



SBN HOLDINGS LIMITED

ANNUAL REPORT 2019

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REPORTING SUITE

To meet the information needs of our diverse stakeholders, we produce the following reports:

THIS REPORT

THE ANNUAL REPORT

Our primary report to stakeholders which provides an assessment of our ability to create value over time.



AR

REPORT TO SOCIETY

This report covers our operations and the material focus areas in relation to our strategic objectives.



RTS



www.standardbank.com.na/namibia/about-us/Annual-reports

Approval and oversight

The board audit subcommittee is responsible for providing oversight of the financial reporting process. The committee recommended the annual report for approval to the SBN Holdings board of directors, which was obtained on 26 February 2020.

Feedback

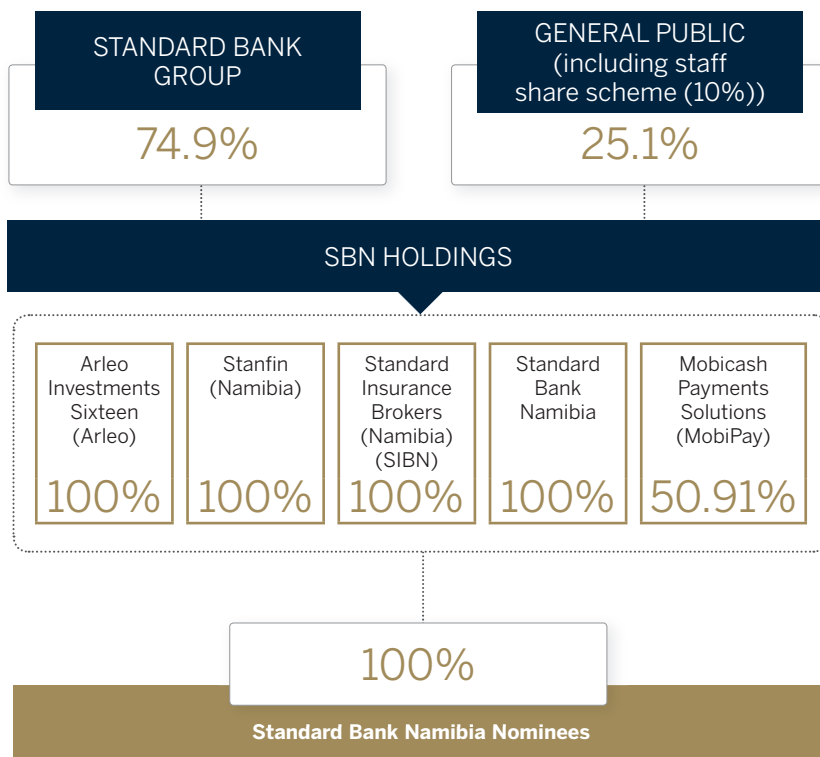
We welcome the views of our stakeholders on this report. Please contact Sigrid Tjijorokisa: Head of Legal and Governance and our Group Company secretary at **Sigrid.Tjijorokisa@standardbank.com.na** with your feedback.

ABOUT SBN HOLDINGS LIMITED

Standard Bank Namibia, a subsidiary of SBN Holdings Limited (SBN Holdings, or the group), opened its first commercial branch in August 1915 in Lüderitz, making it one of Namibia's oldest companies today. On 15 November 2019, SBN Holdings had its debut listing on the Namibian Stock Exchange.

Namibia is our home,
we drive her growth.

OUR COMPANY STRUCTURE



Our listing and shareholders

Headquartered in Windhoek, SBN Holdings is 74.9% owned by Standard Bank Group (SBG) and 25.1% owned by the general public (including Purros Trust).

OUR INTEGRATED PILLARS OF OPERATION

PERSONAL & BUSINESS BANKING

PBB provides banking and other financial services to individual clients and to small- to medium-sized enterprises.

What we offer

- Mortgage lending
- Instalment sale and finance leases
- Card products
- Transactional products
- Lending products
- Wealth and investment

↑ N\$367m

PROFIT FOR THE YEAR

2018: N\$335m

59.9%

CONTRIBUTIONS TO SBN
HOLDINGS' PAT

CORPORATE & INVESTMENT BANKING

CIB offers corporate and investment banking services to its clients, which include governments, parastatals, larger corporates, financial institutions and international counterparties.

What we offer

- Transactional banking
- Cash management
- Trade finance
- Investor services
- Commodity trading
- Interest rates trading and structuring
- Foreign exchange
- Exchange trade products
- Money market instruments
- Credit trading
- Advisory
- Debt capital markets
- Debt solutions
- Principal finance
- Equities
- Relationship management
- Sector expertise

↑ N\$268m

PROFIT FOR THE YEAR

2018: N\$206m

43.8%

CONTRIBUTIONS TO SBN
HOLDINGS' PAT

OTHER & ENABLERS

Our third business area includes Arleo, MobiPay and centralised support functions (back office). The direct costs of support functions are recharged to the business segments.

↓ (N\$23m)

PROFIT FOR THE YEAR

2018: N\$11m

(3.7%)

CONTRIBUTIONS TO SBN
HOLDINGS' PAT

OUR VALUE CREATION STORY



OUR CLIENTS are at the centre of everything we do. This is the central organising principle in the work we are doing to build a digital group, redesign our operating models, and to develop our people and change our culture – which together will create long-term sustainable competitive advantages.



Our strategy is achieved within the parameters of our risk appetite, which implies conscious risk taking. To enable regular changes to our risk appetite in response to challenges in our operating context, we are instilling a risk-aware culture throughout the group and continuously enhancing our risk management capabilities.

Our strategy represents an effective approach to the structural shifts in our industry. Global megatrends such as the technological revolution, increasing stakeholder pressure, and socioeconomic and environmental challenges are imposing the need for wide-reaching transformation in the way we do business.

We remain flexible in our strategic responses to the cyclical pressures in our markets. We identify pockets of opportunity for revenue generation, and employ well-developed risk models to anticipate and manage the impact of risks that are heightened during times of economic stress.

Our business units and corporate functions have aligned their operating strategies to the group strategy, to ensure effective and coordinated execution within and across our integrated pillars of operation for the benefit of our clients.

Our group strategy is focused on creating shared value, and represents our commitment to the shared future we intend to create for our clients, our people and our other stakeholders.

GOVERNANCE APPROACH TO VALUE CREATION OVER TIME

Our governance approach promotes strategic decision-making that combines long-term and shorter-term outcomes, to reconcile the interests of the group and society in our pursuit of sustainable value.

Performance linked to value creation
We are embedding a high-performance culture and creating an environment in which our people are empowered and motivated to deliver exceptional client experiences, and are rewarded for their contribution towards realising our purpose and vision.

Remuneration that drives value over time
Our reward philosophy is being evolved to reflect the group strategy. We combine reward elements that link directly to strategic and financial performance criteria and thresholds. These awards are made on a discretionary basis to avoid penalising executives for factors outside of their control that impact on value creation.

ACTING ON OUR MATERIAL FOCUS AREAS

Our material focus areas synthesise the interests of the group and those of its stakeholders. They are linked to our value drivers, direct the focus of our strategic planning and management priorities, and inform our reporting to stakeholders.

Deliver sustainable financial services

RESPONDING TO OUR STAKEHOLDERS

Our stakeholders are the providers of the capital we need to create value. Stakeholder inclusivity and responsiveness enables us to secure and maintain these inputs, and to identify opportunities and challenges.



CLIENTS

 **AR** Our material focus areas are outlined starting on page 10. The chief executive's review on page 18, assesses our strategic performance for the year.

CREATING VALUE FOR THE GROUP

Our strategic value drivers align our allocation of resources to our strategy. We have identified six key value drivers, shown below, and continue to work on selecting the appropriate metrics for each, which are supporting more effective resource allocation and appropriate trade-off decisions.

- Culture of continuous improvement
- Client focus
- Employee engagement
- Risk and trust
- Financial outcome
- Social, economic and environmental impact (SEE)

CREATING VALUE FOR SOCIETY

Social relevance is fundamental to our survival and success, and is implied in our purpose and vision.

We are moving towards measuring our SEE impact, and to obtain a truer picture of our broader value outcomes. This involves identifying the SEE risks and opportunities that Namibia presents and how our business activities can respond to these.

DRIVING NAMIBIA'S GROWTH OVER THE LONG TERM

Our multi-generational purpose recognises the mutual interdependency of Namibia's wellbeing and that of the group. It is the ultimate expression of our commitment to Namibian growth that is inclusive and sustainable, and in turn secures viable markets for our long-term profitability and value creation.

Ethical and effective leadership

Ethical and effective leadership relates to uniting purpose and performance. Embedding an ethical culture recognises that the trust of our stakeholders is the basis on which we compete and win.

Corporate citizenship

Corporate citizenship relates to the integral role we play in the socioeconomic wellbeing of Namibia. It commits us to using our resources responsibly as inputs to our business model, and balances our needs with those of society.

Sustainable development

Sustainable development commits us to enhance the resources and relationships we rely on today, for the future. Our plans to measure our SEE impact will enable us to account for the value we deliver in line with our purpose.

 **AR** The chairman's report on page 16 discusses key governance developments and substantiates our commitment to corporate citizenship and sustainability. The corporate governance report on page 28 discusses how our governance framework and processes, and our board and committees, support the creation and protection of value.

Putting the client at the centre of everything we do

Recruit, retain and motivate employees

Keep abreast of the pace, volume and scale of regulatory change

Embrace innovation

Establish and maintain IT system stability



**EMPLOYEES
AND THEIR
REPRESENTATIVES**



SUPPLIERS



**GOVERNMENTS
AND
REGULATORS**



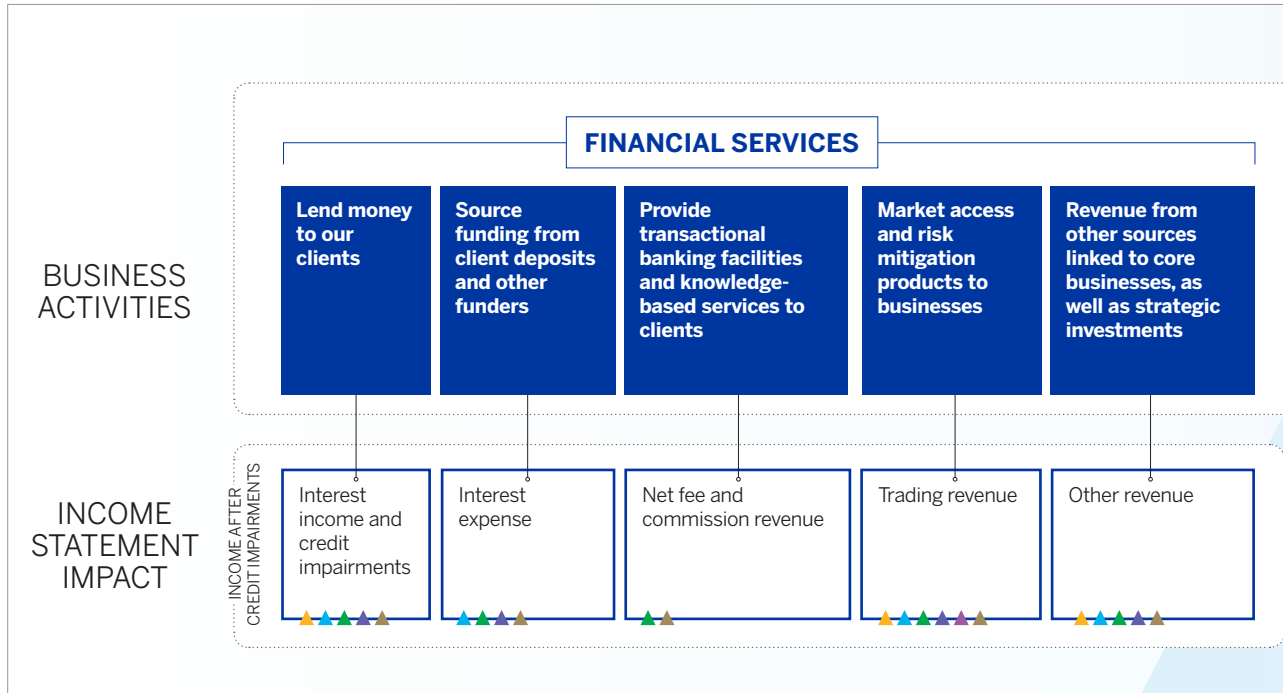
**SHAREHOLDERS
AND INVESTMENT
ANALYSTS**



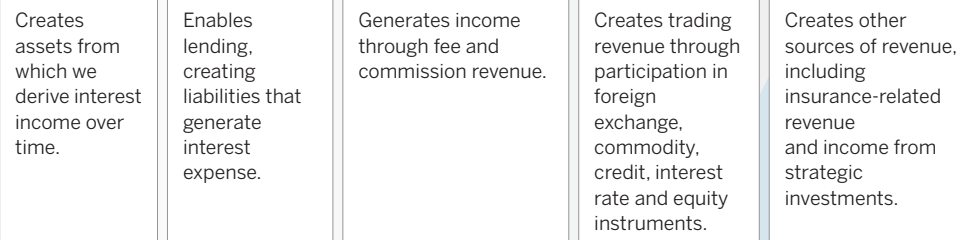
**COMMUNITIES
AND CIVIL
SOCIETY**

WHAT WE DO

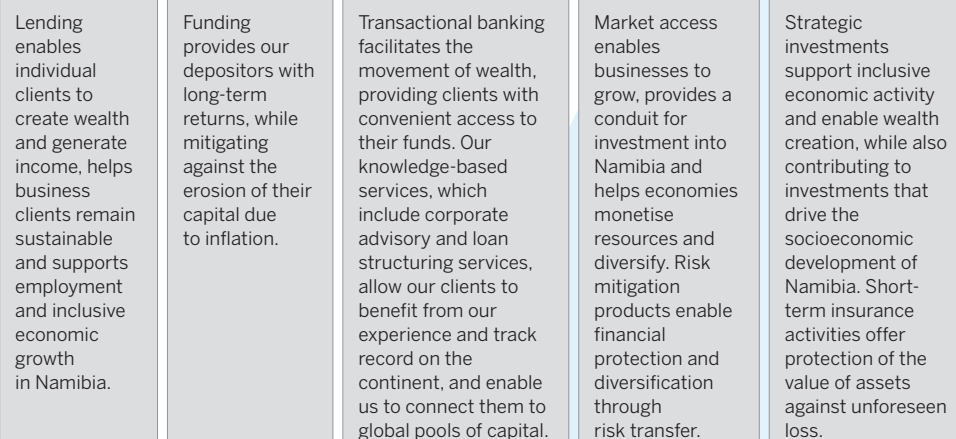
As a financial services group with a broad offering of products and services, our goal is for all of our business units and corporate functions to work together in an integrated manner to seamlessly deliver on our clients' financial needs.



WHAT THIS MEANS FOR THE GROUP



WHAT THIS MEANS FOR OUR STAKEHOLDERS



Our clients

are at the centre of everything we do



BANKING

We invest in our people to equip them to deliver exceptional client experiences in a changing world of work.

We invest in our operations, including our IT platforms, to enhance our capabilities, improve efficiency and remain compliant with all applicable laws and regulations.

EXPENSES

Staff costs

Other operating expenses

We invest in our people to align them to our strategic objective of consistently delivering excellent client experiences.

Enables the group to invest in strategic information technology (IT) infrastructure, to enhance our capabilities and improve efficiency, and to deliver relevant products and services that meet our clients' needs.

We hire locally wherever possible and through our activities, sustain other jobs in local economies. Training and development enhances the level of financial services and related skills in Namibia.

Investing in our operations enables us to develop innovative products and to continue meeting our clients' needs, which supports our social relevance and legitimacy, maintains our positive contribution to the Namibian economy and strengthens our competitive position.

Income after credit impairments



Expenses



Net income



Direct and indirect taxes to governments and other related regulators



Profit for the year



Dividends to shareholders



Retained equity to sustain and grow our business

- ▲ Credit risk
- ▲ Interest rate risk
- ▲ Business and reputational risk
- ▲ Funding and liquidity risk
- ▲ Market risk
- ▲ Operational risk, including compliance, environmental and/or social risk

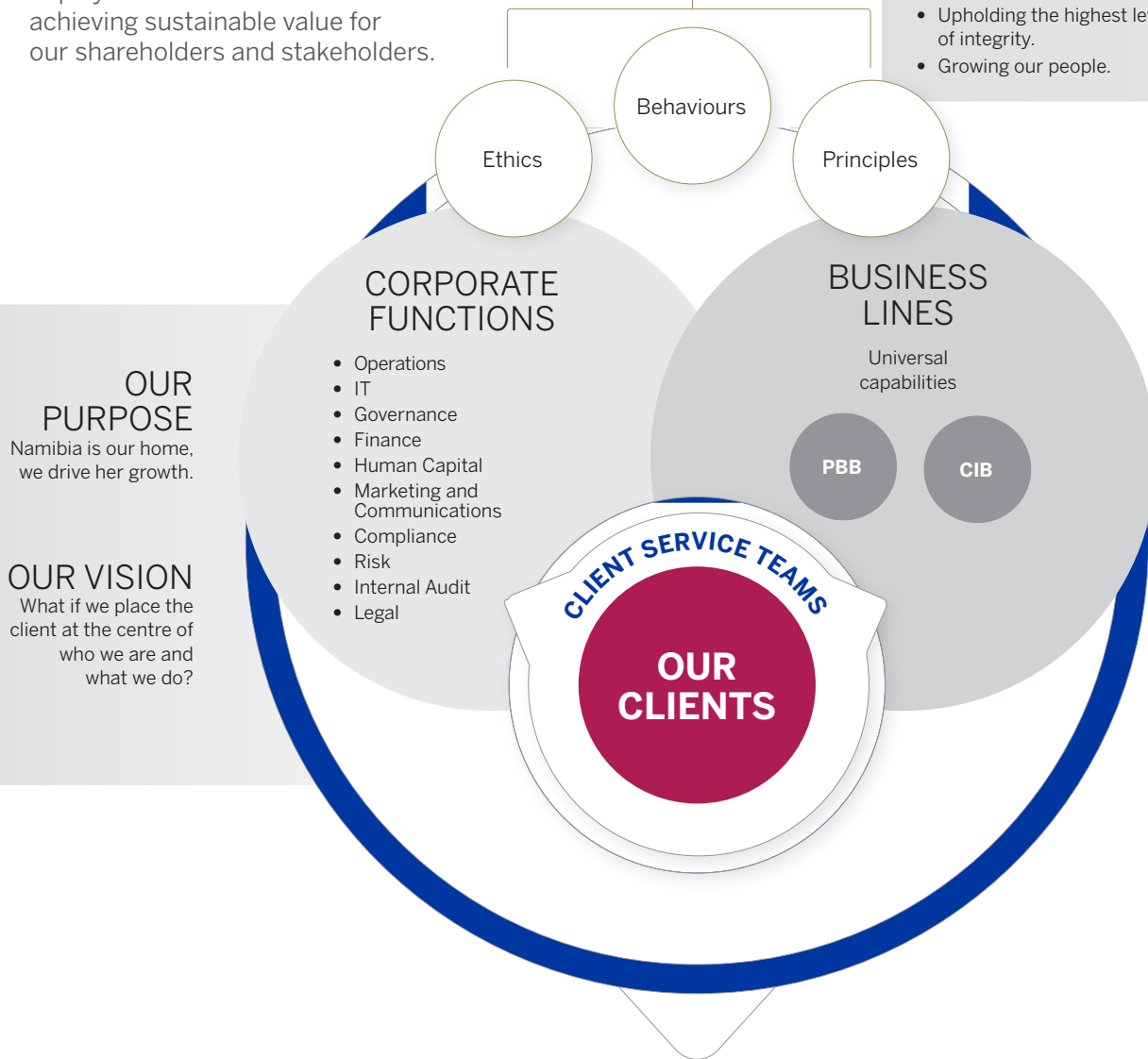
OUR GROUP STRATEGY

Our strategy is centred around our clients, to serve the full value chain of their needs while ensuring optimal deployment of resources in achieving sustainable value for our shareholders and stakeholders.

OUR VALUES

serve as beacons for the behaviour and qualities that define us at our best as we execute our strategy.

- Being proactive.
- Constantly raising the bar.
- Working in teams.
- Delivering to our stakeholders.
- Respecting each other.
- Serving our clients.
- Upholding the highest levels of integrity.
- Growing our people.



OUR STRATEGIC VALUE DRIVERS

help us focus our efforts and measure the progress towards delivering on our group strategy and vision.



OUR VALUES-DRIVEN CULTURE

Our culture is 'the way we do things'. Our work to shift our culture for the better recognises that how we do things is as important as the things we do. Our culture is determined by our purpose, vision, values and our approach to ethics. Our code of ethics guides us to be responsible and respectful in our dealings with all our stakeholders as we work to become Namibia's leading financial services organisation. It outlines

acceptable business conduct and is an important reference point for employees acting on behalf of SBN Holdings. These clearly defined parameters empower us to make faster, more confident decisions that have the interests of our clients, and the people of Namibia, at heart.

We are focusing on three critical behaviours that will shift our culture and make the most difference in supporting our strategic journey:

- Connect every team's work to the group's broader objective of **serving our clients with integrity**.
- **Create common goals** across different areas and follow through urgently.
- Empower people to **take ownership** of their work and help to remove obstacles.

OUR KEY FOCUS AREAS

work together to ensure we offer our clients everything they need in the most effective way possible.

THE WAY WE WORK/THE WAY WE WIN

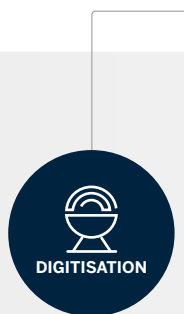


Client centricity places our clients at the centre of everything we do.

Client centricity requires that our people and processes are outwardly focused on our clients as their needs and expectations change. This means we align the way we plan, deliver and execute work, doing the basics brilliantly and consistently so that we can deliver what our clients value.

We are working to:

- See clients as **real people, not numbers**.
- Provide our clients with **relevant solutions**.
- Be a **trustworthy partner** on our clients' growth journeys.
- **Do the basics brilliantly** and **deliver on our promises** quickly, efficiently, reliably and respectfully.



Digitisation means enhancing our products and processes to continuously improve how we meet our clients' and employees' needs.

Digitisation is more than just technology – it is about delivering the full range of financial services through secure, personalised, relevant and digitally enhanced experiences to our clients and employees in real-time, all the time.

We are working to:

- Ensure that the services our clients and employees need are **consistently available, anywhere, anytime** – irrespective of channel.
- **Use data proactively** to guide our decisions, discover valuable insights and deliver personalised experiences.
- Remove friction, paper-based processes and waste to ensure **intuitive, easy to use, reliable interfaces** for our clients and employees.
- Create a workplace that encourages **curiosity, digital thinking and continuous improvement** for quick and frequent refinement of ideas and brilliant delivery.



Our integrated financial services offering delivers holistic solutions which are relevant to our clients.

Offering a **complete range of financial services** follows from our commitment to client centricity and reinforces the competitive advantages of our scale, scope and expertise. This means that our business units, legal entities and corporate functions must work as an integrated whole to service our clients' financial needs in a seamless way.

We are working to:

- **Seamlessly and efficiently deliver** an integrated financial services group, so our clients have access to and experience all our propositions relevant to their needs.

OUR MATERIAL FOCUS AREAS

SBN Holdings uses external and internal sources of information to identify statements, concerns and perceptions raised by our stakeholders to inform our material focus areas. We use the information to identify the themes and issues that appear to be of greatest interest or concern.

Material matters cover a wide spectrum of subjects, from traditional banking concerns to social, environmental and regulatory matters. All impact on the way we operate and conduct our business, and how we allocate our resources. The group identified and prioritised the six most important material matters in our operations during 2019.

STAKEHOLDER ENGAGEMENT

Building and maintaining good relationships positively impact on our business activities and reputation.

We engage with stakeholders to inform our business strategy and operations, shape our products and services, manage and respond to social expectations, minimise reputational risk and form strong partnerships. The ways in which we engage with our stakeholders, and the frequency with which we do so, vary according to each stakeholder group.



Direct relationships with regular communication

Stakeholder groups

- Clients
- Employees and trade unions
- Industry bodies
- Service providers
- Media
- Shareholders, ratings agencies, financial analysts and the business community
- Government and regulatory authorities

Indirect relationships where engagement takes place from time to time on specific issues

Stakeholder groups

- Community development organisations
- Non-governmental organisations
- Communities we operate in, including bursary and scholarship recipients and institutions of higher learning
- Research organisations
- Civil society groups
- Business associations

FOCUS AREA



Deliver sustainable financial services

WHY IS IT MATERIAL?

Remaining financially sustainable means we are able to:

- Access the capital required to invest in our infrastructure, projects and businesses, which in turn enhances our ability to serve our clients.
- Deliver dividends and grow the investment of our shareholders, who provide our financial capital.
- Create and sustain employment.
- Significantly contribute to the national treasury through taxes.

ACHIEVEMENTS

- SBN Holdings successfully raised N\$722 million on the Namibian Stock Exchange during its debut listing.
- The group showed remarkable growth in profit after tax.



