 455 308	4 336 073	83 538	-	-	-	5 874 919
Interest in associate and subsidiary companies	-	-	-	-	-	4 827	4 827
Other assets	-	-	-	-	-	146 030	146 030
Current taxation	-	-	-	-	-	32 337	32 337
Property and equipment	-	-	-	-	-	94 747	94 747
<b>Total assets</b>	<b>1 971 595</b>	<b>4 469 266</b>	<b>785 321</b>	<b>583 057</b>	<b>82 032</b>	<b>568 533</b>	<b>8 459 804</b>
Deposit and current accounts	3 428 464	750 069	1 695 675	1 103 726	8 295	-	6,986 229
Other creditors and accruals	-	-	-	-	-	628 825	628 825
Borrowings	-	-	-	-	149 512	-	149 512
Current taxation	-	-	-	-	-	5 333	5 333
Deferred income tax	-	-	-	-	-	19 521	19 521
Provision for post retirement medical benefits	-	-	-	-	-	29 087	29 087
Equity	-	-	-	-	-	640 997	640 997
<b>Total liabilities and shareholders' equity</b>	<b>3 428 464</b>	<b>750 069</b>	<b>1 695 675</b>	<b>1 103 726</b>	<b>157 807</b>	<b>1 323 763</b>	<b>8 459 504</b>

**Credit risk**

In lending transactions, credit risk arises through non-performance by a customer with respect to the facilities utilised. These facilities typically take the form of loans and advances, the advancement of securities and contracts to support customer obligations (letters of credit and guarantees).

In trading activities, credit risk arises due to non-performance or defaults by a counterparty and comprises the following:

- settlement risk: the risk that a settlement within a transaction does not take place as expected which results in one party having delivered full value prior to receipt value,
- replacement risk: the risk of having to replace a defaulted or cancelled in-the-money derivative instrument with a comparable instrument, and
- issuer risk: the risk that a particular principal payment or set of payments due from the issuer of an instrument will not be forthcoming as scheduled.

Country risk is viewed as a component of credit risk. It represents the risk of loss arising when conditions or events in a particular country reduce the ability of counterparties in that country to meet their financial obligations. These conditions include, but are not limited to, the imposition of exchange controls, a debt moratorium, insufficient foreign exchange, political instability and war.

**Market risk**

Market risk exists wherever the bank has trading, banking or investment positions. Major exposures to market risk occur in markets served by formal financial exchanges and over-the-counter markets, both in South Africa and internationally. These exposures arise from customer-driven business and from proprietary positions.

## Liquidity risk

The nature of banking, investment and trading activities results in continuous exposure to liquidity risks in respect of balance sheet activities:

Liquidity obligations arise from requirements to:

- repay deposits,
- advance committed funds, and
- make interest and other expense payments.

Sound liquidity management is crucial in protecting the bank's capital, maintaining market confidence and ensuring future growth.

The monitoring of liquidity risk is facilitated by the adoption of a series of limits that are in line with guidelines issued by the Financial Services Authority (FSA) in the United Kingdom. Liquidity risk is monitored by ALCO on a monthly basis.

N\$'000	Demand	0-1 months	1-6 months	6-12 months	after 12 months	Total
Cash and short-term funds	357 326	-	-	-	-	357 326
Short term negotiable securities	-	76 664	321 657	283 902	-	682 223
Investment securities	449 553	56 529	380 126	299 155	82 032	1 267 395
Loans and advances	1 455 309	305 747	301 221	227 845	3 584 797	5 874 919
Interest in associate and subsidiary companies	-	-	-	-	4 827	4 827
Other assets	-	146 030	-	-	-	146 030
Current taxation	-	-	32 337	-	-	32 337
Property and equipment	-	-	-	-	94 747	94 747
<b>Total assets</b>	<b>2 262 188</b>	<b>584 970</b>	<b>1 035 341</b>	<b>810 902</b>	<b>3 766 403</b>	<b>8 459 804</b>
Deposit and current accounts	3 428 465	750 069	1 695 675	1 103 726	8 294	6 986 229
Other creditors and accruals	251 308	61 642	315 875	-	-	628 825
Borrowings	-	-	-	149 512	-	149 512
Current taxation	-	-	-	5 333	-	5 333
Deferred income tax	-	-	-	-	19 521	19 521
Provision for post retirement medical benefits	-	-	-	-	29 087	29 087
Equity	-	-	-	-	640 997	640 997
<b>Total liabilities and shareholders' equity</b>	<b>3 679 773</b>	<b>811 711</b>	<b>2 011 550</b>	<b>1 258 571</b>	<b>697 899</b>	<b>8 459 504</b>

## Compliance risk

The Bank is subject to wide-reaching supervisory and regulatory regimes in both Namibia and South Africa. The group's lead regulator is the Bank Supervision Department of the Bank of Namibia (BON). A policy of constructive engagement is followed with all regulators and BON's Bank Supervision Department, in particular, is regarded as a key stakeholder.

The management of compliance risk has continued to evolve as a distinct discipline within the Bank's overall risk management framework. Ultimate responsibility for compliance risk management lies with the board of directors. The chief executive and the executive management team play a key role in the appropriate delegation of responsibility. Compliance risk management is considered integral to the responsibilities of all our employees.

## Foreign exchange risk management policy

The foreign exchange risk is managed within authorised limits. All positions are marked to market daily, and any overnight positions, which may be held, are controlled after normal trading by the placing of a stop loss order with Standard Bank Group Treasury, Johannesburg.