Put the client at the centre of everything we do

To sustain our business performance, we must remain responsive to the market in which we operate. We must know with whom we are doing business and how we are doing business with them while constantly being guided by our values. It is essential to maintain our reputation for absolute integrity, to comply with our regulatory obligations and to do the right business, the right way.

- This requires people and processes to be outwardly focused on clients as their needs and expectations change. A detailed review of processes, structure, operating model and products began in 2018 and was completed during 2019.



Recruit, retain and motivate our employees

Finding, keeping and developing empowered and motivated people is at the core of our success and strengthens our competitive advantage. How our people think and feel about work correlates with client satisfaction levels. We believe that harnessing the full potential of our people is essential for superior client experiences.

- The group continued to focus on talent management, including training, coaching and career progression.
- Feedback from surveys like the Deloitte Best Company to Work for and the SBN's 'Are you a Fan' are used to develop actions and measures to improve the experience of employees.



Keep abreast of the pace, volume and scale of regulatory change

The volume of regulatory change is due to several factors, including international reform of the financial sector following the global financial crisis of 2008. New regulation has a direct bearing on day-to-day operations and processes, such as pricing decisions and product design, as well as decisions about our ethics and culture.

- The group completed the migration of all corporate and business banking clients to Finacle.
- Various other regulatory projects like CMA, BOP version 3, ITAS and PCI were completed during 2019. NamPay kept within industry timelines.



Embrace innovation

We provide clients with similar products and services to those offered by other financial institutions in the same market. Innovation enables us to be competitive, meet our strategic objectives, be relevant in our markets and attract and retain critical talent.

- We continue to improve PayPulse, a payment application available to clients and non-SBN clients in Namibia.
- Third-party ATM real-time deposits allow clients to deposit cash outside of banking hours.
- BlueFuel provides a comprehensive and innovative fleet management solution to businesses and individuals.



Establish and maintain IT system stability

IT directly impacts how we interact with and serve our clients. We therefore view IT as a strategic asset that creates sustainable value by enabling our growth and ability to achieve operational excellence.

- Improved monitoring capability ensures system availability, better capacity management and increasing awareness of cyber security.
- We reviewed and simplified the hardware, software and architectural design, further improving stability and the production environment.


OUR SEE IMPACT

SEE REFLECTIONS ACHIEVED IN 2019 – MORE THAN A BANK

Introduction

Through its SEE initiatives, SBN Holdings aims to create meaningful and lasting mutual benefits for the communities it serves and for its business.

Contributing to the improvement of the socioeconomic circumstances of the communities in which we operate, contributes positively to the morale of our people, and demonstrates that we are locally relevant and responsive to social and economic imperatives. SEE is an integral part of how we do business. The information that follows is a summary of the SEE impacts of SBN Holdings for 2019.

 **RTS** More detail on our SEE impacts and initiatives can be found in our report to society **online**.



The new strategic focus areas of SBN Holdings' revised SEE strategy are:

Entrepreneurship development

With over 86% of small and medium enterprises (SME's) in Namibia failing, it is evident that non-financial business to development support is necessary to assist these businesses manage the many challenges they face. SBN Holdings partners with organisations and vocational training institutions that provide non-financial business development support through financial literacy programmes, business knowledge toolkits and trade toolkits.

Education

Education is critical for the future sustainability and economic upliftment of Namibia, particularly in response to the high levels of youth unemployment facing the country. Effective partnership between the public and private sectors are required to ensure that the education system is inclusive. SBN Holdings' focus is to develop partnerships that drive access to quality education for orphans and vulnerable children, as well as deserving students in need.

Environmental issues

As a new focus area of SBN Holdings' SEE strategy, we will investigate potential social partners in 2020 who can provide meaningful long-term environmental benefit. This will be facilitated through engagement with the Ministry of Environment.

Health, wellness and poverty alleviation

SBN Holdings efforts are aimed at creating meaningful and lasting benefits for communities. To this end, we contribute to programmes that tackle impediments to socioeconomic development such as housing shortages, access to healthcare and poverty in marginalised communities.

Our approach to SEE

We have revised our SEE strategy to ensure that it fully aligns to SBN Holdings' strategic direction and contributes to the development of the communities in our target market.

We pledge 1% of our net profit after tax to SEE initiatives, four times the Namibian Financial Sector Charter requirement. Our SEE investments in initiatives are approved by the board corporate social investment subcommittee.

Our flagship programmes

We run two flagship programmes; the Buy-a-Brick Project and the Forum for African Women Educationalists in Namibia (FAWENA). Through the Buy-a-Brick Project, the group mobilises the private sector and members of the public to raise funds to address the housing shortage in Namibia.

SBN Holdings makes an annual financial donation to FAWENA to pay for school fees, transport and toiletries of girls from disadvantaged backgrounds in Grades 8 to 12.

SEE projects undertaken and supported in 2019

BUY-A-BRICK

SBN Holdings launched the Buy-a-Brick initiative in 2015 with the aim of mobilising the private sector and members of the public to raise funds to address the housing shortage in Namibia.

Since its launch, the Buy-a-Brick initiative, under the custodianship of SBN Holdings, has enabled the construction of 200 houses in Rehoboth, Otjinene, Berseba, Windhoek, Okongo, Helao Nafidi, Mariental, Aminuis and Gobabis.



FAWENA

SBN Holdings entered into an agreement with FAWENA through the Ministry of Education for the period 2014 to 2022, to provide funding of N\$5.8 million proportionally spread over nine years.

Through the funding, SBN Holdings provided scholarships to 900 beneficiaries in all 14 regions, spending at least N\$1 200 per child to cover school uniforms, hostel fees, stationery, toiletries and transport, especially for girl children from disadvantaged backgrounds in secondary school.



Investing in academic excellence

In partnership with the Ministry of Education, SBN Holdings rewards the top three best performing Grade 10 and Grade 12 learners in each region. The most improved government school (Grade 10 or JSC) also receives N\$50 000 towards a project of their choice.



SME development

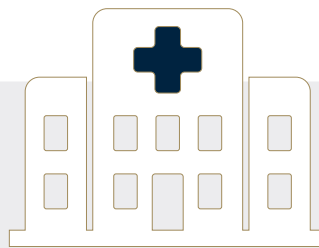
SBN Holdings sponsored SME development training for 45 farmers in and around Okakarara to equip in the transformation, development and expansion of their businesses into sustainable income generating enterprises.

In 2019, we donated N\$100 000 to train and equip them with skills to build their businesses and keep them updated on market-related products and services provided by agricultural industry leaders for new innovative concepts which they can use to grow their businesses.

Financial Literacy Initiative

SBN Holdings has been a strategic partner of the Financial Literacy Initiative (FLI) since 2013, committing 0.2% of net profit after tax annually towards funding as financing for the initiative.

In 2019, our contribution amounted to N\$200 000.



Support to Hope Village

Hope Village is a welfare organisation that cares for around 100 orphans and vulnerable children in Katutura. It has been a beneficiary of SBN Holdings' support since 2006. Our investment of N\$396 000 in 2019 was used to continue support and maintenance of the Standard Bank House at the Hope Village, as well as pay for the salary of the administrator of the centre.

The SAN Development Trust

SBN Holdings has been involved with the Trust since 2009 and in 2019 donated N\$500 000 for the second phase of the upgrading of the Mpeteto School Hostel.

SBN Holdings' contribution to the Trust aims to encourage San, Ovaherero and OvaTjimba learners to attend school and to ensure that San children feel a sense of belonging and are not excluded from school activities based on affordability.



SBN Holdings bursary scheme

Since 2007, SBN Holdings has been involved with a bursary scheme that funds the tertiary education of Namibians in various fields that are deemed relevant not only for the group but to address the country's critical skills needs.

For 2019, SBN Holdings sponsored the studies of seven Namibian students, five studying in South Africa and two studying in Namibia in the areas of Cybersecurity, Actuarial Science and Forensic Science.

Cancer Association – Circle of Hope Family Support Centre

The Standard Bank Circle of Hope programme falls under the CAN Family Support Centre and was officially launched in 2016 as a peer-to-peer volunteer social support. The Centre provides counselling services for patients and their families afflicted by cancer.

In 2019, SBN Holdings invested N\$150 000 towards psychosocial counselling and to evaluate the effectiveness of the programme.

Hochland round table 154 – medical outreach programme

SBN Holdings has been supporting the Hochland Round Table 154 medical outreach programme since 2009. In 2019, it contributed N\$100 000 to provide free medical support to disadvantaged communities. The partnership also aims to establish critical mobile clinics. The first mobile clinic was built in 2018 in partnership with Namport and Wilderness Safaris.



Nampharm Foundation

For the third consecutive year, SBN Holdings has supported Nampharm Foundation to fund the operation of children with cleft lips and cleft palates.

In 2019, SBN Holdings contributed N\$220 000 towards the Foundation to cover the medical operation costs for disadvantaged children suffering from these and other similar ailments. A total of 45 children from across Namibia had these life-changing operations during 2019.

Namibia Development Foundation (NAMDEF) bwabwata san khwe upliftment project

SBN Holdings is committed to supporting disadvantaged and marginalised youths to acquire skills that will place them in a favourable position to get jobs.

Since 2016, SBN Holdings has been supporting NAMDEF help San youths get their driver's licences. Over 50 youths have acquired learner's licences or full driver's licences through SBN Holdings' support.

Lidar Community Foundation

SBN Holdings is committed to ensure that girls are empowered to reach their true potential and to be free from the social challenges that inhibit their development and growth.

To that end, SBN Holdings sponsored the training of young women at the Lidar Community Foundation to the tune of N\$10 000 to impart cognitive skills to young women and adolescent girls to develop and enable them to become self-sustainable.

Farmers Assistance Programme

Farming is the mainstay of Namibia's economy. With the crippling drought, many farmers, especially emerging and resettled farmers, have, however, struggled to make ends meet.

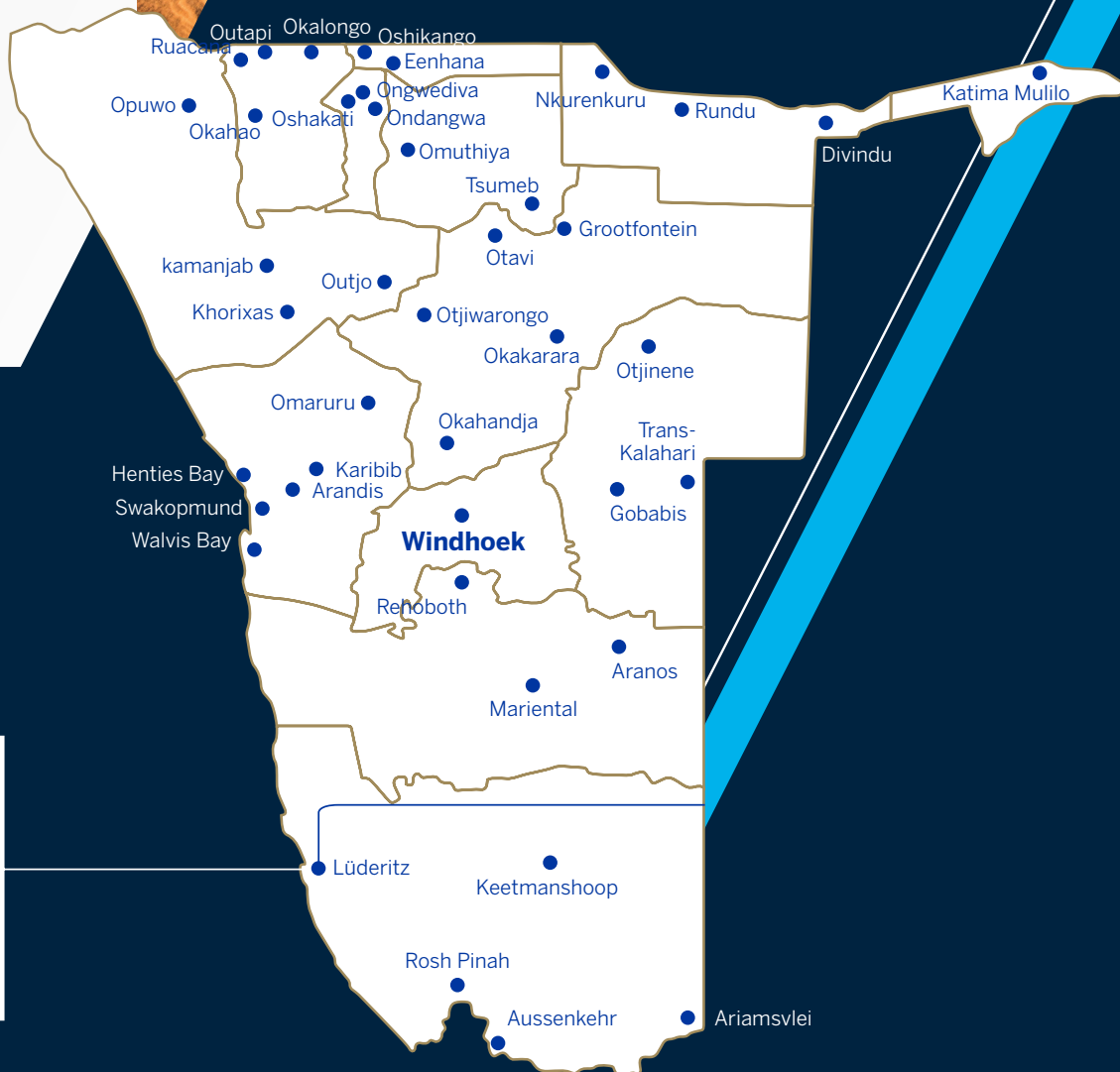
SBN Holdings initiated the Farmers Assistance Programme with a focus on coaching for emerging and resettled farmers to facilitate sustainable food production.

A total of N\$100 000 was committed towards the Farmers Assistance Programme in 2019.



OUR FOOTPRINT

The credo of the bank is simple, the approach direct, and the results are positive. We offer a complete range of financial services, be it Corporate, Commercial, Personal or Business Banking. We have an extensive branch network and ATMs all over Namibia, with specialist support divisions such as Standard Insurance Brokers, Vehicle and Asset Finance and our Home Loans Department.



First branch
in Lüderitz
opened in 1915.

Herbert Maier
Chairman



CHAIRMAN'S REPORT

“2019 has been a successful year for SBN Holdings Limited with many milestones reached and successes achieved despite a very challenging economic climate.”



The year that was

The group has shown remarkable growth, delivering profit after tax of N\$613 million, or 11.1% improvement on the prior financial year. Our strong performance demonstrated the underlying health of the business and the clarity, congruity and coherence of the strategy implemented by the management team. The success achieved was not only due to what was executed in 2019, but the journey already started in 2014 when the team focused on the basics. The next phase focused on stability and efficiency and the success of these initiatives is evident in the results the group delivered.

The group was on a journey to redesign and optimise all business processes and it greatly contributed to optimising costs and improving the cost-to-income ratio by ensuring optimal deployment of our people and processes. Through this journey, the team has been able to create capacity for our employees to continue placing the client at the centre of everything we do and creating value for our stakeholders.

The overall return on equity (ROE) declined slightly to 17.3% as a result of a period of investment the group has been undertaking and an increase in regulatory capital requirements. The group capital and liquidity remain in a strong position with all ratios exceeding the regulatory requirements.

After a long and sometimes arduous journey, we have finally completed the migration of all our clients to a single core banking platform.

As a result of the sluggish economic conditions in the country, we have seen some amplification of risks, particularly in the credit risk of the group, with a 150% increase in impairments reflected in our results.

Investments in our IT infrastructure have reaped benefits and have resulted in marked improvement in the resilience of our services, enhancing value to our clients and strengthening our brand.



SBN Holdings had its debut listing on the Namibian Stock Exchange during November 2019. Shares on offer were oversubscribed with an additional N\$200 million in capital raised to support the group's growth initiatives and increase its capital buffers. The group is committed to bringing economic benefit and empowerment to local Namibians with all retail investors being allocated the shares applied for during the initial public offering. This listing was the biggest to date on the Namibian Stock Exchange.

The road ahead

Now that the core banking migration has been completed, our focus turns to a digital transformation initiative to make the group 'future ready' for the fourth industrial revolution.

We are living through challenging times which include the weakest growth cycle since independence. It is, however, expected that 2020 will see a slight improvement in economic performance, primarily on the back of the promise of better rainfall this season. The economy is only expected to recover marginally during 2021, with growth expected to remain muted during 2020. The board will continue to monitor any developments and threats as our strong balance sheet and revenue base equip us to navigate these risks.

Appreciation

My sincere thanks is extended to the management team and all our employees whose determination and talent has made 2019 the successful year that it was. We will continue building on the good work that was done to lay the foundation for our future growth.

A word of thanks to Arnold Gain who has been a board member since 2015 and who provided meaningful insights during the time he has served. I want to welcome Peter Schlebusch and Maria Dax to the board. They are bringing a wealth of knowledge to the table. We have already seen the value you are adding and want to thank you for it.

Thank you to my other fellow board members for their continued input and support during the year.

We welcome our shareholders who came on board since November 2019. We look forward to working with you as we build a future-ready business for sustainable growth for our country and communities.

**Vetumbuavi
Mungunda**
Chief executive



CHIEF EXECUTIVE'S REVIEW

“The Namibian economy has continued to be in recession during 2019 with an expected decline of 1.7% in GDP before a forecasted mild recovery of 0.8% in 2020. The negative GDP growth recorded in 2019 confirms a very difficult trading environment in Namibia following three years of GDP contraction.”



Overview

The severe drought and the reduced government spending have combined to weaken growth and put pressure on the government fiscal position. Inflation has continued to decelerate during the year on account of reduced demand for goods and services and is expected to average at 3.7% for 2019.

Despite these challenges and the difficult macroeconomic environment, SBN Holdings reaffirmed its commitment to the long-term future of Namibia by the listing of SBN Holdings on the Namibian Stock Exchange. We are particularly proud of the key milestones achieved during the listing, among others, the fact that over 10 000 Namibians applied for and became shareholders in SBN Holdings and, through the earlier transaction concluded with the employees in 2015, over 1 900 current and former employees of SBN Holdings are also shareholders in our business.

The group recorded profit after tax of N\$613 million, an increase of 11.1% on the prior year recorded earnings of N\$552 million. The growth in profits is attributed to above inflation growth of 9.2% and 12.2% in net interest income and non-interest revenue respectively

and good control over expenses which grew by only 2.5% for the year. Credit impairments, however, increased significantly during the year reflecting the current macroeconomic environment, as well as a significant provision raised in respect of one sector in the first half of the year.

Strategic priorities

The group executed well on its strategy and delivered its key priorities for 2019 in working toward its 2020 aspirations of being a future-ready, agile and digital business centred around our clients. One of the key priorities was the redesign of all business processes and organisational structures which brought about increased efficiencies, as well as enhanced client experience.

This was followed by the completion of the migration of business banking and corporate clients from the old core banking system onto Finacle during 2019 which will allow for enhanced transactional functionalities for our clients. This new state-of-the-art core banking technology provides an opportunity for the speedy rolling out of innovative banking products to our corporate clients.

With the completion of the aforementioned core banking migration, and the excellent work in the review and simplification of our IT hardware, software and architecture design, we have seen further improvements in the stability and efficiencies of our general operational and production environment, as well as the experience of our clients.

Our clients

The hard work that has gone into the review of our processes and products from a client's perspective is yielding good results. The progress in the efficiency and effectiveness of our business processes, and the ongoing reviews have contributed to a gain in market share across a number of key products and sectors.

We are pleased with the growth in loans and advances to customers of 4.4% against an industry average growth of 5.8%, supported by good growth in corporate loans, mortgage loans and personal unsecured loans.

The introduction of new innovative digital products over the last two years, and the healthy uptake of these products by the market, particularly PayPulse and BlueFuel, have helped non-interest revenue to grow by 12% in a difficult recessionary environment.

Risk and trust

This year proved to be another busy year with respect to large, complex regulatory projects in the Namibian banking sector. We are pleased that we were able to complete a number of these projects during the year, including the Balance of Payments (BOP) Reporting version three upgrade, a new Common Monetary Area (CMA) payment mechanism, as well as our participation in the ongoing industry testing and phasing-in of NamPay.

We are pleased that our efforts and progress have been recognised, as reflected in the following prestigious awards received during the year:

- EMEA Finance African Banking Awards 2019
 - Best Investment Bank in Namibia
- Euromoney
 - Best Bank in Namibia 2019
 - Best Investment Bank in Namibia

Our people

We reiterate that our people are central to our ability to continue to provide excellent services to our clients. It is for this reason that we have continued to invest in our people through a number of leadership and skills development programmes that include individual and team coaching programmes, graduate development programmes, study financial assistance and focused leadership development programmes for senior executives.

We have also increased the frequency and quality of the engagement sessions across the group. We are pleased that these engagement sessions and the excellent trust relationship between the group and its people assisted in resolving a difficult salary dispute in August 2019. We believe the learnings and the amicable outcome from that process provide a strong foundation for strengthening the trust between the group and its people.

Our team

Ms. Letitea du Plessis, who previously held the position of Treasurer, was promoted into the position of chief financial officer during the year following the departure of Mr. Bryan Mandy. Mr. Andrew Maske, previous head of operations, was appointed chief technology & operations officer (CTOO), a position that combines the operations and IT activities in one role.

CIB highlights

CIB profits for the year increased by 30.7% on the 2018 results following large corporate transactions concluded at the beginning of the financial year. CIB was, however, impacted by the core banking migration programme during the year, which required significant time and resources to be committed by the senior leadership team and other client relationship team members.

The completion of these large projects will now allow for management to focus on the market and the huge opportunities for innovation and enhanced client experience presented by the new core banking system and its new functionalities.

PBB highlights

PBB profits grew by 9.5% from 2018, driven by double-digit growth in both net interest income and non-interest revenue, supported by good growth in the loan book and transactional income. However, the good revenue growth was dampened by a large credit impairment charge arising from one sector. Improvements in processes and turn around times have contributed to costs efficiencies with operating expenses being flat year-on-year.

Credit management

The macroeconomic environment has continued to present major challenges for the credit environment, with a number of the key sectors for the country not growing for a number of years and with employees being retrenched in these sectors. This difficult environment is reflected in our credit performance ratios, with non-performing loans increasing from 3.46% in 2018 to 5.93% of our loan book at end December 2019. However, when the impact of one large provision is excluded, the non-performing loans ratio would be 3.86%, which is a reasonable increase in the current economic cycle.






Social economic and environmental impact

The Buy-A-Brick initiative has continued to grow its impact across the country, with over 100 houses built and handed over to the beneficiaries during the year. We are even more excited by the total contributions raised during 2019, amounting to N\$13.8 million, which would facilitate the construction of another 380 houses to be completed and handed over in 2020.

The group invested in other initiatives during the year, focusing on education, entrepreneurship and enterprise development, and community health and housing.

 AR Read more in our SEE impact.

Our new home

We completed the construction of our new head office building during 2019, within budget and time schedules. All the head office employees of the group moved to the new building by the end of October 2019. This N\$600 million investment is a further testimony to our long-term commitment to and trust in the future of Namibia.

Outlook for 2020

The macroeconomic environment is expected to remain subdued with low growth in 2020. This environment requires cost-efficient channels to deliver services and to provide solutions to our clients' needs.

Following the completion of our process redesigns and core banking migration, we will focus all our attention and efforts in 2020 to accelerate the digital transformation of our business focusing on data analytics and the digitisation and automation of our delivery models and processes. This will also include a review and the scaling of our current digital solutions and platforms such as PayPulse and BlueFuel. We will drive new revenue through these digital products and further cost efficiencies through automation and digitisation.





Acknowledgements

This will go down in the history of our group as a year in which key milestones were achieved: the completion of the core banking migration, the completion of the new head office and the successful listing of the group on the Namibian Stock Exchange. Pleasing results were also recorded in a very difficult economic environment.

This feat would not be possible were it not for the hard work and energy that our people collectively invested during the year and the confidence and trust that our stakeholders and clients have in the future of our business and our country. There were testing circumstances for our clients caused by the migration from our old core banking platform to Finacle. We acknowledge this and we want to thank you for working with us through these turbulent times. Our clients have our commitment that we determinedly work to improve their banking experience with us. Our clients are a key driving force behind our successes achieved during 2019. I therefor want to thank our clients, our people and our stakeholders for their support, loyalty and business, even in the most testing circumstances.





Letitea du Plessis
Chief financial officer

FINANCIAL REVIEW

Positive results in a challenging environment

The strong growth in profit for the year is attributed to the execution of our vision to put the client at the centre of who we are and what we do and the successful implementation of our strategy to redesign processes and optimise resources. This will continue to be part of our core operating model which we will build on through the delivery of our digital transformation journey in 2020.

ENGAGING WITH OUR SHAREHOLDERS AND ANALYSTS

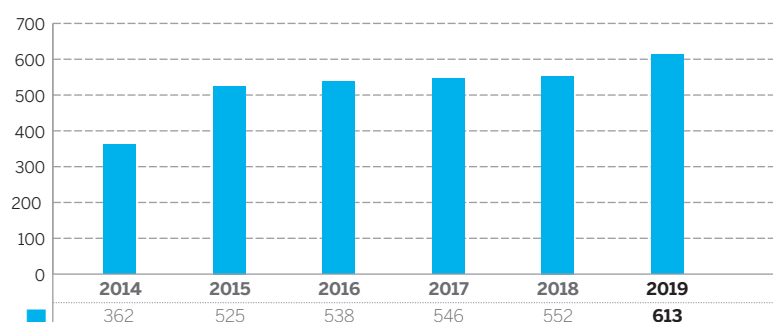


Our finance team facilitates ongoing engagement with our shareholders and analysts.

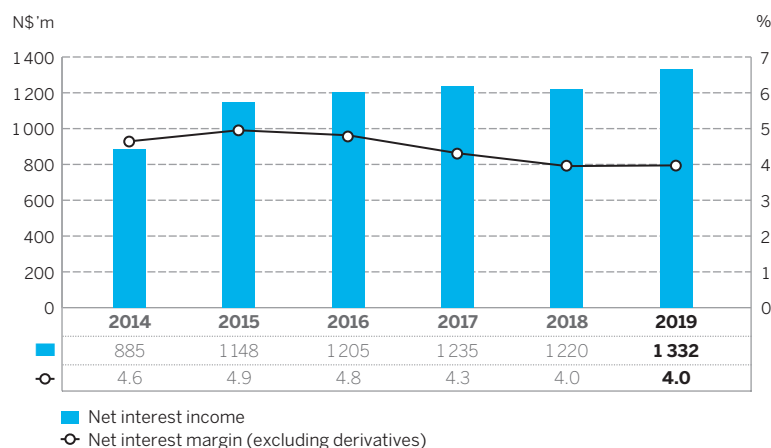
Shareholders are encouraged to attend the annual general meeting, where the chair of the board audit committee is available to respond to questions. In 2019, engagement with investors and analysts centred on our risk management framework and cost management.

Profit for the year

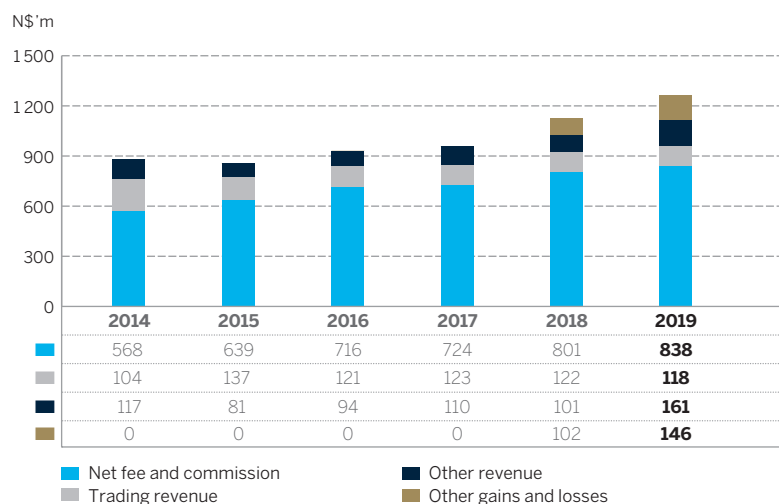
N\$m



Profit for the year grew by 11.1% to N\$613 million, supported by strong growth in total income and the good management of expenses.

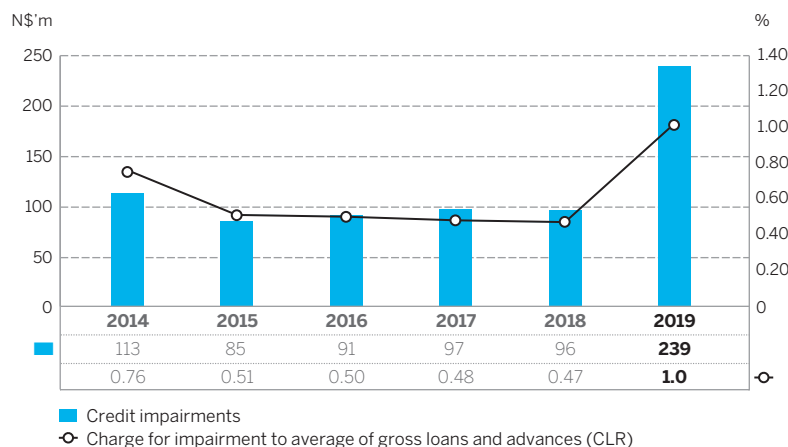
Net interest income

There was a 0.03% increase in the margin despite the 0.25% decrease in Repo rate introduced during August 2019. Margins will continue to be under pressure due to the impact of competitive pricing and demand for higher yielding deposit products.

Non-interest revenue

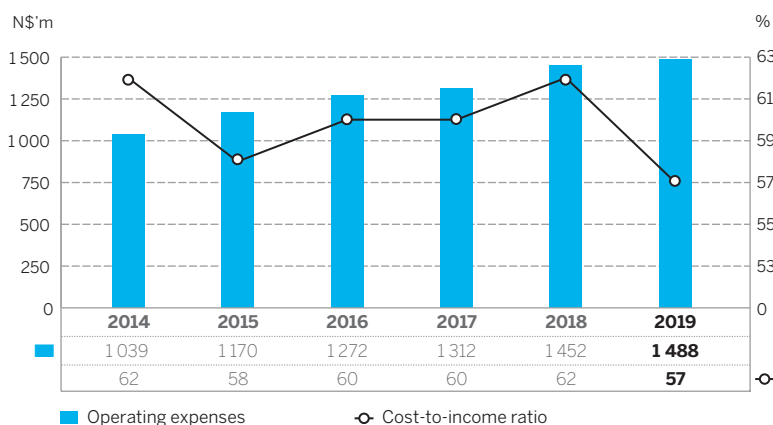
Non-interest revenue grew by 12.2% supported by 5% growth in net fee and commission revenue, 59% growth in other revenue and 43% growth in other gains and losses on financial instruments. Growth in other revenue is mainly driven by the inclusion of the revenue generated by MobiPay since April 2019.

Credit impairments



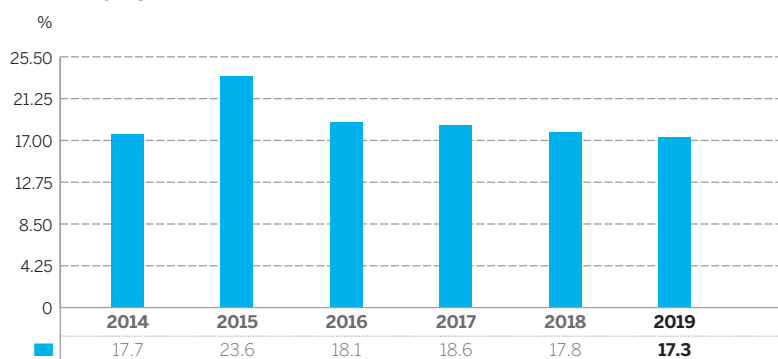
Credit impairment charges increased to N\$239 million from N\$95 million. The credit loss ratio ('CLR') increased from 0.5% to 1.0% but has improved from June 2019 when it was recorded at 1.55%. The increase relates to an IFRS 9-related accounting change and an impairment charge raised in respect of one specific sector.

Operating expenses



Operating expenses grew by 2.5% while inflation recorded for 2019 was 3.7%. The group will continue to review and redesign processes to optimise the deployment of resources.

Return on equity

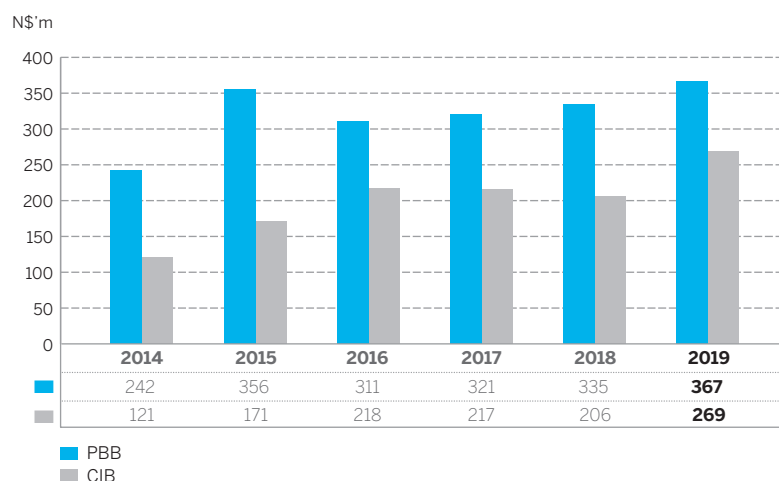


The decrease in ROE is mainly due to higher regulatory capital requirements as a result of Basel III implementation in 2018. During the debut listing, N\$200 million in new capital was raised and invested in Standard Bank Namibia to further enhance its common equity tier 1 capital position and to support projected asset growth.

INCOME STATEMENT

	Change %	2019 N\$'000	2018 N\$'000
Net interest income	9.2	1 332 543	1 220 022
Non-interest revenue	12.2	1 262 756	1 125 709
Total income	10.6	2 595 299	2 345 731
Credit impairments	150.1	(239 165)	(95 617)
Income after credit impairments	4.7	2 356 134	2 250 114
Operating expenses	2.5	(1 488 037)	(1 451 709)
Net income	8.7	868 097	798 405
Share of profit from equity accounted investments	15.2	3 929	3 410
Net income before tax	8.8	872 026	801 815
Taxation (indirect and direct)	3.7	(258 528)	(249 392)
Profit for the year	11.1	613 498	552 423

Profit for the year (excluding subsidiaries)



CIB performance overview

Despite continued difficult economic conditions and the migration of corporate clients to Finacle, CIB closed off the year with a strong performance which was largely driven by strong client activity and a well-executed cost containment strategy resulting in profit for the year increasing by 31% to N\$269 million.

PBB performance overview

Against a depressed macro and increasingly competitive environment, PBB delivered profit for the year of N\$367 million, up 9.5% year-on-year. Underlying revenue benefited from better cross-sell, following the embedding of all banking products into the frontline. PBB net interest income improved by 14.4% underpinned by balance sheet growth despite the contraction in the asset-based finance industry and improved margins on both assets and liabilities.

PBB non-interest revenue grew by 6.2% year-on-year, mainly due to increased client transactional volumes, enhanced collection capabilities and adoption of digital channel utilisation. Total cost remained unchanged year-on-year due to effective cost management and continuous enhancement to processes.

STATEMENT OF FINANCIAL POSITION

	Change %	2019 N\$'000	2018 N\$'000
Assets			
Loans and advances to banks	73.7	2 836 906	1 632 790
Loans and advances to customers	4.4	22 798 587	21 842 577
Other assets	15.0	9 576 438	8 326 689
Total assets	10.7	35 211 931	31 802 056
Liabilities			
Deposits by banks	>100	2 328 818	775 736
Deposits by customers	2.7	25 538 002	24 861 623
Debt securities	(11.2)	1 590 750	1 792 115
Other liabilities	63	1 762 350	1 081 445
Total liabilities	9.5	31 219 920	28 510 919
Equity	21.3	3 992 011	3 291 137
Total equity and liabilities	10.7	35 211 931	31 802 056

LOANS AND ADVANCES

	Change %	2019 N\$'000	2018 N\$'000
Loans and advances			
PBB	7.4	19 196 458	17 878 450
CIB	(5.2)	4 201 231	4 430 861
Loans and advances to customers before impairments	4.9	23 397 689	22 309 311
Loans and advances to banks	73.7	2 836 906	1 632 790
Expected credit loss	28.4	(599 102)	(466 734)
Net loans and advances	9.2	25 635 493	23 475 367

Gross loans and advances to customers before credit impairments grew 4.9% with the highest growth coming from the unsecured and business banking portfolios at 34%. The mortgage lending portfolio grew by 3.6%.

Growth in loans and advances to banks was as a result of an increase in USD deposits from clients at year end.

FUNDING AND LIQUIDITY

	Change %	2019 N\$'000	2018 N\$'000
Demand deposits	6.2	16 935 149	15 942 487
Card creditors	(2.1)	29 205	29 840
Savings deposits	(7.0)	603 995	649 112
Term deposits	(2.1)	2 312 001	2 361 599
Negotiable certificates of deposit	(3.8)	5 657 652	5 878 589
Deposits from customers	2.7	25 538 002	24 861 623
Deposits from banks	200	2 328 818	775 736
Deposits and current accounts	8.7	27 866 820	25 637 359
Debt securities	(11.2)	1 590 750	1 792 115
Total funding	7.4	29 457 570	27 429 474

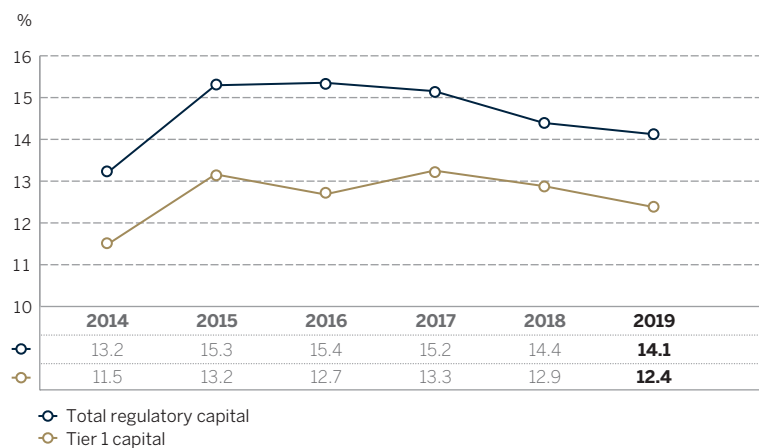
The group's liquidity position remained strong and within approved risk appetite and tolerance limits.

Deposits from customers grew by 2.7% with growth mainly coming from demand deposits (current accounts, cash management deposits and call deposits).

Capital management

The group maintained strong capital adequacy ratios with total tier 1 at 12.4% (2018: 12.9%) and total regulatory capital at 14.1% (2018: 14.4%). The group manages its capital levels to support business growth, maintain deposit and creditor confidence and create value for shareholders while ensuring regulatory compliance.

Capital adequacy



REFLECTION ON 2019

Despite the slow economy, the migration of our corporate clients from the old core banking platform to Finacle and increase in impairments the group delivered excellent results.

In addition, SBN Holdings Limited raised N\$722 million during its debut listing on 15 November 2019, making it the largest capital raised on the Namibian Stock Exchange.

The group made significant investments to ensure stability and an improved client experience. We will continue to increase our efficiency and optimise resources to further improve our client experience and manage cost growth. The determination to execute on what matters to our clients combined with the refreshed strategic initiatives for 2020 will enhance the client experience and should create a differentiated proposition for all our stakeholders.

CORPORATE GOVERNANCE REPORT

Introduction

The board operates on the understanding that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value.

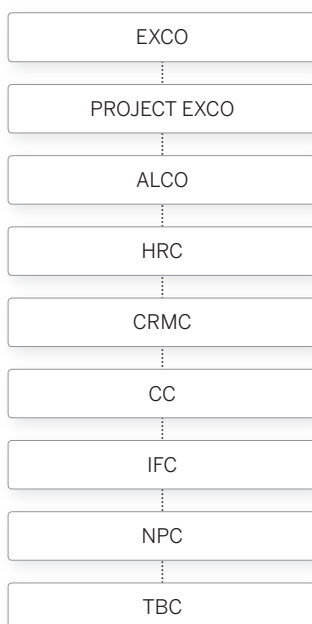
The group's governance framework enables the board to balance its role of providing risk oversight and strategic counsel, and ensuring adherence to regulatory requirements and risk tolerance. The board is committed to

upholding the fundamental tenets of governance, which include discipline, independence, responsibility, fairness, social responsibility, transparency and accountability of directors to all stakeholders.

The board's approach to governance is to embrace relevant local and international best practice. The principles of the Namcode inform the governance framework and practices of the group and its subsidiaries.

SBN HOLDINGS BOARD

Management committees



Board committees



EXCO: Executive committee
 ALCO: Asset and liquidity management committee
 HRC: High risk committee
 CRMC: Credit risk management committee
 CC: Credit committee
 IFC: Internal financial control committee
 NPC: New product approval committee
 TBC: Tender board committee

Governance framework

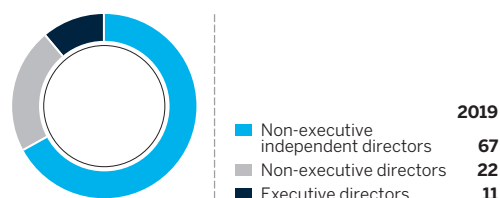
Codes, regulations and compliance

Complying with all applicable legislation, regulations, standards and codes is integral to the group's culture. The board delegates responsibility for compliance to management and monitors this through the compliance function. Oversight of compliance risk management is delegated to the audit committee, which reviews and approves the compliance mandate submitted by the head of compliance, who reports on a quarterly basis on, among others, the status of compliance risk management in the group, significant areas of non-compliance, as well as feedback on interactions with regulators. The compliance function, as well as the compliance policy and governance standards are subject to review and audit by the internal audit function. Material regulatory issues are escalated to the board risk committee.

Board and directors

The board of directors is the group's highest decision-making body and is ultimately responsible for governance. The group has a unitary board structure and the roles of chairman and chief executive are separate. The chairman is an independent non-executive director, as are the majority of directors on the board. The split of executive, non-executive and independent directors ensures a balance of power on the board, so that no individual or group can dominate board processes or decision-making and ensures the appropriate level of challenge.

Director composition (%)



Independent non-executive directors

The independence of board members is evaluated by the board human capital committee, which classifies independence according to the definitions in the Namcode. Six non-executive directors of SBN Holdings are independent.

Succession planning

Succession planning is a key focus and the board considers the composition of the board and its committees on an ongoing basis. The retention of board members with considerable experience is sought to ensure that appropriate levels of management oversight are maintained.

The board is satisfied that the current talent pool available within the group and the work being done to strengthen it, provides adequate succession depth over the short and long term. The board is further satisfied that there is a clearly articulated talent strategy which focuses on creating a strong talent pool for key roles. The board is also satisfied that the group is building capability on core areas to enable business strategy and ensure regulatory compliance. The board is further pleased to note that the employee value proposition (EVP) has now been implemented.

Skills, knowledge, experience and attributes of directors

The board ensures that directors possess the skills, knowledge and experience to fulfil their duties. The directors bring a balanced mix of attributes to the board, including:

- domestic and international experience
- operational experience
- understanding of macroeconomic and microeconomic factors affecting the group
- financial, legal, entrepreneurial and banking skills
- expertise in risk management and internal financial control.

The board regularly considers board members individually and collectively to ensure the board remains strategically, demographically and operationally appropriate.

Access to information and resources

Executive management and the board interact regularly. This is encouraged and the executive committee attends all board meetings. Directors have unrestricted access to management and company information, as well as the resources to carry out their roles and responsibilities. This includes external legal advice at the group's expense.

Strategy

The board is responsible for determining the group's strategic direction. Management presents the group's strategy annually and discusses and agrees it with the board. The board ensures the strategy is aligned with the group's values, performance and sustainability objectives, and addresses the associated risks.

Financial performance is monitored through quarterly management reports. In line with banking regulations, the board agrees the group's corporate governance and risk management objectives for the year ahead. The board and the relevant risk committees monitor performance against governance and risk objectives respectively.

Board responsibilities

The general powers of the directors are set out in the group's articles of association. They have further unspecified powers and authority, in respect of matters, which may be exercised and dealt with by the group, which are not expressly reserved for the members of the group in general meeting.

The main responsibilities of the board as set out in the board mandate are as follows:

- approval of the strategic plan and the annual business plan, the setting of objectives and the review of key risks and performance areas
- monitoring the implementation of board plans and strategies against a background of economic, environmental and social issues relevant to the group and international political and economic conditions, as well as the mitigation of risks by management
- appointment of the chief executive and maintenance of a succession plan
- appointment of directors, subject to election by the members in general meeting
- determination of overall policies and processes to ensure the integrity of the group's management of risk and internal control.

Delegation of authority

The board retains effective control through a well-developed governance structure that provides a framework for delegation. Board committees facilitate the discharge of board responsibilities and provide in-depth focus on specific areas. The board reviews the mandate of each committee at least annually.

The board delegates authority to the chief executive and executive directors to manage the business and affairs of the group. The executive committee assists the chief executive when the board is not in session, subject to statutory parameters and the board's limits on the delegation of authority to the chief executive. The company secretary monitors board-delegated authorities.

Board meetings

The board meets once per quarter. Ad hoc meetings are held when necessary.

BOARD ATTENDANCE 2019

	26 Feb' 19	29 Mar' 19	26 Apr' 19	28 Jun' 19	23 Aug' 19	2 Dec' 19
H Maier (chairperson)	✓	✓	✓	✓	✓	✓
J Muadinohamba	✓	✓	✓	✓	✓	✓
N Bassingthwaighte	✓	✓	✓	✓	✓	✓
B Rossouw	✓	✓	✓	✓	✓	✓
P Nyandoro	✓	✓	✓	✓	✓	✓
A Gain ¹	✓	N/A	N/A	N/A	N/A	N/A
V Mungunda	✓	✓	✓	✓	✓	✓
I Tjombonde	✓	✓	✓	✓	✓	✓
B Mandy ²	✓	✓	N/A	N/A	N/A	N/A
M Dax ³	✓	✓	✓	✓	✓	✓
P Schlebusch ³	✓	✓	✓	✓	✓	✓

¹ Resigned 14 March 2019.

² Resigned 31 March 2019.

³ Appointed 19 January 2019.

Board effectiveness and evaluation

An annual evaluation of board performance is conducted, to assess the achievement of goals set against its objectives. The aim of the evaluation is to assist the board in improving its effectiveness. The outcome of the evaluation is discussed at a board meeting and any areas of concern are addressed. Relevant action points are also noted for implementation. Executive directors do not participate in discussions regarding management performance or remuneration.

Education and induction

The company secretary arranges an appropriate induction programme for new directors. This includes an explanation of their fiduciary duties, responsibilities and arranging visits to operations, where discussions with management facilitate an understanding of the company's affairs and operations. Directors are regularly appraised, wherever relevant, of any new legislation and changing commercial risks that may affect the affairs of the group.

In terms of the mandate of the board, directors can obtain independent professional advice in order to act in the best interests of the group, at the cost of the group. Such a director also has unrestricted access to the chairman, executive directors and the group company secretary. The focus for board training for the 2019 financial year was on IT security and money laundering controls.

Board committees

Each board committee's mandate sets out the role, responsibilities, scope of authority, composition and procedures to be followed. All board committee mandates were reviewed in 2019 to take into account amendments to relevant legislation and the requirements of the Namcode.

Board audit committee

The board audit committee (BAC) assists the board in discharging its duties relating to the safeguarding of assets and evaluation of internal control frameworks within SBN Holdings and any of its subsidiary companies.

The BAC reviews and assesses the integrity and effectiveness of the accounting, financial, compliance and other control systems. Some of the duties and responsibilities assigned to the audit committee are as follows:

- to review the audit plan with the external auditors, with specific reference to the proposed audit scope and approach to the group's activities falling within the high risk areas, the effectiveness of the audit and audit fee
- to review the accounting policies adopted by the group and all proposed changes in accounting policies and practices, and recommend such changes where these are considered appropriate in terms of International Financial Reporting Standards (IFRS)
- to review the group's interim and audited annual financial statements and all financial information intended for distribution to the shareholders and the general public, prior to submission to the full board and to consider the adequacy of disclosures
- to assess the performance of financial management and review the quality of internal accounting control systems and reports produced by financial management
- to review the basis on which the company has been determined a going concern and make a recommendation to the board
- to review the group's compliance plan, and to consider reports and letters received from banking supervisory authorities and other regulatory bodies, and management's responses thereto where they concern matters of compliance and the duties and responsibilities of the board of directors of the group
- to monitor ethical conduct of the group and executives and other senior officials and to review reports from management on violations of the code of ethics.

BOARD AUDIT COMMITTEE 2019

	12 Feb' 19	21 Feb' 19	17 Apr' 19	18 Jul' 19	19 Nov' 19
B Rossouw ¹ (chairperson)	✓	✓	✓	✓	✓
J Muadinohamba ²	✓	✓	✓	✓	N/A
N Bassingthwaighe ³	N/A	N/A	N/A	N/A	✓
P Nyandoro	✓	✓	✓	✓	✓

¹ Appointed Chairperson August 2019.

² Rotated from BAC in August 2019.

³ Appointed August 2019.

Board credit committee

The purpose of the board credit committee (BCC) is to ensure that effective credit governance is in place in order to provide for the adequate management, measurement, monitoring and control of credit risk, including country risk. The BCC has the right to recommend to the board the roles and responsibilities for the credit risk management committee, with clearly defined mandates and delegated authorities as defined in the bank's credit standards.

The board assigned the following duties and responsibilities to the committee:

- adoption of the group's credit standards
- to ensure that all committees within the credit governance structure operate within clearly defined mandates and delegated authorities, as delegated to them by the board
- to ensure that an appropriate credit framework and structure exists.