## Notes to the annual financial statements continued

## 28 Risk Management continued

The currency position at 31 December 2005 is set out below:

N\$'000	NAD	ZAR	EURO	GBP	USD	Other	Total
Cash and short-term funds	280 913	66 787	1 168	161	8 191	106	357 326
Short term negotiable securities	682 223						682 223
Investment securities	1 267 395						1 267 395
Loans and advances	5 280 142	451 595	125 865	106	16 832	379	5 874 919
Interest in associate and subsidiary companies	4 827						4 827
Other assets	143 592		197	380	1,856	5	146 030
Current taxation	32 337						32 337
Property and equipment	94 747						94 747
<b>Total assets</b>	<b>7 786 176</b>	<b>518 382</b>	<b>127 230</b>	<b>647</b>	<b>26 879</b>	<b>490</b>	<b>8 459 804</b>
Deposits and current accounts	6 716 015	152 245	36 392	3 691	77 886		6 986 229
Other creditors and accruals	628 825						628 825
Borrowings	149 512						149 512
Current taxation	5 333						5 333
Deferred income tax	19 521						19 521
Provision for post retirement medical benefits	29 087						29 087
Equity	640 997						640 997
<b>Liabilities and shareholders' equity</b>	<b>8 189 290</b>	<b>152 245</b>	<b>36 392</b>	<b>3 691</b>	<b>77 88</b>	<b>-</b>	<b>8 459 504</b>

Currency conversion guide:

1 Namibia dollar = 1 South African Rand

1 Pound sterling = N\$10,93

1 US dollar = N\$6,34

1 Euro = N\$7,49

## 29 Transition from Namibian GAAP to IFRS

On the 1st January 2005 Standard Bank Namibia changed its accounting policies in accordance with the requirements of IFRS. Based on the IFRS in force on the 31st December 2005 the move from Namibian Generally Accepted Accounting Standards to IFRS involved changes as set out in note 1.1

The effect of the transition on shareholders' equity and net profit can be summarised as follows:

	1 January 2004	31 December 2004	1 January 2005
<b>Shareholders' equity</b>			
As previously reported: Namibian GAAP	437 423	77 419	
● IAS 16 Property, plant and equipment	9 549	10 074	
reduction in depreciation	11 653	12 369	
tax effect	(2 104)	(2 295)	
● IAS 18 Revenue	-	(2 335)	
spreading of fees	-	(3 592)	
tax effect	-	1 257	
<b>According to IFRS (excluding IAS 32 and IAS 39)</b>	<b>446 972</b>	<b>85 158</b>	<b>85 158</b>
IAS 32 and IAS 39 Financial instruments			(7 051)
<b>According to IFRS (including IAS 32 and IAS 39)</b>			<b>78 107</b>
<b>Net profit</b>			<b>2004</b>
As previously reported: Namibian GAAP			175 525
Changes due to application of:			(1 810)
● IAS 16 Property, plant and equipment			716
● IAS 18 Revenue			(3 592)
Income tax expense			1 066
<b>Restated net profit for the year attributable to the shareholder</b>			<b>173 715</b>

The 1 January 2005 adjustment is the result of the reclassification of financial instruments previously held for trading to available for sale.

## 30 Comparatives

	As previously reported	As restated (before IFRS)	Reason for restatement
<b>Balance sheet</b>			
<b>Assets</b>			
Cash and short-term funds	247 661	254 384	See (2) below
Short term negotiable securities	-	788 483	(1) Treasury bills allocated from investment securities in line with holding company classification.
Investment securities	1 766 360	977 877	See (1) above
Loans and advances	5 140 333	5 607 878	See (2) and (3) below
Interest in group companies	295 931	2 000	(2) Balances previously classified as Indebtedness to the bank by group companies allocated to functional classifications in line with holding company.
Other assets	342 088	61 404	(3) Accrued interest and trading account assets classified as loans and advances in line with holding company classification.

## Notes to the annual financial statements continued

	As previously reported	As restated (before IFRS)	Reason for restatement
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**30 Comparatives** continued**Liabilities and shareholders' funds**

Deposit and current accounts	5 812 042	6 905 391	See below
Liabilities to group companies	800 108	-	Balances previously classified as Indebtedness by the bank by group companies allocated to functional classifications in line with holding company.
Other creditors and accruals	452 111	58 523	Accrued interest and trading account liabilities classified as deposits and current account in line with holding company.

## Capital adequacy

The capital base of a bank provides the foundation for lending off-balance sheet for transactions and other activities. The capital adequacy of banks is measured in terms of the Banking Institutions Act requirements. Under these regulations banks are required to maintain a minimum level of capital based on their risk adjusted assets and off-balance sheet transactions.

The Bank of Namibia in line with the Bank for International Settlements has set a ratio of 10% (2004: 10%) as a benchmark for risk weighted capital adequacy.

	<b>2005</b>	2004
	<b>N\$'000</b>	N\$'000
<b>Regulatory capital</b>		
<b>Tier 1</b>		
Share capital	<b>2 000</b>	2 000
Accumulated profit	<b>133 311</b>	32 432
Share premium	<b>441 230</b>	441 230
<b>Total tier 1 capital</b>	<b>576 541</b>	475 662
<b>Tier 2</b>		
Eligible subordinated term debt	<b>149 512</b>	149 512
General provisions for bad and doubtful debts in terms of the Banking Institutions Act (Act no.2 of 1998)	<b>58 741</b>	55 837
<b>Total tier 2 capital</b>	<b>208 253</b>	205 349
Total tier 1 and tier 2 capital	<b>784 794</b>	681 011
Leverage ratio (minimum 6%)	<b>6,7</b>	6,1
<b>Risk-weighted capital ratios</b>		
Tier 1	<b>9,7</b>	9,0
Tier 2	<b>3,5</b>	3,9
<b>Total</b>	<b>13,2</b>	12,9