BOARD CREDIT COMMITTEE

	19 Feb' 19	16 Apr' 19	19 Aug' 19	21 Nov' 19
N Bassingthwaighe (chairperson)	✓	✓	✓	✓
H Maier	✓	✓	✓	✓
A Gain ¹	A	N/A	N/A	N/A
P Schlebusch ²	N/A	N/A	N/A	✓

¹ Resigned March 2019.

² Appointed to BCC August 2019.

A – Apologies.

Board risk committee

The board risk committee has the responsibility of reviewing and recommending the risk philosophy, strategy and policies for approval and adoption by the board of directors. The committee assists the board in the discharge of its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting.

BOARD RISK COMMITTEE 2019

	13 Feb' 19	18 Apr' 19	23 Jul' 19	18 Dec' 19
I Tjombonde (chairperson)	✓	✓	✓	✓
B Rossouw	✓	✓	✓	✓
N Bassingthwaighe ¹	✓	✓	✓	N/A
P Schlebusch ²	N/A	N/A	N/A	✓

¹ Rotated from BRC August 2019.

² Appointed to BRC August 2019.

Board IT committee

The board IT subcommittee has the authority to review, monitor and provide guidance on matters related to SBN Holdings' IT strategy, operations, policies and controls.

BOARD IT COMMITTEE 2019

	21 Feb' 19	15 Apr' 19	11 Jul' 19	21 Nov' 19
I Tjombonde (chairperson) ¹	✓	✓	✓	✓
B Rossouw ²	✓	✓	✓	N/A
H Maier	✓	✓	✓	✓
P Schlebusch ³	N/A	N/A	N/A	✓

¹ Appointed Chairperson August 2019.

² Rotated from Board IT.

³ Appointed to Board IT August 2019.

Board HC committee

The role of the board HC subcommittee is to:

- provide oversight on the compensation of senior management and other key personnel and ensure that compensation is consistent with the group's culture, objectives, strategy and control environment
- perform other duties related to the bank's compensation structure in accordance with applicable laws, rules, policies and regulations.

The term 'compensation' includes salary, allowances, long-term incentives, bonuses, severance arrangements and other benefits, rights or remuneration received under the group's policies. The goal of the subcommittee is to maintain compensation policies, which will attract and retain the highest quality senior managers, which will reward the senior managers for the group's progress and enhancement of shareholder value. A further objective of the subcommittee is to consider and evaluate nominations made for the appointment of independent, non-executive and/or executive directors to sit on the board of directors and to recommend fees for the directors.

BOARD HUMAN CAPITAL

	25 Apr' 19			2 Dec' 19
P Nyandoro (chairperson)	✓	–	–	✓
J Muadinohamba	✓	–	–	✓
H Maier	✓	–	–	✓
N Bassingthwaite ¹	✓	–	–	N/A
M Dax ²	N/A	–	–	✓

¹ Rotated from Board HC August 2019.

² Appointed to Board HC August 2019.

Board corporate social investment (CSI) committee

The role of the board CSI committee is to:

- ratify the group CSI strategy, policy and guidelines
- ratify alignment of the CSI strategy to the business strategy
- ratify proposed amendments to the focus area of CSI policy from time-to-time
- note the CSI decisions made by the relevant social investment committees of SBN
- take overall accountability for the reputation management of all CSI initiatives that impact the Standard Bank brand.

BOARD CSI COMMITTEE 2019

	11 Feb' 19			18 Nov' 19
Dr N Hamunime (chairperson)	✓	–	–	✓
J Muadinohamba ¹	✓	–	–	✓
M Dax ²	N/A	N/A	N/A	✓

¹ Appointed Chairperson in August 2019.

² Appointed to Board CSI August 2019.

Community upliftment

SBN Holdings pledges 1% of net profit after tax generated by its business operations to CSI initiatives. The strategic focus of SBN Holdings' CSI programme is on entrepreneurship development, education, environmental matters and health and wellness.

Company secretary

The role of the company secretary is to ensure the board remains cognisant of its duties. In addition to guiding the board on discharging its responsibilities, she keeps the board abreast of relevant changes in legislation and governance best practices. The company secretary also oversees the induction of new directors, including directors of subsidiary companies, as well as the ongoing education of directors. To enable the board to function effectively, all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments which may affect the group and its operations. All directors have access to the services of the company secretary.

Going concern

On the recommendation of the audit committee, the board annually considers and assesses the going concern basis in the preparation of the annual financial statements at year end. At the interim reporting period, a similar process is followed to enable the board to consider whether or not there is sufficient reason for this conclusion to be affirmed.

Relationship with stakeholders

Regular, pertinent communication with stakeholders is part of the group's fundamental responsibility to create shareholder value and improve stakeholder relationships. In addition to the ongoing engagement facilitated by the company secretary, the chairman encourages shareholders to attend the annual general meeting where interaction is welcomed. The chairman of the board audit committee and the chairman of the board HC committee are available at the meeting to respond to questions from shareholders. The group proposes separate resolutions on each issue put forward to shareholders.

Connecting with our stakeholders

SBN Holdings' relevance to the markets and society in which it operates depends on continued and meaningful engagement with all stakeholders.

Stakeholder management involves the optimal employment of the organisation's resources to build and maintain good relationships with stakeholders. This helps the group to manage the expectations of society, minimise reputational risk and form strong partnerships, which all underpin business sustainability.

Sustainability

The Namcode recommends that a company integrates financial and non-financial reporting. This means that the annual report to stakeholders must reflect how economic, social and environmental issues impact on the company's business strategy and, in turn, how these are considered when making business decisions. This evolution in reporting stems from the growing realisation that environmental and social issues have material costs impacts and could directly impact a company's long-term viability. Building on the group's previous non-financial disclosure in its annual reports, this year the group has improved its reporting to include more information on the issues that are material to stakeholders and the group's long-term sustainability.

Ethics and organisational integrity

The group's code of ethics is designed to empower employees and enable effective decision-making at all levels of the business according to defined ethical principles. It also aims to ensure that, as a significant organisation in the financial services industry, the group adheres to the highest standards of responsible business practice. The code interprets and defines the group's values in greater detail and provides value-based decision-making principles to guide its conduct. It is aligned with other SBN Holdings policies and procedures, and supports the relevant industry regulations and laws.

The code specifies acceptable and unacceptable practices and assists in making ethical infringements easy to identify. It also promotes awareness of, and sensitivity to, ethical issues.

The chief executive and ethics officer are the formal custodians of the group code of ethics and ultimately responsible for its implementation.

Ethics incidents are reported via the ethics and fraud hotline, human resources department, risk department, financial crime control department and the ethics officers. Reported incidents include fraud, harassment, ethical dilemmas in procurement and abuse of authority. Quarterly ethics reports are presented to the board audit committee.

Remuneration

Remuneration philosophy

The group's remuneration philosophy aligns with its core values, including growing our people and delivering value to our shareholders. The philosophy continues to emphasise the fundamental value of our people and their role in ensuring sustainable growth. This approach is crucial in an environment where skills remain scarce.

The group's board of directors sets the principles for the remuneration philosophy in line with approved business strategy and objectives. The philosophy aims to maintain an appropriate balance between employee and shareholder interests.

A key success factor for the bank is its ability to attract, retain and motivate the talent it requires to achieve its strategic and operational objectives in Namibia.

Remuneration governance

The following key factors have informed the implementation of reward policies and procedures that support the achievement of business goals:

- the provision of rewards that enable the attraction, retention and motivation of employees and the development of a high-performance culture
- maintaining competitive remuneration in line with our markets, trends and required statutory obligations
- rewarding people according to their contribution
- allowing a reasonable degree of flexibility in remuneration processes and choice of benefits by employees
- educating employees on the full employee value proposition.

Board remuneration structure

Non-executive directors

Terms of service

All non-executive directors are provided with a letter of appointment setting out the terms of their engagement. Directors are appointed by the shareholders at the annual general meeting (AGM) and interim board appointments are allowed between AGMs. One-third of the longest serving, non-executive directors are required to retire at each AGM and may offer themselves for re-election. If recommended by the directors and supported by the board, the board then proposes their re-election to shareholders. There is no limitation to the number of times a non-executive director may stand for re-election.

Fees

The remuneration of board members is reviewed by the board of directors and approved and ratified at the AGM. Non-executive directors receive fixed fees for service on boards and board committees. This includes a retainer that has been calculated in line with market practices. There are no contractual arrangements for compensation for loss of office. Non-executive directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes. The fees for non-executive directors are reviewed on an annual basis to ensure that such fees at all times remain market-related.

Executive directors

Executive directors receive a remuneration package and qualify for long-term incentives on the same basis as other employees. The components of a remuneration package are as follows:

- guaranteed remuneration – based on market value and the role they play
- annual bonus and pension incentive – used to incentivise the achievement of group objectives
- share-based incentives – rewards the sustainable creation of shareholder value and aligns behaviour to this goal
- pension – provides a competitive post-retirement benefit in line with group employees
- executive directors are not subject to retention agreements.

Transformation

The group through the Bankers Association of Namibia is a signatory to the Namibia Financial Services Charter (the Charter). The group is committed to achieving full compliance with the minimum targets for 2014 and 2019 as set out in the Charter. This is tracked by the board and management at the highest level.

BOARD OF DIRECTORS



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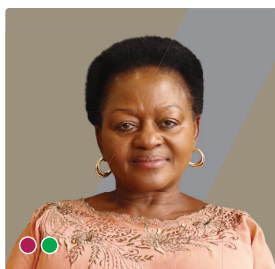
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- Board Audit Committee
- Board Credit Committee
- Board Risk Committee
- Board IT Committee
- Board HC Committee
- Board SEE Committee
- Committee chairman

8 NON-EXECUTIVE

1 EXECUTIVE

5 MALE 4 FEMALE



1. Herbert Maier*Chairman***QUALIFICATIONS** BCom (UCT), CTA (UCT), CA(SA), CA(Nam)

During July 2011, Herbert joined IJG Holdings, initially on a consulting basis, assisting on the corporate advisory and private equity operations. Since June 2012, in addition to having bought into IJG Holdings, Herbert has taken control of the private equity management business. He was appointed to the SBN Holdings board of directors on 1 October 2010 as an independent non-executive director and appointed to the position of chairman to the board during 2011.

APPOINTED 2010**DIRECTORSHIPS**

- SBN Holdings Ltd
- Standard Bank Namibia Ltd
- IJG Holdings (Pty) Ltd
- IJG Capital (Pty) Ltd
- MobiCash Payment Solutions (Pty) Ltd
- NEC Power & Pumps (Pty) Ltd
- Stahl Construction (Pty) Ltd
- NEO Paints Holdings (Pty) Ltd
- Omburu Sun Energy (Pty) Ltd

2. Isac Hiriua Tjombonde

QUALIFICATIONS Master of Science (MSc) Information Systems, The American University, Washington, DC, USA Bachelor of Business Administration (B.B.A.) Computer & Information Sciences, Temple University, Philadelphia, PA, USA Certificate in Corporate Governance, University of Johannesburg, RSA Executive Development Programme, University of Stellenbosch, RSA.

Chief officer of Corporate Services and a member of the executive committee at NamPower, responsible for Information & Communication Technology, Human Resources, and Fleet Management. He is a trustee of the NamPower Provident Fund.

APPOINTED 2015**DIRECTORSHIPS**

- SBN Holdings Ltd
- Standard Bank Namibia Ltd
- Trustee NamPower Provident Fund

3. Jerry Muadinohamba

QUALIFICATIONS Master's Degree in Developmental Finance, Master's Degree in Administration and Master's Degree in Intercultural Management

Jerry has over 15 years of combined experience in development finance and public management with the Namibia Development Trust, African Development Foundation, Social Security Commission and the Motor Vehicle Accident Fund.

APPOINTED 2007**DIRECTORSHIPS**

- SBN Holdings Ltd
- Standard Bank Namibia Ltd

4. Peter Schlebusch

QUALIFICATIONS BCom (Wits), BCom (Hons), Accounting (Wits), CA(SA), Dip Banking Law (RAU), HDIP Tax Law (RAU), SEP (Stanford University)

Peter was appointed to the board of SBN Holdings and Standard Bank Namibia on 19 January 2019. Peter currently serves as a senior banker for the chief executive of SBG. In the past, he also served as chief executive of PBB SBG (2008 to 2018).

APPOINTED 2019**DIRECTORSHIPS**

- Standard Bank Offshore Group Ltd
- Standard Bank Jersey Ltd
- Standard Bank Isle of Man
- Standard Bank Insurance Brokers Ltd
- Standard Bank Namibia & Holdings
- Melville Douglas Investment Management Ltd

5. Adv Natasha Bassingthwaight

QUALIFICATIONS BJuris, LLB (University of Namibia)

Natasha was admitted as a legal practitioner of the High Court of Namibia during 2002 and has been practising as an advocate since 2006.

APPOINTED 2011**DIRECTORSHIPS**

- SBN Holdings Ltd
- Standard Bank Namibia Ltd
- Standard Insurance Brokers (Namibia) (Pty) Ltd
- PPS Insurance Company (Namibia) Ltd
- Desert SPV One Investments (Pty) Ltd
- Old Mutual Black Brokers Trust

6. Birgit Rossouw

QUALIFICATIONS BPhil (University of Stellenbosch), CA(Nam), BCom (UP), BCom (Hons)(UP) CTA (UP)

Birgit currently serves as independent non-executive director of Namibia Asset Management Limited, an asset manager listed on the Namibian Stock Exchange. In the past, she chaired the audit committee of The Namibia Water Corporation Limited (Namwater), where she was also appointed as non-executive independent director to the board.

APPOINTED 2012**DIRECTORSHIPS**

- SBN Holdings Ltd
- Standard Bank Namibia Ltd
- Stanfin (Namibia) (Pty) Ltd
- Namibia Asset Management Ltd
- IJG Frontier Investment Fund

7. Maria Shivute Dax

QUALIFICATIONS MBA (MANCOSA), Dip Management Studies (MANCOSA), BA (Social Science), Accredited Public Relations Practitioner (APR) (PRISA)

Maria was appointed to the board of SBN Holdings and Standard Bank Namibia on 19 January 2019. She served as acting CEO of the Government Institutions Pension Fund (GIPF) and prior to that as the general manager of Corporate Communication and Stakeholder Relations for ten years. Maria has also served as a trustee on GIPF and TUCSIN's board of trustees, likewise she served as the chairperson of PRISA Namibia and NamibRe.

APPOINTED 2019**DIRECTORSHIPS**

- Government Institutions Pension Fund
- The University Centre for Studies in Namibia

8. Pindie Nyandoro

QUALIFICATIONS BSc (Hons), MBA, LLB

Pindie was appointed to the board of SBN Holdings and Standard Bank Namibia on 24 January 2011. Pindie is currently Standard Bank Group's Regional Chief Executive of Southern and Central Africa which position she has held since 2008. Pindie is also a director on the boards of Stanbic Bank Botswana Limited, Standard Lesotho Bank Limited, Standard Bank Eswatini Limited and Stanbic Bank Zimbabwe Limited where she was managing director from 2002 to 2007.

APPOINTED 2011**DIRECTORSHIPS**

- SBN Holdings Ltd
- Standard Bank Namibia Ltd
- Stanbic Bank Botswana Ltd
- Standard Lesotho Bank Ltd
- Standard Bank Zambia
- Standard Bank Eswatini Ltd
- Stanbic Bank Zimbabwe Ltd

9. Vetumbuavi Mungunda*Chief executive director*

QUALIFICATIONS BCom (UNAM), HDipAcc (Rhodes), CA(Nam), CA(SA), AMP (Harvard)

Vetumbuavi was appointed as chief executive of Standard Bank Namibia in April 2014. He previously worked for Deloitte for 18 years, where he was admitted as partner in 2001 and was appointed as managing partner of Deloitte Namibia in 2007. He was later appointed as regional managing partner for Deloitte Southern Corridor (Malawi, Botswana, Namibia, Zambia and Zimbabwe) in 2012, a position held before he joined Standard Bank Namibia.

APPOINTED 2014**DIRECTORSHIPS**

- SBN Holdings Ltd
- Standard Bank Namibia Ltd
- Standard Insurance Brokers (Namibia) (Pty) Ltd
- Stanfin & United Funerals Insurance (Pty) Ltd

EXECUTIVE COMMITTEE



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6 MALE 8 FEMALE



1. Vetumbuavi Mungunda*Chief executive***QUALIFICATIONS** BCom (UNAM), HDipAcc (Rhodes), CA(Nam), CA(SA), AMP (Harvard)**JOINED THE GROUP** 2014**APPOINTED** 2014**2. Anne Juuko***Head – Corporate & Investment Banking***QUALIFICATIONS** BCom (Makerere University in Kampala, Uganda) Masters Degree in Strategic Planning from the Herriot Whatt Business School in Edinburgh, Scotland**JOINED THE GROUP** 2012**APPOINTED** 2018**3. Mercia Geises***Head – Personal & Business Banking***QUALIFICATIONS** BJuris (UNAM), LLB (UFS), LLM (UFS), MBA (USB)**JOINED THE GROUP** 2016**APPOINTED** 2016**4. Minullie Daniels***Head – PBB Credit***QUALIFICATIONS** Diploma in Human Resource Management, Advanced Diploma in Bank Credit Management; MDP (USB)**JOINED THE GROUP** 2012**APPOINTED** 2012**5. Letitea du Plessis***Chief financial officer***QUALIFICATIONS** BCom (Stellenbosch), CA(Nam), CA(SA)**JOINED THE GROUP** 2012**APPOINTED** 2017**6. Dirk Smit***Head – CIB Credit***QUALIFICATIONS** BCom (USB), MDP (USB), SMP (USB)**JOINED THE GROUP** 1993**APPOINTED** 2013**7. Samantha Moller-Henckert***Head – Risk Management***QUALIFICATIONS** BCom (UCT), LLB (UFS), AMBCI (BCI)**JOINED THE GROUP** 2017**APPOINTED** 2017**8. Isdor Angula***Head – Human Capital***QUALIFICATIONS** BTech (Human Resource Management) (Namibia University of Science & Technology), NDPA & Post Graduate Diploma in Law: Con & Arb (UNAM), MSc (Leeds Metropolitan University)**JOINED THE GROUP** 2011**APPOINTED** 2012**9. Nolan Angermund***Head – Internal Audit***QUALIFICATIONS** Certified Internal Auditor (CIA), Master in Internal Audit (MPHILL Internal Audit), BCom (Hons) Internal Audit**JOINED THE GROUP** 2015**APPOINTED** 2017**10. Andrew Maske***Head – Operations and Strategy***QUALIFICATIONS** BBusSc Actuarial Science (UCT), MBA Finance (University of Chicago Booth School of Business)**JOINED THE GROUP** 2015**APPOINTED:** 2015**11. Roxzaan Witbooi***Head – Compliance***QUALIFICATIONS** BJuris (UNAM), LLB (UNAM)**JOINED THE GROUP** 2012**APPOINTED** 2014**12. Sigrid Tjijorokisa***Head – Legal and Governance and Company Secretary***QUALIFICATIONS** LLB (UWC), MDP (Damelin College), Advanced Diploma in Banking Law and Practice (UP), Diploma in Compliance Risk Management (UP), IODSA and the Compliance Institute of South Africa**JOINED THE GROUP** 2012**APPOINTED** 2012**13. Titus Ndove***Head – Public Sector and Market Intelligence,***QUALIFICATIONS** BEcon (UNAM) MSc in Financial Economics (University of London) Macro Economics and Financial Management Institute of Southern and East Africa's Graduate Fellow, specialising in Domestic Debt Markets.**JOINED THE GROUP** 2018**APPOINTED** 2018**14. Magreth Mengo***Head – Marketing Communications and CSI***QUALIFICATIONS** BCom (International Financial Management, Amsterdam School of Business)**JOINED THE GROUP** 2015**APPOINTED** 2019

ANNUAL FINANCIAL STATEMENTS

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Directors' responsibility and approval

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of SBN Holdings Limited. The financial statements presented on pages 45 to 153 have been prepared in accordance with International Financial Reporting Standards, and include amounts based on judgements and estimates made by management.

The going concern basis has been adopted in preparing the financial statements. The directors have a reasonable expectation that the company will have adequate resources to continue in operational existence and as a going concern for the foreseeable future. These financial statements support the viability of the company.

The financial statements have been audited by the independent auditors, 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 their audit are valid and appropriate.

The audit report of the independent auditor is presented on pages 41 to 44.

The annual financial statements set out on pages 45 to 153, which have been prepared on the going concern basis, were approved by the board of directors on 10 March 2020 and were signed on its behalf by:



Mr H Maier
Chairman



Mr VJ Mungunda
Chief executive

Independent auditor's report

To the Members of SBN Holdings Limited

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of SBN Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

SBN Holdings Limited's consolidated and separate financial statements set out on pages 45 to 153 comprise:

- the directors' report for the year ended 31 December 2019;
- the consolidated and separate statements of financial position as at 31 December 2019;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies, excluding the section marked as 'unaudited' in Annexure C.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

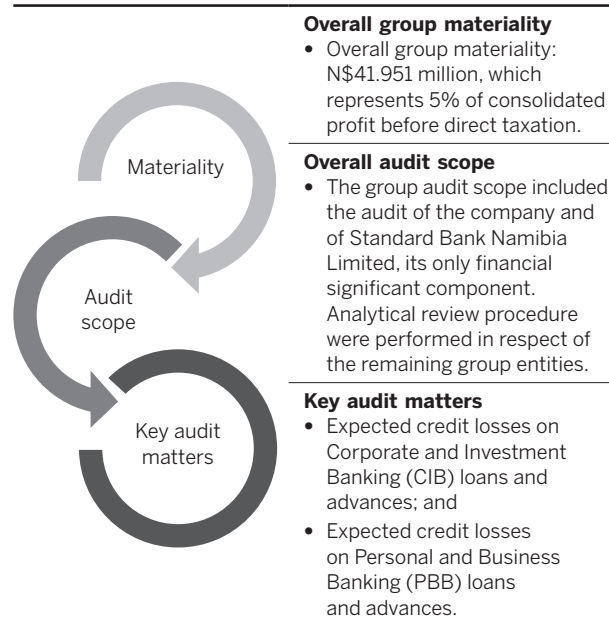
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Revised July 2016)*, parts 1 and 3 of the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

Our audit approach

Overview



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the group overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to value the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	N\$41.951 million.
How we determined it	5% of consolidated profit before direct taxation.
Rationale for the materiality benchmark applied	We chose consolidated profit before direct taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of the Company and its five subsidiaries (each a “component”) for purposes of our group audit scope. Full scope-audits were performed on the company, and Standard Bank Namibia Limited based on its financial significance in relation to its contribution to the Group’s consolidated profit before direct taxation. All other components were considered to be financially inconsequential and were subject to analytical review procedures.

Consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit losses on Corporate and Investment Banking (CIB) loans and advances</p> <p><i>Refer to Expected Credit Loss (ECL) on financial assets – IFRS 9 drivers, included within the Key management assumptions note, note 6 (loans and advances), note 31 (credit impairment charges), the credit risk section of annexure C – Risk and Capital Management, the impairment section in the detailed accounting policies in the annual financial statements, for the related disclosures.</i></p> <p>The ECL assessment for CIB loans and advances is material to the financial statements in terms of their magnitude, the level of subjective judgement applied by management and the effect that the ECL has on the Group’s credit risk management processes and operations. This has resulted in this matter being considered to be a matter of most significance to the audit of the financial statements.</p> <p>The ECL on CIB loans and advances was calculated by applying International Financial Reporting Standard (IFRS) Financial Instruments (IFRS 9), as described in the notes to the <i>financial statements</i>.</p> <p>ECLs on CIB exposures are calculated separately based on rating models for each asset class. In calculating the ECL on CIB loans and advances, the key areas of significant management judgement and estimation included:</p> <ul style="list-style-type: none"> • Evaluation of Significant Increase in Credit Risk (“SICR”); • Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement; and • Input assumptions applied to estimate the probability of default (“PD”), exposure at default (“EAD”) and loss given default (“LGD”) within the ECL measurement. <p>Evaluation of SICR</p> <p>For CIB exposures, SICR is largely driven through the movement in credit ratings assigned to clients on origination and reporting date, based on the Group’s 25-point master rating scale to quantify credit risk for each exposure.</p> <p>Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement</p> <p>Macroeconomic expectations are incorporated in CIB’s client ratings to reflect the Group’s expectation of future economic and business conditions.</p> <p>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement</p> <p>Input assumptions applied to estimate the PD, EAD and LGD as inputs into the ECL measurement are subject to management judgement and are determined at an exposure level.</p>	<p>In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the group engagement team, and component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.</p> <p>Key audit matters</p> <p>Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.</p> <p>Our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on CIB loans and advances as follows:</p> <p>Evaluation of SICR</p> <p>We selected a sample of exposures and assessed their assigned credit rating by:</p> <ul style="list-style-type: none"> • Testing the inputs into the credit rating system against the financial information obtained from the exposure and the Group’s 25-point rating scale; and • Assessing management’s assumptions made during the credit risk rating process for reasonability, by obtaining an understanding of the exposure and industry factors, performing an independent assessment of the exposure and comparing the results to those used by management. <p>We selected a sample of stage 1 and stage 2 exposures and assessed whether the stage classification of these exposures was appropriate in terms of the Group’s accounting policy for SICR at reporting date since the origination date of these exposures. These procedures included the inspection of credit risk ratings at reporting date relative to origination date.</p> <p>We evaluated management’s processes for identifying stage 3 exposures by selecting a sample of exposures not classified as stage 3 to assess whether the stage classification was in line with the Standard Bank group’s definition of default for stage 3 exposures.</p> <p>Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement</p> <p>We selected a sample of exposures and assessed the incorporation of forward looking information into their assigned credit risk rating. We did this by obtaining an understanding of the forward looking information which was taken into account for the exposure and evaluating it for reasonability against management’s expectations and other industry factors.</p> <p>For collateral held, we inspected legal agreements and other documentation to confirm the existence and legal right to collateral.</p> <p>The collateral valuation techniques applied by management were assessed against the Group’s valuation guidelines.</p> <p>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement</p> <p>Making use of our internal valuations expertise, we assessed the assumptions relating to historical default experience, estimated timing and amount of forecasted cash flows and the value of collateral applied within the PD, EAD and LGD models for compliance with the requirements of IFRS 9. In addition, our procedures included assessing the appropriateness of the statistical models by way of reperformance and validation procedures.</p> <p>We obtained an understanding and tested relevant controls relating to the approval of credit facilities, subsequent monitoring and remediation of exposures, key system reconciliations and collateral management.</p> <p>Based on our work performed we accepted the accounting policies and credit impairment methodologies applied to the CIB segment as being consistent with the requirements of IFRS 9.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit losses Personal and Business Banking (PBB) loans and advances:</p> <p><i>Refer to Expected Credit Loss (ECL) on financial assets – IFRS 9 drivers, included within the Key management assumptions note, note 6 (loans and advances), note 31 (credit impairment charges), the credit risk section of annexure C – Risk and Capital Management, the impairment section in the detailed accounting policies in the financial statements, for the related disclosures.</i></p> <p>The ECL assessment for PBB loans and advances is material to the financial statements in terms of their magnitude, the level of subjective judgement applied by management and the effect that the ECL has on the company's credit risk management processes and operations. This has resulted in this matter being considered to be a matter of most significance in the audit of the financial statements.</p> <p>ECLs on PBB loans and advances are determined on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The key areas of significant management judgement within the ECL calculation include:</p> <ul style="list-style-type: none"> • Evaluation of SICR; • Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement; • Application of out-of-model adjustments into the ECL measurement; • Assessment of ECL raised for individual exposures; and • Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement. <p>Evaluation of SICR</p> <p>The Group assesses the risk of default of an account relative to the risk of its defined vintage considering the account's behavioural score, historical experience and the rebuttable presumption that accounts which are 30 days past due are classified as stage 2.</p> <p>Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement</p> <p>Forward looking expectations are included in the ECL based on the Group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on judgement to predict the outcome based on the Group's macro-economic outlook expectations.</p> <p>Application of out-of-model adjustments into the ECL measurement</p> <p>Management may identify that due to modelling complexity, certain aspects of the ECL may not be fully reflected by the underlying model and an out-of-model adjustment is required.</p> <p>Assessment of ECL raised for individual exposures</p> <p>Impairment is assessed on individual exposures above a quantitative threshold in stage 3, and for accounts placed on the watchlist due to evidence of increased credit risk e.g. potential security shortfalls, deteriorating financial performance, etc. This assessment relates primarily to business lending accounts and incorporates judgement in determining the foreclosure value of the underlying collateral.</p> <p>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement</p> <p>The ECL is calculated using statistical models which incorporate observable data, assumptions and estimates relating to historical default experience, timing and amount of forecasted cash flows and the value of collateral.</p>	<p>Our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances as follows:</p> <p>Evaluation of SICR</p> <p>We reperformed the calculation of significant deterioration roll rates and compared the roll rate to those used by management. We found no significant unexplained differences. Through discussion and inspection of relevant documentation we discussed the reasons for management's transfers from stage 1 to stage 2.</p> <p>We recalculated the days in arrears for a selection of stage 1, 2 and 3 accounts. We also verified that accounts older than 30 days were classified as stage 2.</p> <p>Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement</p> <p>We evaluated the appropriateness of forward looking economic expectations included in the ECL by comparing to independent industry data. We evaluated management's economic response models to assess whether the macro-economic inputs are appropriately incorporated into the ECL models. Where management applied out-of-model adjustments to the forward looking information, we evaluated these for reasonableness against historical experience and evaluated the methodology applied to incorporate these into the forecasts.</p> <p>Application of out-of-model adjustments into the ECL measurement</p> <p>We evaluated the reasonableness of a selection of out-of-model adjustments by assessing key assumptions, inspecting the calculation methodology and tracing a sample of out-of-model adjustments back to source data.</p> <p>Assessment of ECL raised for individual exposures</p> <p>Where ECL has been raised for individual exposures, we considered the impairment indicators, uncertainties and assumptions made by management in their assessment of the recoverability of the exposures. For a sample of stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and the recoverability of collateral at an individual exposure level.</p> <p>For a sample of advances for which instalments were due and unpaid for 90 days or more, we verified whether these advances were credit impaired.</p> <p>For collateral held, we inspected legal agreements and other documentation to confirm the existence and legal right to collateral.</p> <p>The collateral valuation techniques applied by management were assessed against the Group's valuation guidelines. For a sample of stage 3 exposures, we made use of our internal valuation expertise to independently perform reasonableness tests on the valuations of collateral. Although our independent internal reasonableness tests differed from external valuations in some instances, no adjustments to the ECLs were assessed as necessary.</p> <p>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement</p> <p>Making use of our internal valuation expertise, we assessed the assumptions relating to historical default experience, estimated timing and amount of forecasted cash flows and the value of collateral applied within the PD, EAD and LGD models for compliance with the requirements of IFRS 9. In addition, our procedures included assessing the appropriateness of the statistical models by way of reperformance and validation procedures.</p> <p>Based on our work performed, we accepted the accounting policies and credit impairment methodologies applied to the PBB segment as being consistent with the requirements of IFRS 9.</p>

Separate financial statements

We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*SBN Holdings Limited Annual Report 2019*". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

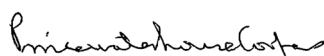
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and /or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



PricewaterhouseCoopers

Registered Accountants and Auditors

Chartered Accountants (Namibia)

Per: Louis van der Riet

Partner

Windhoek

Date: 10 March 2020

Directors' report

for the year ended 31 December 2019

Review of activities

Main business and operations

SBN Holdings Limited is the holding company for Standard Bank Namibia Limited.

It conducts its operations through the following businesses:

- Banking services through Standard Bank Namibia Limited, a registered Namibian commercial bank.
- Insurance broking services through fellow subsidiary companies Stanfin (Namibia) (Pty) Limited and Standard Insurance Brokers (Namibia) (Pty) Limited.
- Safe custodianship through its 100%-owned subsidiary company Standard Bank Namibia Nominees (Pty) Limited.
- Asset management and unit trust services through a related company, Liberty Life Namibia Limited.
- Property investment and construction through subsidiary company Arleo Investments Sixteen (Pty) Ltd.
- Mobile payment and services through Mobicash Payments Solutions (Pty) Limited.

The group operates in all main areas within Namibia and its head office is located in Windhoek.

The group also offers an international banking service through its association with Standard Bank Group Limited, a company registered in the Republic of South Africa and dual listed on the Johannesburg Stock Exchange and Namibian Stock Exchange, with representation throughout Africa.

Registered and business address

1 Chasie Street, Kleine Kuppe, Windhoek, Namibia

Registration number

2006/306

County of incorporation

Republic of Namibia

Results for the period

Profit for the year of the group was N\$613 million (2018: N\$552 million), after taxation of N\$258 million (2018: N\$249 million).

Events after the reporting period

There were no events after the reporting date to report.

Authorised and issued share capital

The group's authorised share capital consisted of 800 000 000 ordinary shares of N\$0.002 each of which 522 471 910 have been issued. On 29 May 2019 SBN Holdings effected a subdivision of its authorised and issued ordinary shares which previously amounted to 100 000 000, on a one to five basis.

On 29 May 2019 it also increased the total number of authorised ordinary shares to 800 000 000 shares. As a consequence of the subdivision, the value per share was reduced from N\$0.01 to N\$0.002. The issued ordinary share capital comprise 522 471 910 ordinary shares with a par value of N\$0.002 per share.

Borrowings

The group's borrowings consist mainly of deposit and current accounts originated through banking operations and long-term financing.

Property and equipment

The group's property and equipment are disclosed in note 9 to the annual financial statements.

Dividends

A dividend of N\$120 million (N\$1.20 per fully paid share) in respect of the year ended 31 December 2018 was declared and paid in April 2019.

On 26 February 2020, the directors have recommended a dividend of N\$143 million (N\$27 cents per fully paid share) in respect of the year ended 31 December 2019 to be paid on 8 May 2020.

Ownership

At 31 December 2019, Standard Bank Group Limited owned 74.9% of the issued share capital. The general public (including the staff share scheme) owned 25.1% of the issued share capital. The following directors each hold issued shares as follows:

Mr VJ Mungunda	– 248 624
Adv N Bassingthwaighte	– 118 395
Mr JL Muadinohamba	– 118 395
Mr IH Tjombonde	– 118 395

Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
Mr H Maier	Namibian
Mr VJ Mungunda	Namibian
Adv N Bassingthwaighte	Namibian
Mrs B Rossouw	Namibian
Mr B Mandy (resigned 31 March 2019)	Namibian
Mr AG Gain (resigned 14 March 2019)	South African
Mr JL Muadinohamba	Namibian
Ms PM Nyandoro	Zimbabwean
Mr IH Tjombonde	Namibian
Mrs MS Dax (appointed 19 January 2019)	Namibian
Mr P Schlebusch (appointed 19 January 2019)	South African

Company secretary

S Tjijorokisa

Interest in subsidiaries

The company owns 100% of the share capital of Standard Bank Namibia Limited, Standard Insurance Brokers (Namibia) (Pty) Ltd, Arleo Investments Sixteen (Pty) Ltd and Stanfin (Namibia) (Pty) Ltd. The company also owns 50.91% of the share capital of Mobicash Payments Solutions (Pty) Ltd.

Compliance with BID-2

The group's annual financial statements comply with the Bank of Namibia's Determination On Asset Classification, Suspension of Interest and Provisioning (BID-2).

Statements of financial position

as at 31 December 2019

		GROUP			COMPANY		
		2019 N\$'000	2018 ¹ N\$'000	1 January 2018 ¹ N\$'000	2019 N\$'000	2018 ¹ N\$'000	1 January 2018 ¹ N\$'000
Note							
Assets							

¹ During the year, the group and company restated the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector, these intercompany balances have been reclassified into the underlying asset and liability lines to provide a fairer representation of the group and company's statement of financial position. Refer to the restatements section on page 57 for more detail.

² The group has, as permitted by IFRS 16 Leases (IFRS 16), elected not to restate its comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 Leases (IAS 17) basis. Refer to page 55 for more detail on the adoption of IFRS 16.

Income statements

for the year ended 31 December 2019

	Note	GROUP		COMPANY	
		2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Net interest income		1 332 543	1 220 022		
Interest income	24	2 784 482	2 591 903		
Interest expense ¹	25	(1 451 939)	(1 371 881)		
Non-interest revenue		1 262 756	1 125 709	144 078	304 763
Net fee and commission revenue		837 957	801 120		
Fee and commission revenue	26	1 075 310	978 269		
Fee and commission expense	27	(237 353)	(177 149)		
Trading revenue	28	117 597	121 904		
Other revenue	29	160 966	100 780	144 078	304 763
Other gains and losses on financial instruments	30	146 236	101 905		
Total income		2 595 299	2 345 731	144 078	304 763
Credit impairment charges	31	(239 165)	(95 617)		
Income before operating expenses		2 356 134	2 250 114	144 078	304 763
Operating expenses ¹	32	(1 488 037)	(1 451 709)	(177)	(177)
Net income before capital items and equity accounted earnings		868 097	798 405	143 901	304 586
Share of post-tax profit from joint venture	8.2	3 929	3 410		
Net income before indirect taxation		872 026	801 815	143 901	304 586
Indirect taxation	33	(33 005)	(33 126)	(1 444)	
Profit before direct taxation		839 021	768 689	142 457	304 586
Direct taxation	33	(225 523)	(216 266)		
Profit for the year		613 498	552 423	142 457	304 586
Attributable to ordinary shareholders		613 002	552 423		
Attributable to non-controlling interest		496			
Basic and diluted earnings per ordinary share	39	122	552		

¹ The group has, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 55 for more detail on the adoption of IFRS 16.

Statements of other comprehensive income

for the year ended 31 December 2019

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Profit for the year	613 498	552 423	142 457	304 586
Other comprehensive income – net of taxation¹	3 617	8 348		
Items that may be reclassified to profit and loss				
Net change in fair value of financial assets measured at FVOCI	3 617	(235)		
Net change in expected credit loss	706	767		
Net change in fair value	2 911	(1 002)		
Fair value movement on post retirement benefit (note 35)		8 583		
Total comprehensive income for the year	617 115	560 771	142 457	304 586
Attributable to ordinary shareholders	616 619	560 771		
Attributable to non-controlling interest	496			


¹ Income tax relating to each component of other comprehensive income is disclosed in note 33.

Statements of changes in equity

for the year ended 31 December 2019

	Note	Ordinary share capital and premium N\$'000	Share-based payment reserve N\$'000
GROUP			
Balance at 1 January 2018		443 234	28 838
Total comprehensive (loss)/income for the year			
Profit for the year			
Other comprehensive (loss)/income after tax for the year			
Transactions with the shareholders, recorded directly in equity			8 604
Equity-settled share-based payment transactions			8 604
Dividends paid	34.5		
Balance at 1 January 2019		443 234	37 442
Total comprehensive income for the year			
Profit for the year			
Other comprehensive income after tax for the year			
Transactions with the shareholders, recorded directly in equity		200 000	1 051
Equity-settled share-based payment transactions			1 051
Issue of share capital and share premium		200 000	
Transactions with non-controlling interest			
Dividends paid	34.5		
Balance at 31 December 2019		643 234	38 493

¹ The fair value through OCI reserve comprises of the fair value through OCI reserve for debt financial investments (note 5).

 AFS Details relating to each reserve are provided in the accounting policies detailed in annexure E.

All balances are stated net of tax where applicable.

Fair value adjustments on FVOCI financial assets ¹ N\$'000	Post- employment benefit reserve N\$'000	Retained earnings N\$'000	Ordinary shareholders equity N\$'000	Non- controlling interest N\$'000	Total equity N\$'000
(378)	11 240	2 478 828	2 961 762		2 961 762
(235)	8 583	552 423	560 771		560 771
		552 423	552 423		552 423
(235)	8 583		8 348		8 348
		(240 000)	(231 396)		(231 396)
		(240 000)	8 604 (240 000)		8 604 (240 000)
(613) 3 617	19 823	2 791 251 613 002	3 291 137 616 619	496	3 291 137 617 115
3 617		613 002	613 002 3 617	496	613 498 3 617
		(130 965)	70 086	13 673	83 759
		(10 965)	1 051 189 035	13 673	1 051 189 035 13 673
		(120 000)	(120 000)		(120 000)
3 004	19 823	3 273 288	3 977 842	14 169	3 992 011

Statements of changes in equity

for the year ended 31 December 2019

	Note	Ordinary share capital and premium N\$'000	Retained earnings N\$'000	Total equity N\$'000
COMPANY				
Balance at 1 January 2018		443 234	394 852	838 086
Total comprehensive income for the year			304 586	304 586
Profit for the year			304 586	304 586
Transactions with the shareholders, recorded directly in equity			(240 000)	(240 000)
Dividends paid	34.5		(240 000)	(240 000)
Balance at 1 January 2019		443 234	459 438	902 672
Total comprehensive income for the year			142 457	142 457
Profit for the year			142 457	142 457
Transactions with the shareholders, recorded directly in equity		200 000	(130 965)	69 035
Issue of share capital and share premium		200 000	(10 965)	189 035
Dividends paid	34.5		(120 000)	(120 000)
Balance at 31 December 2019		643 234	470 930	1 114 164

 AFS Details relating to each reserve are provided in the accounting policies detailed in annexure E.

All balances are stated net of tax where applicable.

Statements of cash flows

for the year ended 31 December 2019

	Note	GROUP		COMPANY	
		2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Net cash flows from operating activities		373 749	417 888	545 942	240 000
Net cash flows used in operations		(667 712)	(618 186)	464 842	(11 934)
Net income before indirect taxation		872 026	801 816	143 901	304 586
Adjusted for:		(963 884)	(1 062 568)	(87 944)	(251 934)
Credit impairment charges	31	239 165	95 617		
Depreciation and amortisation	32	142 873	92 310		
Equity-settled share-based payments		40 604	25 450		
Fair value adjustments trading assets		(22 414)	(22 676)		
Indirect taxation	33	(33 005)	(33 126)	(1 444)	
Interest expense	25	1 451 939	1 371 881		
Interest received	24	(2 784 482)	(2 591 903)		
Net movement in post-employment benefits		7 249	13 073		
(Loss)/Profit on sale of property and equipment	32	1 920	(4 179)		
Dividends received	29	(3 804)	(5 605)	(86 500)	(251 934)
Income from equity accounted investments	8	(3 929)	(3 410)		
Increase in income earning assets ¹	34.1	(3 436 583)	(599 097)	608 187	(383 472)
Increase in deposits and other liabilities ¹	34.2	2 860 729	241 663	(199 302)	318 886
Interest received		2 776 465	2 549 140		
Dividends received		3 804	5 605	86 500	251 934
Interest paid		(1 462 111)	(1 296 120)		
Tax paid	34.3	(276 697)	(222 551)	(5 400)	
Net cash flows (used in)/from investing activities		(247 436)	(355 147)	(253 200)	
Capital expenditure on property and equipment		(118 164)	(394 682)		
Proceeds from sale of property and equipment	34.4	9 204	39 535		
Capital expenditure on intangible assets		(106 843)			
Payment for acquisition of subsidiary, net of cash acquired	10.3	(31 633)		(53 200)	
Increase in investment in subsidiaries				(200 000)	
Net cash flows (used in)/from financing activities		(146 522)	125 679	80 000	(240 000)
Subordinated debt redeemed		(100 000)	(302 500)		
Issuance of ordinary share capital		200 000		200 000	
Senior debt (redeemed)/issued		(100 000)	668 179		
Principle element of lease payments	17.1	(26 522)			
Dividends paid	34.5	(120 000)	(240 000)	(120 000)	(240 000)
Net (decrease)/increase in cash and cash equivalents		(20 209)	188 420	372 742	
Cash and cash equivalents at the beginning of the year	1	1 546 357	1 357 937		
Cash and cash equivalents at the end of the year	1	1 526 148	1 546 357	372 742	

¹ During the year, the group and company restated the presentation of balances with fellow SBN companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector, these intercompany balances have been reclassified into the underlying asset and liability lines to provide a fairer representation of the group and company's statement of financial position. Refer to the restatements section on page 57 for more detail.

Accounting policy elections, transition and restatement

The principal accounting policies applied in the presentation of the group and company's annual financial statements are set out below.

Basis of preparation

The group's consolidated and company's separate annual financial statements (annual financial statements) are prepared in accordance with and comply with IFRS as issued by the IASB, its interpretations adopted by the IASB and the Namibian Companies Act. The annual financial statements comply with the Bank of Namibia's Determination on Asset Classification, Suspension of Interest and Provisioning (BID-2). The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial assets classified at FVOCI financial assets and liabilities classified at FVTPL and liabilities for cash-settled share-based payment arrangements.
- Post-employment benefit obligations that are measured in terms of the projected unit credit method.

The following principal accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets:

- purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 3)
- commodities acquired principally for the purpose of selling in the near future or generating a profit from fluctuation in price or broker-traders' margin are measured at fair value less cost to sell (accounting policy 3)
- intangible assets and property and equipment are accounted for at cost less accumulated amortisation and impairment (accounting policy 6)
- the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 4)
- Investments in associates and joint ventures are initially measured at cost and subsequently accounted for using the equity method in the separate financial statements (accounting policy 2).

Functional and presentation currency

The annual financial statements are presented in Namibian dollar, which is the presentation currency of the group and the functional and presentation currency of the company. All amounts are stated in thousands of dollar (N\$'000), unless indicated otherwise.

Changes in accounting policies

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

Adoption of new and amended standards effective for the current financial period

- IFRS 9 *Financial Instruments (amendment)* (IFRS 9), the amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The impact on the annual financial statements is not significant.

- IAS 19 *Employee Benefits (amendments)* (IAS 19), the amendments require a company to use the updated assumptions when a change to a plan, either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The impact on the annual financial statements is not significant.
- IAS 28 *Interest in Associates and Joint Ventures (amendment)* (IAS 28), this amendment clarifies that an entity should apply IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture only when the equity method is not applied. The impact on the annual financial statements is not significant.
- IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23), this interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. This interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively only if possible without the use of hindsight. The impact on the annual financial statements is not significant.
- Annual improvements 2015 – 2017 cycle, the IASB has issued various amendments and clarifications to existing IFRS.

Early adoption of revised standards:

- IAS 1 *Presentation of Financial Statements* (IAS 1) and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8), the amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments will be applied prospectively.

The adoption of new and amended standards on 1 January 2019 did not affect the group's previously reported financial results, disclosures or accounting policies and did not impact the group's results upon transition.

IFRS 16 with effect from 1 January 2019, replaced IAS 17 as well as the related interpretations. IFRS 16 introduced a single lease accounting model for a lessees which impacted the group's results upon transition and materially impacted the group's accounting policies for lessees.

 AFS refer to page 55 for more detail on IFRS 16 transition.

IFRS 16 Leases

Background

With effect from 1 January 2019, IFRS 16 replaced IAS 17 as well as the related interpretations. The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, and as was required by IAS 17, and introduces a single lessee accounting model, where a right of use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the group as a lessor are not different from those under IAS 17.

Adoption and transition

The group and company retrospectively adopted IFRS 16 on 1 January 2019 with an adjustment to the group and company's opening 1 January 2019 reserves and, as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the group and company's previously reported financial results up to 31 December 2018 are presented in accordance with the requirements of IAS 17 and for 2019, and future reporting periods, are presented in terms of IFRS 16.

On adoption of IFRS 16, the group and company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. This incremental borrowing rate was calculated for each legal entity in the group utilising the internal funding rate of each entity.

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Practical expedients applied:

In applying IFRS 16 for the first time, the group and company used the following practical expedients permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases provided there was no option to extend the term
- the exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group and company have also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the group and company relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The group and company's leasing activities and how these are accounted for:

The group and company lease various offices, branch space and ATM space. Rental contracts are typically made for fixed average periods of between three to ten years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, all existing operating leases, which were either not less than 12 months or not deemed a low value asset, were recognised as a right of use asset and a corresponding lease liability.

Extension and termination options:

Extension and termination options are included in a number of building and branch space leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

IFRS 16 key financial impacts

The single lessee accounting model which comprises IFRS 16's most material impact for the company is expected to result in an increase of N\$65 million gross up in total asset, and N\$65 million gross up in total liabilities.

The total undiscounted operating lease commitments as at 31 December 2018 amount to N\$123 million, the lease liability as at 1 January 2019 amounted to N\$65 million. This difference primarily relates to discounting the operating lease commitments balance at the company's internal funding rate of 5.68%.

The group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

TABLE 1: IMPACT ON THE GROUP'S SUMMARISED STATEMENT OF FINANCIAL POSITION ON 1 JANUARY 2019

	31 December 2018 N\$'000	IFRS 16 transition adjustment at 1 January 2019 N\$'000	1 January 2019 N\$'000
Assets			
Property, equipment and right of use asset	1 059 817	65 745	1 125 562
Other financial and non-financial assets ¹	1 748 045	(370)	1 747 675
Total assets	2 807 862	65 375	2 873 237
Equity and liabilities			
Liabilities	28 314 242	65 375	28 379 617
Total equity and liabilities	28 314 242	65 375	28 379 617

¹ Materially relates to the derecognition of lease prepayment assets and the deferred tax asset decrease impact on the release of the IAS 17 straight-lined liability.

TABLE 2: EXPLANATION OF DIFFERENCE BETWEEN OPERATING LEASE COMMITMENTS DISCLOSED AS AT 31 DECEMBER 2018 AND THE 1 JANUARY 2019 LIABILITY

	2019 N\$'000
Operating lease commitments at 31 December 2018	123 174
Discounted using internal funding rate 1 January 2019	63 153
Add: Finance lease liabilities as at 31 December 2018	3 904
Less: Recognition exemption of leases – short term leases	(1 682)
Total lease liabilities recognised at 1 January 2019	65 375

Restatement

Reclassification of inter-company balances

During 2019, there was a review of the presentation of the group and company's statement of financial position. It was identified that international banking sector disclosure does not aggregate balances with group companies and report them separately on the statement of financial position but rather reports these intergroup exposures together with third-party exposures. During the year, these line items have been reclassified into the underlying asset and liability line items to provide a fairer representation of the group and company's statement of financial position as a separate legal entity. The restatement on the group and company's statement of financial positions only impacts the following:

	2018		
	As previously presented N\$'000	Restatement N\$'000	Restated N\$'000
GROUP			
Assets			
Trading assets	129 801	5 011	134 812
Loans and advances	22 231 755	1 243 612	23 475 367
Interests in group companies, associates and joint ventures	1 464 132	(1 452 626)	11 506
Other assets	311 682	204 003	515 685
Total	24 137 370		24 137 370
Liabilities			
Deposits and current accounts	25 141 868	495 490	25 637 358
Liabilities to group companies	922 680	(922 680)	
Debt securities issued	1 690 299	101 816	1 792 115
Provisions and other liabilities	532 701	325 374	858 075
Total	28 287 548		28 287 548
COMPANY			
Assets			
Interests in group companies, associates and joint ventures	1 299 105	(630 319)	668 786
Other assets	5 422	630 319	635 741
Total	1 304 527		1 304 527
Liabilities			
Liabilities to group companies	398 887	(398 887)	
Provisions and other liabilities	2 969	398 887	401 856
Total	401 855		401 855

	1 January 2018			
	As previously presented N\$'000	IFRS 9 transition N\$'000	Restatement N\$'000	Restated N\$'000
GROUP				
Assets				
Financial investments	3 395 582	(10 191)		3 385 391
Loans and advances	22 146 338	(201 359)	543 296	22 488 275
Other assets	1 691 260		10 979	1 702 239
Interests in group companies, associates and joint ventures	562 369		(554 275)	8 094
Deferred taxation assets		69 228		69 228
Total	27 795 549	(142 322)		27 653 227
Equity and liabilities				
Equity	3 108 872	(147 110)		2 961 762
Deposits and current accounts	24 567 292	4 788	1 081 842	25 653 922
Debt securities issued	1 218 731		101 821	1 320 552
Provisions and other liabilities	505 701		102 022	607 723
Liabilities to group companies	1 285 685		(1 285 685)	
Total	30 686 281	(142 322)		30 543 959
COMPANY				
Assets				
Other assets	2 561		249 708	252 269
Interest in group companies and joint ventures	918 494		(249 708)	668 786
Total	921 055			921 055
Liabilities				
Provisions and other liabilities	2 969		80 000	82 969
Liabilities to group companies	80 000		(80 000)	
Total	82 969			82 969

Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could materially 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 future events. Post the implementation of IFRS 9 on 1 January 2018, unless otherwise stated, no material changes to assumptions have occurred during the year. The following represents the most material key management assumptions applied in preparing these financial statements.

Expected credit loss ('ECL') on financial assets – IFRS 9 drivers

For the purpose of determining the ECL:

- The PBB portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The IFRS 9 impairment provision calculation excludes post write off recoveries (PWOR) from the loss given default (LGD) in calculating the expected credit loss. This LGD parameter has been aligned to emerging market practice.
- CIB exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

- The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset for CIB exposures if the remaining lifetime is less than 12-months).
- A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
- Lifetimes include consideration for multiple default events, i.e. where defaulted exposures cure and then subsequently re-default. This consideration increases the lifetime and the potential ECL.
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- The measurement periods for unutilised loan commitments utilise the same approach as on-balance-sheet exposures.

Significant increase in credit risk ('SICR') and low credit risk

PBB

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk.

The group determines the SICR threshold by utilising an appropriate transfer rate of exposures from stage 1 to stage 2. This is done by taking into account the expected levels of arrears status for each portfolio vintage of exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

CIB (including certain PBB business banking exposures)

The group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the group's 25-point master rating scale. Ratings are mapped to probability of default (PD's) by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the group's master rating scale as investment grade (within credit risk grade 1–12 of the group's 25-point master rating scale) are assessed for SICR at each reporting date but are considered to be of a low credit risk for IFRS 9 purposes. To determine whether a client's credit risk has increased significantly since origination, the group would need to determine the extent of the change in credit risk using the table below.

Group master rating scale band	SICR trigger (from origination)
SB 1 – 12	Low credit risk
SB 13 – 20	3 rating or more
SB 21 – 25	1 rating or more

Incorporation of forward looking information in ECL measurement

The group determines the macroeconomic outlook, over a planning horizon of at least three years, based on the group's global outlook and its global view of commodities.

For PBB, these forward looking economic expectations are included in the ECL where adjustments are made based on the group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the group's macro-economic outlook expectations. In addition to forward-looking macroeconomic information, other types of forward-looking information (FLI), such as specific event risk, have been taken into account in ECL estimates when required, through the application of out-of-model adjustments. These out-of-model adjustments are subject to group credit governance committee oversight.

The group's macroeconomic outlooks are incorporated in CIB's client rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the group's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the group's internal credit risk management approach and definitions. Whilst the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The group has not rebutted IFRS 9's 90 days past due rebuttable presumption.

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. mortgage loans, vehicle and asset finance, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with no reasonable expectations of recovery of the asset, or a portion thereof.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). In the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the group's CIB or PBB Credit Governance Committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for SICR, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

The group's forward looking economic expectations were applied in the determination of the ECL at the reporting date

A range of base, bullish and bearish forward looking economic expectations were determined, as at 31 December 2019, for inclusion in the group's forward-looking process and ECL calculation.

Namibia economic expectation

Base Scenario

- Going into 2020, the base case for Namibia is a slow recovery in key sectors – whilst overall longstanding structural issues will likely continue to point to a challenging outlook.
- In this scenario GDP growth is expected to reach 0.4% in 2020 on the back of normalizing rainfall patterns feeding into improved agricultural prospects (in the way of crop production and the gradual rebuilding of the national herd); and activity in the mining sector picking up steam as diamond mining vessels come back into operation and base metal production ramps up.
- After having borne the brunt of the economic slowdown, the outlook for the construction sector is beginning to show signs of recovery. In that base case, several large road and infrastructure projects are expected to spur growth in the industry over the medium term as both public and private sector developments in energy, ICT, transport and housing commence.

Bear Scenario

- Material risks of a more bearish scenario do exist and a largely predicated on reform failure in South Africa and depressed commodity prices. In this scenario, worsening public finances in South Africa would trigger a ratings downgrade by Moody's and result in significant capital outflows. Additionally, Eskom's delayed turnaround would deepen electricity shortfalls and ultimately constrain economic output.
- The effects of the economic downturn in SA would carry over into the domestic economy and likely weigh negatively on growth.
- In this scenario, the domestic recession would continue and deepen as domestic demand remains subdued and low commodity prices, and contractions prevail in key sectors.

Bull Scenario

- Generally, there is a low probability of a bullish scenario – however, if it were to occur it would hinge on better-than-expected traction with economic reform in South Africa and the exchange rate strengthening as global growth and commodity prices pick up.
- In this scenario, domestic GDP growth would pick up significantly (easily approaching 3% in 2021). The turnaround would be supported by a recovery in commodity prices, coupled with improved rainfall supporting growth in the agriculture sector.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward looking impact on the IFRS 9 provision on financial assets. For each scenario, namely, the base case, bullish and bearish scenario, the average values of the factors over the next 12 months, and over the remaining forecast period, are presented.

Macroeconomic factors	Base scenario		Bearish scenario		Bullish scenario	
	Next 12 months	Remaining forecast period ²	Next 12 months	Remaining forecast period ²	Next 12 months	Remaining forecast period ²
2019						
Namibia						
Inflation (%)	4.30	4.80	4.80	5.50	4.10	4.20
Real GDP ¹ (%)	0.40	2.10	(0.20)	0.70	1.70	3.10
Exchange rate (USD/NAD)	14.83	14.43	16.44	15.40	13.70	13.58
Prime (%)	10.00	10.25	10.75	11.00	9.75	9.75
2018						
Namibia						
Inflation (%)	5.30	5.30	6.20	6.00	4.45	5.10
Real GDP ¹ (%)	1.14	1.12	(0.09)	1.84	1.54	2.84
Exchange rate (USD/NAD)	13.40	13.10	14.85	14.26	12.05	12.04
Prime (%)	10.50	10.75	10.75	11.00	10.25	10.50

¹ Gross domestic product.

² The remaining forecast period is 2020 to 2023.


Sensitivity analysis of CIB forward looking impact on IFRS 9 provision

Management assessed and considered the sensitivity of the IFRS 9 provision against the forward looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting IFRS 9 provision for the individual client. Therefore the impact of forward looking economic conditions is embedded into the total IFRS 9 provision for each CIB client and cannot be stressed or separated out of the overall CIB IFRS 9 provision.

Sensitivity analysis of PBB forward looking impact on IFRS 9 provision

The following table shows a comparison of the forward looking impact on the IFRS 9 provision as at 31 December 2019 based on the probability weightings (base case:60%, bear case: 20%, bull case: 20%) of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighting of the above factors.

	2019		2018	
	N\$'000	% change of total PBB IFRS 9 provision	N\$'000	% change of total PBB IFRS 9 provision
Forward looking impact on IFRS 9 provision	35 360		37 791	
Scenarios				
Base	32 596	(8)	31 939	(15)
Bearish	114 840	225	123 180	226
Bullish	15 512	(56)	5 134	(86)

 AFS Refer to note 6 loans and advances, for the carrying amounts of the loans and advances and the credit risk section of the risk and capital management report for the group's assessment of the risk arising out of the failure of counterparties to meet their financial or contractual obligations when due.

Derivatives held-for-hedging

Interest rate benchmarks and reference interest rate reform

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. This reform is at various stages globally. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group. Consequently, significant judgement is applied in determining whether certain interest rate risk hedge relationships will continue to qualify for hedge accounting. As at 31 December 2019 management's view is that existing hedge relationships referencing IBORs continue to qualify for hedge accounting given market reliance on existing IBORs and the current absence of term structures in ARRs for products that span longer time periods. Management is monitoring market and accounting developments in this regard.

Fair value

Financial instruments

In terms of IFRS, the group and company are either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions.

When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group (and company) and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

The group and company's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible.

Where such inputs are not available, the group and company make use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate

adjustments to reflect the terms of the actual instrument being valued and current market conditions. Unobservable inputs are subject to management judgement and although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to: credit spreads on illiquid issuers, implied volatilities on thinly traded instruments, correlation between risk factors, prepayment rates, and other illiquid risk drivers. In making appropriate valuation adjustments, the group and company apply methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- Using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver;
- Raising day one profit provisions in accordance with IFRS;
- Quantifying and reporting the sensitivity to each risk driver; and
- Limiting exposure to such risk drivers and analysing this exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models as well as those developed internally by the group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the group and company's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated.


Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the market risk and asset and liability committees.

Portfolio exception: The group and company have, on meeting certain qualifying criteria, elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis.

Computer software intangible assets

The group and company review assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amounts. The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified asset's future cash flows in order to derive the asset's recoverable amount.

The recoverable amount is determined as the higher of an asset's fair value less costs to sell and its value in use. The value in use is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate.

 AR Refer to note 10 for intangible asset disclosure as well as Annexure E for more detail on the accounting policy relating to computer software, the capitalisation thereof as well as amortisation and impairment policies.

Goodwill impairment

In terms of IFRS, the group is required on an annual basis to test its recognised goodwill for impairment. The impairment tests are performed by comparing the cash-generating units' (CGU) recoverable amounts to the carrying amounts in the functional currency of the CGU being assessed for impairment. The recoverable amount is defined as the higher of the entity's fair value less costs of disposal and its value in use. The review and testing of goodwill for impairment inherently requires significant management judgment as management needs to estimate the identified CGU's future cash flows. The principal assumptions considered in determining an entity's value in use include:

- Future cash flows- the forecast periods adopted reflect a set of cash flows which, based on management's judgement and expected market conditions, could be sustainably generated over such a period. A forecast period of five years has been used.
- Discount rates- the Weighted Average Cost of Capital (WACC) was calculated based on comparable companies in the industry. In determining the WACC, we have used the Capital Asset Pricing Model ("CAPM"). Cost of debt was calculated using the risk-free rate in Namibia of 7.17% - 7.47% and adding a credit spread of 2.0% - 3.0%. The after tax cost of debt was derived after taking into account the Namibian tax at a rate of 32%.

The following table summarises the impairment test methodology applied and the key inputs used in testing the group's goodwill relating to MobiCash Payments Solutions (Pty) Ltd.

	MobiCash Payments Solutions (Pty) Ltd	
	2019	2018
Discounted cash flow		
Discount rate (nominal) (%)	16.02	
Forecast period (years)	5	
Terminal growth (nominal) (%)	4.5	

Current and deferred tax

The group and company are subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The group and company recognise provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 33 and note 14, respectively, in the period in which such determination is made.

Uncertain tax positions are accounted for in terms of *IFRIC 23 Uncertainty over Income Tax Treatments* except when they do not meet the probability criteria defined within IAS 12 Income taxes and IFRIC 23, in which case they are not provided for but are rather disclosed as contingent liabilities or assets as appropriate.

Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded at, include determining whether there is an obligation, as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. For legal provisions management assesses the probability of the outflow of resources by taking into account historical data and the status of the claim in consultation with the group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including information arising after the reporting date up to the date of the approval of the financial statements.

Post-employment benefits

The group and company's post-employment benefits consist of both post-employment retirement funds and healthcare benefits. The group and company's obligations to fund these benefits are derived from actuarial valuations performed by the appointed actuaries taking into account various assumptions. The funds are subject to a statutory financial review by the group's independent actuaries at intervals of not more than three years.

 AR The principal assumptions used in the determination of the company's obligations are set out in note 35.

Notes to the annual financial statements

1. Cash and balances with the central bank

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Coins and bank notes ¹	470 316	486 391		
Balances with the Bank of Namibia ^{1,2}	1 055 832	1 059 966	372 742	
Cash and cash equivalents				
Total	1 526 148	1 546 357	372 742	

¹ Coins and bank notes and the reserve balance with the Bank of Namibia (BoN) are classified as fair value through profit and loss while temporary excess balance with the BoN is classified at amortised cost.

² These balances primarily comprise reserving requirements levied by the BoN. These balances are available for use by the group subject to certain restrictions and limitations imposed by the BoN. These balances are held at fair value.

2. Derivative instruments

All derivatives are classified as either derivatives held-for-trading or derivatives held-for-hedging. A summary of the fair values of the derivative assets and derivative liabilities is as follows:

	Fair value of assets		Fair value of liabilities	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
GROUP				
Held-for-trading	145 793	28 674	(142 511)	(25 714)
Held-for-hedging	4 117	4 564		
Total	149 910	33 238	(142 511)	(25 714)

2.1 Use and measurement of derivative instruments

In the normal course of business, the group enters into a variety of foreign exchange and interest rate, derivative transactions for both trading and hedging purposes. Derivative instruments used by the group in both trading and hedging activities include swaps, options, forwards, and other similar types of instruments.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

2.2 Derivatives held-for-trading

The group transact derivative contracts to address client demand, both as a market maker in the wholesale markets and in structuring tailored derivatives for clients. Trading derivative products include the following:

	Fair value of assets		Fair value of liabilities		Notional amount ¹	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
GROUP						
Foreign exchange derivatives	140 281	24 717	(136 964)	(21 757)	650 739	357 744
Interest rate derivatives	5 512	3 957	(5 547)	(3 957)		
Total	145 793	28 674	(142 511)	(25 714)	650 739	357 744

¹ The notional amount is the sum of the absolute value of all bought and sold contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative contracts.

2. Derivative instruments continued

2.3 Financial instruments held-for-hedging

Where all relevant criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated at fair value. The group applies hedge accounting in respect of interest rate risk.

2.3.1 Derivatives designated as hedging instruments in fair value hedging relationships

	Fair value of assets N\$'000	Fair value of liabilities N\$'000	Net fair value N\$'000	Less than one year N\$'000	Between one to five years N\$'000	Over five years N\$'000	Contract/ notional amount N\$'000	Fair value gain/(loss) N\$'000
GROUP 2019								
Interest rate risk fair value hedging relationships	4 117		4 117	538	3 579		147 693	2 058
Interest rate swaps	4 117		4 117	538	3 579		147 693	2 058
2018								
Interest rate risk fair value hedging relationships	4 564		4 564		4 564		106 865	761
Interest rate swaps	4 564		4 564		4 564		106 865	761

2.3.2 Hedge items classified as fair value hedges

	Fair value of liabilities N\$'000	Fair value gain/(loss) N\$'000	Fair value gain/(loss) used to test hedge ineffectiveness N\$'000	Accumulated fair value hedge adjustments N\$'000
GROUP 2019				
Interest rate risk fair value hedging relationships				
Deposits and debt funding	(151 744)	(395)	(395)	(4 051)
Total	(151 744)	(395)	(395)	(4 051)
2018				
Interest rate risk fair value hedging relationships				
Deposits and debt funding	(110 521)	(1 278)	(1 278)	(3 655)
Total	(110 521)	(1 278)	(1 278)	(3 655)

3. Trading assets

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
GROUP				
Government, municipality and utility bonds	9 149	788		
Treasury bills	248 680	129 013		
Reverse repurchase and other collateralised agreements	10 348	5 011		
Total	268 177	134 812		

4. Pledged assets

The following table presents details of other financial assets which have been sold or otherwise transferred, but which have not been derecognised in their entirety and their associated liabilities.

	Carrying amount of transferred assets N\$'000	Carrying amount of associated liabilities N\$'000	Fair value of transferred assets N\$'000	Fair value of associated liabilities N\$'000	Net fair value N\$'000
GROUP					
2019					
Treasury bills	580 098	(579 837)	580 098	(579 837)	261
Pledged assets (as recognised on the statement of financial position)	580 098	(579 837)	580 098	(579 837)	261

The assets pledged by the group are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets. These transactions are conducted under terms that are customary to standard repurchase agreements and securities borrowing activities. Risks to which the group remains exposed include credit and interest rate risk.

The group did not enter into pledged assets as at 31 December 2018.

5. Financial investments

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Government bonds and treasury bills	2 130 278	2 811 457		
Mutual funds and unit-linked investments	1 933 512	1 640 596		
Total	4 063 792	4 452 053		
IFRS 9 classification:				
Net debt financial investments measured at amortised cost	54 754	50 577		
Gross debt financial investments measured at amortised cost	54 756	50 577		
Less: ECL for debt financial investments measured at amortised cost	(2)			
Financial investments measured at fair value through profit or loss	1 933 514	1 640 596		
Debt financial investments measured at fair value through OCI ¹	2 075 524	2 760 880		
Total	4 063 792	4 452 053		

¹ Refer to the credit impairment charges note 31 for the current year credit impairment charge of N\$706 thousand (2018: N\$10 million release) on debt financial investments at fair value through OCI.

6. Loans and advances

6.1 Classification

	GROUP		COMPANY	
	2019 N\$'000	2018 ^{1,2} N\$'000	2019 N\$'000	2018 ^{1,2} N\$'000
Net loans and advances measured at amortised cost	25 635 493	23 475 367		
Gross loans and advances measured at amortised cost	26 234 595	23 942 101		
Mortgage loans	11 739 977	11 337 239		
Instalment sale and finance leases (note 6.2)	2 904 936	3 055 859		
Card debtors	175 900	219 397		
Corporate lending	2 474 949	3 102 499		
Sovereign lending	1 726 283	1 328 365		
Banks ¹	2 836 906	1 632 790		
Other loans and advances	4 375 644	3 265 952		
Credit impairments on loans and advances (note 6.3)	(599 102)	(466 734)		
Net loans and advances	25 635 493	23 475 367		

¹ During the year, the group and company restated the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector, these intercompany balances have been reclassified into the underlying asset and liability lines to provide a fairer representation of the group and company's statement of financial of position. Refer to the restatements section on page 57 for more detail.

² The classification categories for gross loans and advances was updated to be in line with the SBG categories. There were, however, no changes in total gross and net loans and advances except for the one as explained in footnote 1 above.

6.2 Instalment sale and finance leases

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Gross investment in instalment sale and finance leases	3 420 622	3 618 965		
Receivable within one year	353 334	312 727		
Receivable after one year but within five years	3 067 288	3 306 238		
Unearned finance charges deducted	(515 687)	(563 106)		
Net investment in instalment sale and finance leases	2 904 936	3 055 859		
Receivable within one year	279 045	257 844		
Receivable after one year but within five years	2 625 891	2 798 015		

Leases entered into are at market-related terms. Under the terms of the lease agreement, no contingent rentals are payable. Moveable assets are leased or sold to customers under finance leases and instalment sale agreements for periods varying between 12 and 60 months. Depending on the terms of the agreement, the lessee may have the option to purchase the asset at the end of the lease term.

6. Loans and advances continued**6.3 Reconciliation of ECL for loans and advances measured at amortised cost**

	Stage 1 N\$'000	Stage 2 N\$'000	Stage 3 (including interest in suspense 'IIS') N\$'000	Total N\$'000
GROUP				
Opening ECL 1 January 2018	67 783	178 877	160 314	406 974
Transfers between stages	22 602	(25 736)	3 134	
Transfers to/(from) stage 1		(19 209)	(3 393)	(22 602)
Transfers to/(from) stage 2	19 209		6 527	25 736
Transfers to/(from) stage 3	3 393	(6 527)		(3 134)
Net ECL (released)/raised	(2 047)	4 566	141 453	143 972
ECL on new exposures raised	443	5 114		5 557
Subsequent changes in ECL	(154)	1 183	141 453	142 482
Change in ECL due to derecognition	(2 336)	(1 731)		(4 067)
Impaired accounts written off			(121 071)	(121 071)
Exchange and other movements			36 860	36 860
Closing ECL 31 December 2018	88 338	157 707	220 690	466 735
Opening ECL 1 January 2019	88 338	157 707	220 690	466 735
Transfers between stages	41 274	(23 998)	(17 276)	
Transfers to/(from) stage 1		(23 774)	(17 500)	(41 274)
Transfers to/(from) stage 2	23 774		224	23 998
Transfers to/(from) stage 3	17 500	(224)		17 276
Net ECL (released)/raised	(44 403)	8 124	310 143	273 864
ECL on new exposures raised	18 414	4 722		23 136
Subsequent changes in ECL	(57 935)	6 717	310 143	258 925
Change in ECL due to derecognition	(4 882)	(3 315)		(8 197)
Impaired accounts written off			(125 775)	(125 775)
Exchange and other movements	3 199		(18 921)	(15 722)
Closing ECL 31 December 2019	88 408	141 833	368 861	599 102

6. Loans and advances continued

6.3 Reconciliation of ECL for loans and advances measured at amortised cost continued

A reconciliation of the ECL for loans and advances, by product:

	Opening ECL 1 January 2019 N\$'000	Total transfers between stages ¹ N\$'000	Net ECL raised/ (released) N\$'000	Impaired accounts written off N\$'000	Exchange and other movements N\$'000	Closing ECL 31 December 2019 N\$'000
GROUP						
Mortgage loans²	179 665		149 132	(8 012)	(43 018)	277 767
Stage 1	16 929	12 266	(10 813)			18 382
Stage 2	51 712	(4 045)	(9 207)		1	38 461
Stage 3 (including IIS)	111 024	(8 221)	169 152	(8 012)	(43 019)	220 924
Instalment sale and finance leases	95 765		38 859	(34 042)		100 582
Stage 1	10 838	11 157	(12 571)			9 424
Stage 2	37 355	(6 368)	7 716			38 703
Stage 3 (including IIS)	47 572	(4 789)	43 714	(34 042)		52 455
Card debtors	12 971		3 987	(6 116)		10 842
Stage 1	1 735	2 612	(2 890)			1 457
Stage 2	7 433	(1 363)	273			6 343
Stage 3 (including IIS)	3 803	(1 249)	6 604	(6 116)		3 042
Corporate	20 795		(1 839)		3 199	22 155
Stage 1	16 506	(174)	2 667		3 199	22 198
Stage 2	3 120	18	(3 315)			(177)
Stage 3 (including IIS)	1 169	156	(1 191)			134
Sovereign	2 564		(2 564)			
Stage 1	2 050		(2 050)			
Stage 2	514		(514)			
Stage 3 (including IIS)						
Bank	(967)		271			(696)
Stage 1	(967)		272			(695)
Stage 2			(1)			(1)
Stage 3 (including IIS)						
Other loans and advances³	155 942		86 018	(77 605)	24 097	188 452
Stage 1	41 247	15 413	(19 018)			37 642
Stage 2	57 572	(12 240)	13 172			58 504
Stage 3 (including IIS)	57 123	(3 173)	91 864	(77 605)	24 097	92 306
Total⁴	466 735		273 864	(125 775)	(18 921)	599 102

¹ The group and company's policy is to transfer opening balances based on the ECL stage at the end of the reporting period. Therefore, exposures can be transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period. Furthermore, the ECL recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the column "ECL on new exposures raised" based on the exposures' ECL stage as at the end of the reporting period.

² Comprises residential and commercial property loans.

³ Comprises personal unsecured lending and business and other lending.

⁴ "Corporate", "Sovereign" and "Bank" categories relate to ECL on Corporate & Investment Banking loans and advances, while the remaining categories relate to ECL on Personal & Business Banking loans and advances.

6. Loans and advances continued

6.3 Reconciliation of ECL for loans and advances measured at amortised cost continued

	Opening ECL 1 January 2018 N\$'000	Total transfers between stages ¹ N\$'000	Net ECL raised/ (released) N\$'000	Impaired accounts written off N\$'000	Exchange and other movements N\$'000	Closing ECL 31 December 2018 N\$'000
GROUP						
Mortgage loans	112 717		52 689	(7 059)	21 318	179 665
Stage 1	9 751	12 335	(5 157)			16 929
Stage 2	36 957	(11 550)	26 305			51 712
Stage 3 (including IIS)	66 009	(785)	31 541	(7 059)	21 318	111 024
Instalment sale and finance leases	104 567		30 898	(39 700)		95 765
Stage 1	8 880	3 926	(1 968)			10 838
Stage 2	47 443	(3 074)	(7 014)			37 355
Stage 3 (including IIS)	48 244	(852)	39 880	(39 700)		47 572
Card debtors	24 041		(749)	(10 321)		12 971
Stage 1	3 667	3 574	(5 506)			1 735
Stage 2	14 975	(3 149)	(4 393)			7 433
Stage 3 (including IIS)	5 399	(425)	9 150	(10 321)		3 803
Corporate	16 515		4 280			20 795
Stage 1	14 064	(610)	3 052			16 506
Stage 2	2 451	610	59			3 120
Stage 3 (including IIS)			1 169			1 169
Sovereign	2 564					2 564
Stage 1	2 050					2 050
Stage 2	514					514
Stage 3 (including IIS)						
Bank			(967)			(967)
Stage 1			(967)			(967)
Stage 2						
Stage 3 (including IIS)						
Other loans and advances	146 570		57 821	(63 991)	15 542	155 942
Stage 1	29 371	3 376	8 500			41 247
Stage 2	76 537	(8 570)	(10 395)			57 572
Stage 3 (including IIS)	40 662	5 194	59 716	(63 991)	15 542	57 123
Total	406 974		143 972	(121 071)	36 860	466 735

¹ The group and company's policy is to transfer opening balances based on the ECL stage at the end of the reporting period. Therefore, exposures can be transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period. Furthermore, the ECL recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the column "ECL on new exposures raised" based on the exposures' ECL stage as at the end of the reporting period.

Changes in gross exposures relating to changes in ECL (group)

The below is an explanation of significant changes in the gross carrying amount on financial instruments used to determine the above changes in ECL:

- The ECL on new exposures raised of N\$23.1 million (2018: N\$21.6 million) primarily relates to the growth in gross carrying amount of:
 - mortgage loans of N\$1.3 billion (2018: N\$2.3 billion)
 - vehicle and asset finance of N\$1.03 billion (2018: N\$1.05 billion)
 - Other loans and advances of N\$1.2 billion (2018: N\$2 billion)
- The decrease in ECL due to impaired accounts written-off of N\$125 million (2018: N\$121 million) resulted in an equal decrease to the gross carrying amount of loans and advances as exposures are fully provided for before being written off.
- The company policy is to transfer between stages using opening ECL balances based on the exposures' ECL stage at the end of the reporting period. Therefore the related gross carrying amount of the significant transfers are as follows:
 - mortgage loans with a gross carrying amount of N\$427 million (2018: N\$360 million) that was in stage 2 and 3 was transferred to stage 1.

7. Other assets

	GROUP		COMPANY	
	2019 N\$'000	2018 ² N\$'000	2019 N\$'000	2018 ² N\$'000
Trading settlement assets	791 956	27 411		
Other debtors ¹	148 372	317 357	27 554	635 741
Items in the course of collection	25 836	170 917		
Total	966 164	515 685	27 554	635 741

¹ Due to the short-term nature of these assets and historical experience, debtors are regarded as having a low probability of default.

² During the year, the group and company restated the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector, these intercompany balances have been reclassified into the underlying asset and liability lines to provide a fairer representation of the group and company's statement of financial of position. Refer to the restatements section on page 57 for more detail.

8. Interest in joint venture and subsidiaries

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Interest in subsidiary companies (8.1)			921 986	668 786
Interest in associates and joint ventures (note 8.2)	15 435	11 506		
Total	15 435	11 506	921 986	668 786

8.1 Interest in subsidiaries

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Shares at cost			668 786	668 786
Acquisition of subsidiary (note 10.3)			53 200	
Contributions to subsidiary			200 000	
Total			921 986	668 786

8. Interest in joint venture and subsidiaries continued**8.2 Interest in joint venture**

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Carrying value at the beginning of the year	11 506	8 096		
Share of profit	3 929	3 410		
Carrying value at the end of the year	15 435	11 506		
Comprising:				
Cost of investments	1 154	1 154		
Share of reserves	14 281	10 352		
Carrying value at the end of the year	15 435	11 506		
Amounts recognised in the income statement:				
Share of profit	3 929	3 410		

There are no significant restrictions on the ability of joint ventures to transfer funds to the group in the form of cash or dividends or repayments of loans and advances.

 AR Associates and joint ventures are listed in annexure B.

9. Property, equipment and right of use assets

	Property		
	Freehold N\$'000	Leasehold N\$'000	
GROUP			
Net book value 1 January 2018	348 962	65 890	
Movements	244 078	16 319	
Additions	245 001	50 827	
Disposals/terminations/modifications		(28 510)	
Depreciation	(923)	(5 929)	
Net book value at the beginning of the year¹	593 040	82 278	
IFRS 16 Transition 1 January 2019			
Cost	598 361	141 961	
Accumulated depreciation	(5 321)	(59 683)	
Movements	100 876	(21 715)	
Additions	92 259	422	
Addition due to acquisition of subsidiary (note 10.3)			
Disposals/terminations/modifications		(2 165)	
Transfers to intangible assets	10 251	(9 932)	
Depreciation	(1 634)	(10 040)	
Net book value 31 December 2019	693 916	60 563	
Cost	700 870	130 288	
Accumulated depreciation	(6 954)	(69 725)	

¹ Net book value at the beginning of the year relates to 31 December 2018 for property and equipment and 1 January 2019 for right of use assets.

Equipment				Right of use asset			Total N\$'000
IT equipment N\$'000	Motor vehicles N\$'000	Office equipment N\$'000	Furniture and fittings N\$'000	Buildings N\$'000	Branches N\$'000	ATM spacing and other N\$'000	
219 057	9 768	14 092	110 954				768 723
44 465	(2 637)	(263)	(10 937)				291 025
83 922	5 895	4 382	4 586				394 613
	(5 378)	(1 399)					(35 356)
(39 457)	(3 154)	(3 246)	(15 523)				(68 232)
263 522	7 131	13 829	100 017				1 059 817
579 274	26 350	37 757	220 891	11 055	54 216	474	65 745
(315 752)	(19 219)	(23 928)	(120 874)				1 604 594
(49 570)	(2 364)	(1 982)	37 407	(3 660)	(12 212)	(277)	46 503
20 801	646	993	68 788	719	8 059		192 687
2 293	115	462					2 870
(93)		(460)	(8 406)				(11 124)
(23 417)		149	(2 776)				(25 725)
(49 154)	(3 125)	(3 126)	(20 199)	(4 379)	(20 271)	(277)	(112 205)
213 952	4 767	11 847	137 424	7 395	42 004	197	1 172 065
579 080	26 765	38 530	265 671	11 774	62 275	474	1 815 727
(365 128)	(21 998)	(26 683)	(128 247)	(4 379)	(20 271)	(277)	(643 662)

10. Goodwill and other intangible assets

10.1 Group

	Goodwill N\$'000	Customer relationships N\$'000	Computer software ¹ N\$'000	Total N\$'000
Net book value – 1 January 2018			323 038	323 038
Movements			(24 078)	(24 078)
Amortisation			(24 078)	(24 078)
Net book value – 31 December 2018			298 960	298 960
Cost			361 160	361 160
Accumulated amortisation and impairment			(62 200)	(62 200)
Movements	39 020	10 103	105 285	154 408
Additions			106 843	106 843
Addition due to acquisition of subsidiary (note 10.3)	39 020	10 103	3 385	52 508
Transfers from property and equipment			25 725	25 725
Amortisation			(30 668)	(30 668)
Net book value – 31 December 2019	39 020	10 103	404 245	453 368
Cost	39 020	10 103	502 121	551 244
Accumulated amortisation and impairment			(97 876)	(97 876)

¹ Computer software mainly comprises the group's core banking system, Finacle, with a carrying amount of N\$275 million (2018: N\$323 million) and a remaining amortisation period of 11 years.

10.2 Goodwill composition

	2019	
	Gross N\$'000	Accumulated impairment N\$'000
GROUP		
MobiCash Payments Solutions (Pty) Ltd (note 10.3)	39 020	
Total	39 020	

Based on the impairment test performed, no impairment was recognised for 2019.

10. Goodwill and other intangible assets continued

10.3 Business combination

On 1 April 2019 SBN Holdings acquired 50.91% of the issued shares in MobiCash Payment Solutions (Pty) Ltd ("MobiPay"), a company that provides payments solutions to service providers, such as banks, financial institutions, retailers, and mobile network operators, for consideration of N\$53.2 million. The group intends to use MobiPay's technology to enhance its service to its customer base through easier transactability.

Details of the purchase consideration and the net assets acquired are as follows:

	2019 N\$'000
Consideration cash paid	53 200
Total purchase consideration	53 200

The assets and liabilities recognised as a result of the acquisition are as follows:

	Net carrying amount N\$'000
Cash and balances	21 567
Other assets	5 543
Property and equipment	2 870
Intangible assets	3 385
Deferred tax	731
Creditors and other liabilities	(13 113)
Net identifiable assets	20 983
Less: non-controlling interest	(13 673)
Add: customer relationships	10 103
Less: deferred tax	(3 233)
Add: goodwill	39 020
Total purchase consideration	53 200

Mobipay is a mobile payment service provider and operator who is already integrated with an extensive vending network at retailers, fuel stations, municipalities and regional electricity distributors, supplying airtime, prepaid electricity and bill payment functionalities. The goodwill relates to this strategic acquisition to augment the group's initiatives to be future-ready.

Non-controlling interest

The group has chosen to recognise the non-controlling interest at the proportionate share of the identifiable net assets.

Revenue and profit contribution

The acquired business contributed revenues of N\$78.9 million and net profit of N\$1 million to the group for the period from 1 April 2019 to 31 December 2019. If the acquisition had occurred on 1 January 2019 the group consolidated other revenue and consolidated profit after tax for the year ended 31 December 2019 would have been N\$199 million and N\$614 million respectively.

Purchase consideration – cash outflow

	2019 N\$'000
Cash consideration	53 200
Less: balances acquired	(21 567)
Net outflow of cash – investing activities	31 633

11. Ordinary share capital

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
11.1 Authorised 800 000 000 ordinary shares at N\$0.002 per share (2018:100 000 000 ordinary shares at N\$0.01 per share)	1 600	1 000	1 000	1 000
11.2 Issued 522 471 910 fully paid ordinary shares at N\$0.002 per share (2018: 100 000 000 fully paid ordinary shares at N\$0.01 per share)	1 045	1 000	1 045	1 000

Number of ordinary shares

GROUP

Reconciliation of shares issued

Shares in issue at 1 January 2018 100 000 000

Shares in issue at 31 December 2018

Increase as a result of subdivision of shares

Shares issued during 2019

Shares in issue at 31 December 2019

100 000 000

100 000 000

400 000 000

22 471 910

522 471 910

12. Ordinary share premium

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Share premium on issue of shares	642 189	442 234	642 189	442 234

13. Trading liabilities

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Government, municipality and utility bonds	14 881	980		
Total	14 881	980		

14. Deferred tax

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
14.1 Deferred tax analysis				
Deferred tax asset				
Impairment charges on loans and advances	56 328	59 051		
Post-employment benefits	38 376	36 396		
Provisions and other differences	207 129	118 668		
Fair value adjustments on FVOCI financial investments	(733)	649		
Deferred tax asset closing balance	301 100	214 764		
Deferred tax liability				
Property, equipment and intangible assets	(225 480)	(164 568)		
Assets on lease	(10 229)	(7 407)		
Other differences	(20 722)	(24 701)		
Deferred tax liability closing balance	(256 431)	(196 676)		
14.2 Deferred tax reconciliation				
Deferred tax asset				
Deferred tax asset balance at the beginning of the year	214 764	107 331		
Originating temporary differences for the year:	86 336	107 433		
Fair value adjustments included on FVOCI financial investments	(1 381)	471		
Impairment charges on loans and advances	(2 724)	22 729		
Post-employment benefits	1 980	(3 420)		
Provisions and other differences	88 461	87 653		
Deferred tax asset balance at the end of the year	301 100	214 764		
Deferred tax liability				
Deferred tax liability balance at the beginning of the year	(196 676)	(148 567)		
Originating temporary differences for the year:	(59 755)	(48 109)		
Property, equipment and intangible assets	(60 912)	(29 917)		
Assets on lease	(2 822)	203		
Other differences	3 979	(18 395)		
Deferred tax liability balance at the end of the year	(256 431)	(196 676)		
Net deferred tax balance at the end of the year	47 903	18 088		
Temporary differences for the year comprise:				
Recognised in profit or loss	(30 491)	(4 252)		
Recognised in OCI (note 33.2)	(1 383)	(3 309)		
Recognised in retained earnings		69 228		
Total	(31 874)	61 667		

15. Deposits and current account

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 ¹ N\$'000
Deposits from banks¹	2 328 818	775 732		
Deposits from customers	25 538 002	24 861 627		
Current accounts	7 488 563	4 382 644		
Cash management deposits	826 505	4 432 141		
Card creditors	29 205	29 840		
Call deposits	8 620 081	7 127 702		
Savings accounts	603 995	649 112		
Term deposits	2 312 001	2 361 599		
Negotiable certificates of deposit	5 657 652	5 878 589		
Total	27 866 820	25 637 359		

¹ During the year, the group and company restated the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector, these intercompany balances have been reclassified into the underlying asset and liability lines to provide a fairer representation of the group and company's statement of financial position. Refer to the restatements section on page 57 for more detail.

16. Debt securities issued

		Carrying value ²	Notional value ²	Carrying value ²	Notional value ²
		2019 N\$'000	2019 N\$'000	2018 N\$'000	2018 N\$'000
Maturity date					
GROUP					
SBKN20	10/25/2020	203 230	200 000	203 267	200 000
SBKN21	7/31/2021	543 629	536 000	541 766	536 000
SBNA21	7/13/2021	238 300	234 000	238 313	234 000
SBNA22	5/24/2021	504 409	499 800	504 339	499 800
SBNA23	5/24/2019			100 888	100 000
SBKN24	10/23/2019			101 726	100 000
Subordinated debt ¹	04/30/2025	101 182	100 000	101 816	100 000
		1 590 750	1 569 800	1 792 115	1 769 800

¹ During the year, the group and company restated the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector, these intercompany balances have been reclassified into the underlying asset and liability lines to provide a fairer representation of the group and company's statement of financial position. Refer to the restatements section on page 57 for more detail.

² The difference between the carrying and notional value represents transaction costs included in the initial carrying amounts and accrued interest.

17. Provisions and other liabilities

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Staff-related accruals	90 134	81 446		
Obligation toward post-employment benefits	120 010	113 738		
ECL for off-balance sheet exposures	4 353	6 155		
Lease liabilities (note 17.1)	51 045			
Other liabilities and accruals ¹	1 082 985	656 736	202 718	401 855
Total	1 348 527	858 075	202 718	401 855

¹ During the year, the company restated the presentation of balances with fellow SBN companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector, these intercompany balances have been reclassified into the underlying asset and liability lines to provide a fairer representation of the group and company's statement of financial position. Refer to the restatements section on page 57 for more detail.

17.1 Reconciliation of lease liabilities

	Balance at 1 January 2019 N\$'000	Additions/ modification N\$'000	Interest expense N\$'000	Payments ¹ N\$'000	Balance at 31 December 2019 N\$'000
GROUP					
Buildings	(10 900)	(718)	(533)	4 361	(7 790)
Branches	(54 002)	(8 058)	(2 864)	21 893	(43 031)
ATM spacing and other	(473)		(19)	268	(224)
Total	(65 375)	(8 776)	(3 416)	26 522	(51 045)

¹ This amount relates to the principal lease payments as disclosed in the cash flow statement.

Maturity analysis of lease liabilities:

	Within 1 year N\$'000	From 1 to 5 years N\$'000	Total N\$'000
GROUP			
Buildings	3 585	4 205	7 790
Branches	15 917	27 114	43 031
ATM spacing and other	224		224
Total	19 726	31 319	51 045

Maturity analysis of undiscounted contractual cash flows:

	Within 1 year N\$'000	From 1 to 5 years N\$'000	Total N\$'000
GROUP			
Buildings	3 820	4 629	8 449
Branches	19 381	27 761	47 142
ATM spacing and other	104	125	229
Total	23 305	32 515	55 820

Amounts recognised in the income statement relating to leases:

	2019 N\$'000	2018 N\$'000
GROUP		
Depreciation charge of right-of-use assets		
Buildings	4 379	
Branches	20 271	
ATM spacing and other	277	
Total	24 927	
Interest expense (included in interest expense)	3 416	
Expense relating to short-term leases (included in operating expenses) (note 32)	31 396	

18. Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The tables that follow set out the group and company classification of assets and liabilities, and their fair values.

	Note	FVTPL		
		Held-for-trading N\$'000	Designated at fair value N\$'000	Fair value through profit or loss – default N\$'000
GROUP				
2019				
Assets				
Cash and balances with the central bank	1			801 472
Derivative assets	2	149 910		
Trading assets	3	268 177		
Pledged assets	4	580 098		
Financial investments	5			1 933 514
Loans and advances	6			
Other financial assets ²				
Other non-financial assets				
Total assets		998 185		2 734 984
Liabilities				
Derivative liabilities	2	142 511		
Trading liabilities	13	14 881		
Deposits and current accounts with banks	15			
Deposits and current accounts with customers	15			
Debt securities issued	16			
Other financial liabilities				
Other non-financial liabilities				
Total liabilities		157 392		
COMPANY				
2019				
Assets				
Cash and cash equivalents	1			
Other financial assets ²				
Total assets				
Liabilities				
Other financial liabilities				
Total liabilities				

¹ Carrying value has been used where it closely approximates fair values, excluding non-financial instruments. Refer to the fair value section in accounting policy 4 – Fair value and key management assumptions for a description on how fair values are determined.

² The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature.

	FVOCI						
	Debt instruments N\$'000	Equity instruments N\$'000	Total fair value N\$'000	Amortised cost ¹ N\$'000	Other non-financial assets/ liabilities N\$'000	Total carrying amount N\$'000	Fair value ¹ N\$'000
			801 472	724 676		1 526 148	1 526 148
			149 910			149 910	149 910
			268 177			268 177	268 177
			580 098			580 098	580 098
	2 075 524		4 009 036	54 754		4 063 792	4 063 792
				25 635 493		25 635 493	27 174 075
				966 164		966 164	
					2 022 149	2 022 149	
	2 075 524		5 808 693	27 381 087	2 022 149	35 211 931	
			142 511			142 511	142 511
			14 881			14 881	14 881
				2 328 818		2 328 818	2 328 818
				25 538 002		25 538 002	26 071 317
				1 590 750		1 590 750	1 052 916
				1 348 527		1 348 527	
				256 431		256 431	
			157 392	31 062 528		31 219 920	
				372 742		372 742	372 742
				949 540		949 540	
				1 322 282		949 540	
				208 118		208 118	
				208 118		208 118	

18. Classification of assets and liabilities continued
Accounting classifications and fair values of assets and liabilities continued

		FVTPL			
				Fair value through profit or loss – default	
	Note	Held-for- trading N\$'000	Designated at fair value N\$'000	N\$'000	
GROUP					
2018					
Assets					
Cash and balances with the central bank	1			774 967	
Derivative assets	2	33 237			
Trading assets	3	134 812			
Financial investments	5			1 640 596	
Loans and advances	6				
Other financial assets ²					
Other non-financial assets					
Total Assets		168 049		2 415 563	
Liabilities					
Derivative liabilities	2	25 714			
Trading liabilities	13	980			
Deposits and current accounts with banks	15				
Deposits and current accounts with customers	15				
Debt securities issued	16				
Other financial liabilities					
Other non-financial liabilities					
Total liabilities		26 694			
COMPANY					
2018					
Assets					
Other financial assets ²					
Total assets					
Liabilities					
Other financial liabilities					
Total liabilities					

¹ Carrying value has been used where it closely approximates fair values, excluding non-financial instruments. Refer to the fair value section in accounting policy 4 – Fair value and key management assumptions for a description on how fair values are determined.

² The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature.

	FVOCI		Total fair value N\$'000	Amortised cost ¹ N\$'000	Other non-financial assets/ liabilities N\$'000	Total carrying amount N\$'000	Fair value ¹ N\$'000
	Debt instruments N\$'000	Equity instruments N\$'000					
			774 967 33 237 134 812 2 760 880	771 390 50 577 23 475 367 515 685		1 546 357 33 237 134 812 4 452 053 23 475 367 515 685 1 644 545	1 546 357 33 237 134 812 4 386 382 21 886 567
					1 644 545	1 644 545	
	2 760 880		5 344 492	25 098 787	1 644 545	31 802 056	
			25 714 980 775 732 24 861 627 1 792 115 858 075 196 676			25 714 980 775 732 24 861 627 1 792 115 858 075 196 676	25 714 980 775 732 21 599 669 1 792 115
			26 694	28 484 225		28 510 919	
				1 304 527		1 304 527	
				1 304 527		1 304 527	
				401 855		401 855	
				401 855		401 855	

19. Assets and liabilities at fair value

19.1 Financial assets and liabilities measured at fair value

The table below sets out the financial assets and liabilities measured at fair value for the group.

	2019				2018			
	Level 1 N\$'000	Level 2 N\$'000	Level 3 N\$'000	Total N\$'000	Level 1 N\$'000	Level 2 N\$'000	Level 3 N\$'000	Total N\$'000
GROUP								
Assets								
Cash and balances with the central bank	801 472			801 472	774 967			774 967
Derivative assets		149 910		149 910		33 237		33 237
Trading assets	268 177			268 177	134 812			134 812
Pledged assets	580 098			580 098				
Financial investments	2 075 524	1 933 514		4 009 038	2 760 880	1 640 596		4 401 476
Total	3 725 271	2 083 424		5 808 695	3 670 659	1 673 833		5 344 492
Liabilities								
Derivative liabilities		142 511		142 511		25 714		25 714
Trading liabilities	14 881			14 881	980			980
Total	14 881	142 511		157 392	980	25 714		26 694

The table below sets out the financial assets and liabilities measured at fair value for the company.

	2019				2018			
	Level 1 N\$'000	Level 2 N\$'000	Level 3 N\$'000	Total N\$'000	Level 1 N\$'000	Level 2 N\$'000	Level 3 N\$'000	Total N\$'000
COMPANY								
Assets								
Cash and cash equivalents	372 742			372 742				
Total	372 742			372 742				

Assets and liabilities transferred between level 1 and level 2

During the year no significant assets or liabilities were transferred between level 1 and level 2 (2018: N\$nil).

19. Assets and liabilities at fair value**19.1 Financial assets and liabilities measured at fair value** continued

		Valuation technique	Observable input		Valuation and level	
Derivatives	Options	The Black-Scholes model and discounted cash flow model or a combination of both	Market discount rate and curves	Spot prices of the underlying and correlation factors	Standard derivative contracts are valued using market-accepted models and quoted parameter inputs	Level 2
	Swaps	Discounted cash flow model	Market discount rate and curves	Spot prices of the underlying	A forward curve is used to calculate future cash flows and then discounted using a discount curve over the contractual period	Level 2
	Forward agreements	Discounted cash flow model	Market discount rate and curves	Spot prices of the underlying	A forward curve is used to calculate future cash flows and then discounted using a discount curve over the contractual period	Level 2
Financial investments and trading securities	Treasury bills	Discounted cash flow model	Market discount rate and curves	Interest rate curve	Future cash flows are discounted using a market-related interest rate	Level 2
	Money market funds	Discounted cash flow model	Market discount rate and curves	JIBAR rate + spread	Future cash flows are discounted using a market-related interest rate	Level 2
Liabilities	NCDs	Discounted cash flow model	Market discount rate and curves	JIBAR rate + spread	Future cash flows are discounted using a market-related interest rate	Level 2
	Promissory notes	Discounted cash flow model	Market discount rate and curves	JIBAR rate + spread	Future cash flows are discounted using a market-related interest rate	Level 2

19. Assets and liabilities at fair value continued

19.2 Assets and liabilities not measured at fair value for which fair value is disclosed

	2019				2018			
	Level 1 N\$'000	Level 2 N\$'000	Level 3 N\$'000	Total N\$'000	Level 1 N\$'000	Level 2 N\$'000	Level 3 N\$'000	Total N\$'000
GROUP								
Assets								
Cash and balances with the central bank	724 676			724 676	771 390			771 390
Financial investments	54 756			54 756	50 577			50 577
Loans and advances		27 174 075		27 174 075		21 886 567		21 886 567
Total	779 432	27 174 075		27 953 507	821 967	21 886 567		22 708 534
Liabilities								
Deposits from banks	2 328 818			2 328 818	775 732			775 732
Deposits from customers		26 071 317		26 071 317		21 599 669		21 599 669
Debt issued securities	1 052 916			1 052 916	1 792 115			1 792 115
Total	3 381 734	26 071 317		29 453 051	2 567 847	21 599 669		24 167 516

The hierarchy of levels is explained below:

- Level 1:** Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.
- Level 2:** Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3:** Unobservable inputs for the asset or liability.

Significant unobservable inputs

The fair value of level 3 assets and liabilities is determined using valuation techniques that include reference to recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants. However, such techniques typically have unobservable inputs that are subject to management judgement. These inputs include credit spreads on illiquid issuers, implied volatilities on thinly traded stocks, correlation between risk factors, prepayment rates and other illiquid risk drivers.

Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver;
- raising day one profit provisions in accordance with IFRS;
- quantifying and reporting the sensitivity to each risk driver;
- limiting exposure to such risk drivers; and
- analysing this exposure on a regular basis.

20. Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements

IFRS requires a financial asset and a financial liability to be offset and the net amount presented in the statement of financial position when, and only when, the group or company has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. There are no other instances apart from the cash management accounts, where the group and company have a current legally enforceable right to offset.

The following table sets out the impact of offset, as well as the required disclosures for financial assets and financial liabilities that are subject to an enforceable master netting arrangements or similar agreements, irrespective of whether they have been offset in accordance with IFRS. It should be noted that the information below is not intended to represent the group and company's actual credit exposure, nor will it agree to that presented in the statement of financial position.

	Gross amount of recognised financial assets ¹ N\$'000	Financial liabilities available for set off in the statement of financial position ² N\$'000	Net amount of financial assets subject to netting agreements ³ N\$'000	Collateral received ⁴ N\$'000	Net amount N\$'000
GROUP 2019 Assets					
Derivative assets	149 910		149 910	(149 910)	
Loans and advances ⁵	25 635 493	(1 295 658)	24 339 835	(24 339 835)	
Total	25 785 403	(1 295 658)	24 489 745	(24 489 745)	
	Gross amount of recognised financial liabilities ¹ N\$'000	Financial assets available for set off in the statement of financial position ² N\$'000	Net amount of financial liabilities subject to netting agreements ³ N\$'000	Collateral pledged ⁶ N\$'000	Net amount N\$'000
GROUP 2019 Liabilities					
Derivative liabilities	(142 511)		(142 511)	142 511	
Deposits and current accounts ⁵	(27 866 820)	(1 295 658)	(29 162 478)		(29 162 478)
Total	(28 009 331)	(1 295 658)	(29 304 989)	142 511	(29 162 478)

¹ Gross amounts are disclosed for recognised financial assets and financial liabilities that are either offset in the statement of financial position or are subject to a master netting arrangement or a similar agreement, irrespective of whether the IFRS offsetting criteria is met.

² Gross amounts of recognised financial assets or financial liabilities that qualify for offset in accordance with the criteria per IFRS.

³ Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement.

⁴ This could include financial collateral (whether recognised or unrecognised), cash collateral as well as exposures that are available to the group and company to be offset in the event of default. In most cases the group and company is allowed to sell or repledge collateral received.

⁵ The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of its group by linking the current accounts of multiple legal entities within a group. This allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for those groups. In addition, all repurchase agreements (for financial liabilities) and reverse repurchase agreements (for financial assets), subject to master netting arrangement (or similar agreement), have been included.

⁶ In most instances, the counterparty may not sell or repledge collateral pledged by the group and company.

20. Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements continued

	Gross amount of recognised financial assets ¹ N\$'000	Financial liabilities available for set off in the statement of financial position ² N\$'000	Net amount of financial assets subject to netting agreements ³ N\$'000	Collateral received ⁴ N\$'000	Net amount N\$'000
GROUP 2018 Assets					
Derivative assets	33 237		33 237	(33 237)	
Loans and advances ⁵	22 698 489	(4 481 649)	18 216 842	(18 216 842)	
Total	22 731 726	(4 481 649)	18 250 079	(18 250 079)	
	Gross amount of recognised financial liabilities ¹ N\$'000	Financial assets available for set off in the statement of financial position ² N\$'000	Net amounts of financial liabilities subject to netting agreements ³ N\$'000	Collateral pledged ⁶ N\$'000	Net amount N\$'000
GROUP 2018 Liabilities					
Derivative liabilities	(25 714)		(25 714)	25 714	
Deposits and current accounts ⁵	(25 141 868)	(4 481 647)	(29 623 515)		(29 623 515)
Total	(25 167 582)	(4 481 647)	(29 649 229)	25 714	(29 623 515)

¹ Gross amounts are disclosed for recognised financial assets and financial liabilities that are either offset in the statement of financial position or are subject to a master netting arrangement or a similar agreement, irrespective of whether the IFRS offsetting criteria is met.

² Gross amounts of recognised financial assets or financial liabilities that qualify for offset in accordance with the criteria per IFRS.

³ Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement.

⁴ This could include financial collateral (whether recognised or unrecognised), cash collateral as well as exposures that are available to the group and company to be offset in the event of default. In most cases the group and company is allowed to sell or repledge collateral received.

⁵ The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of its group by linking the current accounts of multiple legal entities within a group. This allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for those groups. In addition, all repurchase agreements (for financial liabilities) and reverse repurchase agreements (for financial assets), subject to master netting arrangement (or similar agreement), have been included.

⁶ In most instances, the counterparty may not sell or repledge collateral pledged by the group and company.

The table below sets out the nature of agreements and the types of rights relating to items which do not qualify for offset but that are subject to a master netting arrangement or similar agreement.

	Nature of agreement	Related rights
Derivative assets and derivative liabilities	International swaps and derivatives association agreements	The agreement allows for offset in the event of default
Loans and advances	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to all applicable laws and regulations
Deposits and debt funding	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to all applicable laws and regulations

21. Maturity analysis of assets

The following tables discloses the maturity analysis for the group and company's assets on a contractual discounted basis.

21.1 Financial assets

	Note	Overnight balances N\$'000	Maturing within 1 year N\$'000	Maturing after 1 year N\$'000	Maturing after 5 years N\$'000	Total N\$'000
GROUP						
2019						
Cash and balances with central banks ¹	1	1 526 148				1 526 148
Derivative assets	2		138 990	10 920		149 910
Trading assets	3	(50)	258 934	9 293		268 177
Pledged assets	4		580 098			580 098
Financial investments	5	1 933 514	902 742	1 180 677	46 859	4 063 792
Loans and advances	6	2 548 706	2 814 721	2 498 764	17 773 302	25 635 493
Other assets	7	966 164				966 164
		6 974 482	4 695 485	3 699 654	17 820 161	33 189 782
2018²						
Cash and balances with central bank ¹	1	1 546 357				1 546 357
Derivative assets	2		33 237			33 237
Trading assets	3		134 714	98		134 812
Financial investments	5	1 573 053	2 601 889	209 568	67 543	4 452 053
Loans and advances	6	1 632 770	2 790 864	6 592 564	12 459 169	23 475 367
Other assets	7	515 685				515 685
		5 267 865	5 560 704	6 802 230	12 526 712	30 157 511
	Note	Overnight balances N\$'000	Maturing within 1 year N\$'000	Maturing within 1 – 5 years N\$'000	Maturing after 5 years N\$'000	Total N\$'000
COMPANY						
2019						
Cash and cash equivalents	1	372 742				372 742
Other assets	7	949 540				949 540
		1 322 282				1 322 282
2018						
Other assets	7	1 304 527				1 304 527
		1 304 527				1 304 527

1 On demand cash and balances with the central bank includes notes and coins.

2 Certain prior year amounts have been reclassified between maturity brackets for consistency with current year presentation.

21.2 Non-financial assets

Note	Less than 12 months after reporting period N\$'000	More than 12 months after reporting period N\$'000	Total N\$'000
GROUP			
2019			
Current tax asset	*	*	80 182
Interest in joint venture and subsidiaries	8	15 435	15 435
Property and equipment and right of use assets	9	1 172 065	1 172 065
Goodwill and other intangible assets	10	453 369	453 369
Deferred tax asset	14	*	301 100
	-	1 640 868	2 022 150
2018			
Current tax asset	*	*	59 497
Interest in joint venture and subsidiaries	8	11 506	11 506
Property and equipment and right of use assets	9	1 059 817	1 059 817
Goodwill and other intangible assets	10	298 960	298 960
Deferred tax asset	14	*	214 764
	-	1 370 283	1 644 544

* Undated.

22. Maturity analysis of liabilities

The following tables discloses the maturity analysis for the group and company's liabilities on a contractual discounted basis.

22.1 Financial liabilities

	Note	On demand N\$'000	Maturing within 1 month N\$'000	Maturing between 1 – 6 months N\$'000	Maturing between 6 – 12 months N\$'000	Maturing after 12 months N\$'000	Total N\$'000
GROUP							
2019							
Derivative liabilities	2				135 777	6 734	142 511
Trading liabilities	12				4 512	10 369	14 881
Deposits and current accounts	14	16 212 346	541 796	3 810 601	4 003 182	3 298 895	27 866 820
Debt securities issued	15				203 230	1 387 520	1 590 750
Lease liabilities	17		2 880	13 452	3 394	31 319	51 045
Provision and other liabilities	17	1 297 482					1 297 482
		17 509 828	544 676	3 824 053	4 350 095	4 734 837	30 963 489
2018¹							
Derivative liabilities	2		17 164		4 592	3 957	25 713
Trading liabilities	12	980					980
Deposits and current accounts	14	14 701 040	476 922	4 435 997	1 928 002	4 095 398	25 637 359
Debt securities issued	15			100 888		1 691 227	1 792 115
Provision and other liabilities	17	1 348 527					1 348 527
		16 050 547	494 086	4 536 885	1 932 594	5 790 582	28 804 694
COMPANY							
2019							
Provisions and other liabilities	17	208 118					208 118
		208 118					208 118
2018							
Provisions and other liabilities	17	401 855					401 855
		401 855					401 855

22.2 Non-financial liabilities

	Note	Less than 12 months after reporting period N\$'000	More than 12 months after reporting period N\$'000	Total N\$'000
GROUP				
2019				
Deferred tax liability	14	*	*	256 431
				256 431
2018				
Deferred tax liability	14	*	*	196 676
				196 676

* Undated

23. Contingent liabilities and commitments

23.1 Contingent liabilities

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Letters of credit	62 451	4 241		
Guarantees	2 086 955	2 168 011		
Unutilised borrowing facilities	4 329 351	3 962 613		
Total	6 478 757	6 134 865		

23.2 Capital commitments

Contractual capital expenditures	42 418	179 046		
Total	42 418	179 046		

The expenditure will be funded from internal resources and relate to property and equipment.

23.3 Lease commitments

The future minimum payments under non-cancellable operating leases are as follows:
Low value assets and short term leases (IFRS 16)

Within one year	5 762			
After one year but within five years	4 074			
Property and equipment (IAS 17)				
Within one year		50 953		
After one year but within five years		72 221		
Total	9 836	123 174		

23.4 Legal proceedings

In the ordinary course of business, the group is involved as a defendant in litigation, lawsuits and other proceedings. Management recognises the inherent difficulty of predicting the outcome of defended legal proceedings. Nevertheless, based on management's knowledge from investigation, analysis and after consulting with legal counsel, management believes that there are no individual legal proceedings that are currently assessed as being 'likely to succeed and material' or 'unlikely to succeed but material should they succeed'. The group is also the defendant in some legal cases for which the group is fully indemnified by external third parties, none of which are individually material. Management is accordingly satisfied that the legal proceedings currently pending against the group should not have a material adverse effect on the group's consolidated financial position and the directors are satisfied that the group has adequate insurance programmes and, where required in terms of IFRS for claims that are probable, provisions in place to meet claims that may succeed.

24. Interest income

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Effective interest rate income on:				
Financial investments	204 121	191 632		
Loans and advances ¹	2 489 370	2 379 600		
Interest income on credit impaired financial assets ¹	90 991	20 671		
Total	2 784 482	2 591 903		
Comprising:				
Interest income on items measured at amortised cost	2 580 361	2 400 271		
Interest income on items measured at FVOCI	204 121	191 632		

¹ At 31 December 2018, interest income on credit impaired financial assets was previously included as part of interest income on loans and advances when it should have been shown separately in the notes. The comparatives have been restated to reflect this change.

25. Interest expense

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Interest on current accounts	60 855	4 000		
Interest on savings and deposit accounts	115 876	156 212		
Interest on lease liabilities ¹	3 416			
Interest on other interest-bearing liabilities	1 271 792	1 211 669		
Total	1 451 939	1 371 881		
Comprising:				
Interest expense on items measured at amortised cost	1 451 939	1 371 881		

¹ The group and company have, as permitted by IFRS 16, elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 55 for more detail on the adoption of IFRS 16.

26. Fee and commission revenue

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Account transaction fees	351 263	358 159		
Card-based commission	89 644	173 926		
Electronic banking fees	375 492	232 724		
Foreign currency service fees	16 059	15 883		
Documentation and administration fees	105 824	100 813		
Custody fees	30 977	21 288		
Trustees and executors fees	7 472	7 533		
Arrangement fees	33 524	26 818		
Guarantees commission	16 973	12 911		
Other	48 082	28 214		
Total	1 075 310	978 269		

All fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss for the group.

27. Fee and commission expense

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Account transaction fees	15 354	13 768		
Card-based commission	68 959	55 777		
Documentation and administration fees	142 281	88 976		
Electronic banking fees	10 759	18 628		
Total	237 353	177 149		

All fee and commission expenses reported above relate to financial assets or liabilities not carried at fair value through profit or loss for the group.

28. Trading revenue

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Foreign exchange	95 183	99 228		
Net fair value adjustments on held-for-trading financial assets	22 414	22 676		
Total	117 597	121 904		

29. Other revenue

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Property-related revenue	783	739		
Other non-banking related revenue	156 379	94 436	57 578	52 829
Dividends on unlisted financial investments	3 804	5 605	86 500	251 934
Total	160 966	100 780	144 078	304 763

30. Other gains and losses on financial instruments

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Fair value gains and loss on debt financial instruments measured at fair value through profit or loss – default	146 236	101 905		
Total	146 236	101 905		

31. Credit impairment charges

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Net ECL raised and released:	276 077	135 405		
Financial investments (note 5)	708	(9 933)		
Loans and advances (note 6)	273 864	143 972		
Letters of credit, bank acceptances and guarantees	1 505	1 366		
Recoveries on loans and advances previously written off	(36 912)	(39 788)		
Total	239 165	95 617		

32. Operating expenses

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Auditors' remuneration	6 101	4 188		
Audit fees	6 024	4 052		
Other services	77	136		
Amortisation	30 668	24 078		
Communication expense	21 646	21 425		
Depreciation	112 205	68 232		
IT expenses	125 300	152 171		
Lease rentals on operating lease ¹ (note 17)	31 396	55 271		
Professional fees	144 675	123 581		
Profit/(loss) on sale of property and equipment	1 920	(4 179)		
Premises costs	56 360	48 235		
Staff costs	868 400	792 440		
Salaries and allowances	757 049	699 797		
Equity-settled share-based payments	34 385	14 502		
Post-employment benefits – pension – defined contribution plan	65 989	62 465		
Post-employment benefits – medical expenses	10 977	15 676		
Other expenses ²	89 366	166 267	177	177
Total	1 488 037	1 451 709	177	177

¹ The group and company has, as permitted by IFRS16, elected not to restate its comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 55 for more details on the adoption of IFRS 16.

² Other expenses mainly comprise marketing and advertising expenses, operational risk losses, security expenses and travel and entertainment expenses.

33. Taxation

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
33.1 Indirect taxation				
Value added tax	23 217	24 619		
Duties and other	9 788	8 507	1 444	
Total	33 005	33 126	1 444	
33.2 Direct taxation				
Normal taxation	256 014	220 518		
Current year charge	256 014	220 518		
Deferred taxation	(30 491)	(4 252)		
Total	225 523	216 266		

Income tax recognised in OCI

The table below sets out the amount of income tax relating to each component within OCI:

	Before tax N\$'000	Tax (charge)/ credit N\$'000	After tax N\$'000
GROUP			
2019			
Change in fair value of FVOCI debt financial assets – IFRS 9	5 000	(1 383)	3 617
Total	5 000	(1 383)	3 617
2018			
Change in fair value of post-employment benefit obligations	12 003	(3 420)	8 583
IFRS 9 transitional adjustment	(216 338)	69 228	(147 110)
Change in fair value of FVOCI debt financial assets – IFRS 9	(346)	111	(235)
Total	(204 681)	65 919	(138 762)

Namibian tax rate reconciliation

	GROUP		COMPANY	
	2019 %	2018 %	2019 %	2018 %
The total tax charge for the year as a percentage of net income before indirect tax	29.6	31.1	2.5	
Indirect taxation	(3.8)	(4.1)	(2.5)	
Direct taxation charge for the year as a percentage of profit before indirect taxation	25.8	27.0		
The charge for the year has been reduced as a consequence of:				
Dividends received	4.6	3.3	32.1	32.0
Other non-taxable income	0.2	2.4		
Other non-deductible expenses	(0.3)	(1.3)	(0.1)	
Other permanent differences	1.1			
2018 overprovision	0.6	0.6		
Standard rate of Namibian tax	32.0	32.0	32.0	32.0

34. Statement of cash flows notes**34.1 Increase in income-earning assets**

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Financial investments	227 295	(996 960)		
Pledged assets	(580 098)			
Trading assets ¹	(109 622)	299 183		
Loans and advances ¹	(2 413 280)	(958 776)		
Derivative assets	(116 673)	30 962		
Interest in group companies ¹		(342 104)		(130 903)
Other assets ¹	(444 205)	1 368 598	608 187	(252 569)
Total	(3 436 583)	(599 097)	608 187	(383 472)

34.2 Increase in deposits and other liabilities

Deposit and current accounts ¹	2 244 581	(578 981)		
Trading liabilities	13 901	908		
Derivative liabilities	116 797	(32 566)		
Liabilities to group companies ¹		922 680		398 886
Provisions and other liabilities ¹	485 450	(70 378)	(199 302)	(80 000)
Total	2 860 729	241 663	(199 302)	318 886

34.3 Direct taxation paid

Current tax at beginning of the year	59 498	46 258		
Recognised in profit or loss and other comprehensive income	(256 014)	(209 311)		
Current tax at end of the year	(80 181)	(59 498)	(5 400)	
Total	(276 697)	(222 551)	(5 400)	

34.4 Proceeds from the sale of property and equipment

Net book value of disposals	11 124	35 356		
(Loss)/profit on disposal	(1 920)	4 179		
Proceeds from disposal	9 204	39 535		

34.5 Dividends paid

Dividend declared during the year	(120 000)	(240 000)	(120 000)	(240 000)
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¹ During the year, the group and company restated the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector, these intercompany balances have been reclassified into the underlying asset and liability lines to provide a fairer representation of the group and company's statement of financial of position. Refer to the restatements section on page 57 for more detail.

35. Post-employment benefits

	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Amounts recognised as liabilities in the statement of financial position				
Post-employment healthcare benefit medical aid	120 010	113 738		
Amounts recognised as expenses in profit and loss for the year				
Retirement fund	65 989	62 465		
Post-employment healthcare benefit medical aid	10 977	11 523		
	76 966	73 988		

35.1 Retirement fund

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 2019 and the actuary certified the fund as being financially sound as at that date. Members of the fund comprise 99% of the full-time staff. The contribution to the pension fund is based on a percentage of pensionable earnings and charged to income as incurred.

Employer's contribution for the year	65 989	62 465		
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35. Post-employment benefits continued

35.2 Post-employment healthcare benefits

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Post-employment medical scheme				
The liability represents a post-employment healthcare benefit scheme that covers all employees who joined on or before 1 March 2009. The liability is unfunded and is valued every year using the projected unit credit method. The latest full statutory actuarial valuation was performed on 31 December 2019.				
Expected premiums to post-employment medical schemes for the year ending 31 December 2020 are N\$3 870 000.				
Movement in the present value of defined medical scheme benefit obligation				
Balance at beginning of the year	113 738	110 132		
Current service cost	2 394	3 432		
Interest cost	7 606	12 244		
Remeasurement of post-employment benefit obligations relating to change in financial and demographic assumptions		(8 583)		
Premiums paid	(3 728)	(3 487)		
Balance at end of the year	120 010	113 738		
Consisting of:				
Present value of unfunded obligations	120 010	113 738		
Obligation recognised in the statement of financial position	120 010	113 738		
The amounts recognised in profit or loss are determined as follows:				
Current service cost	2 394	3 432		
Interest cost	7 606	12 244		
Included in staff costs	10 000	15 676		
The amounts recognised in statements of other comprehensive income				
Remeasurement of post-employment benefit obligations relating to change in financial and demographic assumptions		8 583		
The principal actuarial assumptions used for accounting purposes were:				
Discount rate	10.75%	11.34%		
Medical inflation	8.57%	9.24%		
Remaining service life of employees	17.7 years	18.4 years		
Retirement age	60 years	60 years		
Mortality rates used:				
During employment: SA85-90 (Light) ultimate table				
Post-employment: PA (90) ultimate table rated down two years plus 1% improvement per annum (from a base year of 2006).				
Current active employee members:				
Particulars in respect of the current employee members belonging to the medical scheme for which there is a post-retirement medical aid liability as at the reporting date are as follows:				
Number of employees	310	312		
Average age	43.1 years	42.6 years		
Current pensioner members				
Details of the current pensioner members belonging to the medical aid fund are as follows:				
Number of employees	91	91		
Average age	67.2 years	66.8 years		

35. Post-employment benefits continued**35.2 Post-employment healthcare benefits****Sensitivity analysis**

		% change in obligation			
Assumption	Change in assumption	GROUP		COMPANY	
		2019	2018	2019	2018
Healthcare cost inflation:	1% increase	17.40	10.24		
	1% decrease	(14.00)	(8.24)		
Mortality rate:	PA (90)-1	3.20	3.20		
Discount rate:	1% increase	17.10	17.90		
	1% decrease	(13.60)	(14.20)		

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied as when calculating the pension liability recognised within the statement of financial position.

Through its defined post-employment medical plan, the company is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities.
Inflation risk	The company post-employment medical obligation is linked to inflation, and higher inflation will lead to higher liabilities.
Life expectancy	The company post-employment medical obligation is to provide benefits for the life of the member, so an increase in life expectancy will result in an increase in the plan's liabilities.

36. Related party transactions

36.1 Parent

SBN Holdings Limited is a subsidiary of Standard Bank Group Limited.

36.2 Joint ventures

Refer to note 8.1 and Annexure A for further disclosure on investment in subsidiaries. Also refer to note 8.2 and Annexure 8 for further disclosure on investment in joint venture.

36.3 Key management personnel

Key management personnel has been defined as directors of the group company and executive management of Standard Bank Namibia Limited. Non-executive directors are included in the definition of key management personnel as required by IFRS. The definition of key management includes the close members of family of key management personnel and any entity over which key management exercises control or joint control. Close members of family are those family members who may be expected to influence, or be influenced by, that person in their dealings with Standard Bank Namibia Limited. They may include the individual's domestic partner and children, the children of the person's domestic partner, and dependants of the individual or the individual's domestic partner.

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Key management compensation				
Salaries and other short-term benefits	45 429	41 955		
Post-employment benefits	3 262	3 137		
IFRS 2 value of share options and rights expensed	7 332	5 804		
	56 023	50 896		
The transactions below are entered into in the normal course of business.				
Loans and advances				
Loans outstanding at beginning of the year	33 533	31 483		
Change in key management structures	(1 829)	1 655		
Net loans granted during the year	(4 374)	395		
Loans outstanding at end of the year	27 330	33 533		
Interest income				
Loans include mortgage loans, vehicle and asset finance and credit cards. No specific impairments have been recognised in respect of loans granted to key management in the current or prior year.				
The mortgage loans and vehicle and asset finance are secured by the underlying assets.				
All other loans are unsecured.				
Deposit and current accounts				
Deposits outstanding at beginning of the year	2 165	3 370		
Change in key management structures	(144)	220		
Net deposits received during the year	2 857	(1 425)		
Deposits outstanding at end of the year	4 878	2 165		

Interest paid on deposit and current accounts is in the ordinary course of business.

Deposits include cheque, current and savings accounts.

36. Related party transactions continued**36.4 Purchase/(rendering) of services**

			GROUP	
	Relationship	Type	2019 N\$'000	2018 N\$'000
SBSA	Fellow subsidiary	Royalty fees	79 083	70 642
SBSA	Fellow subsidiary	Information technology	20 945	14 156
SBSA	Fellow subsidiary	License fees	19 767	9 494
SBSA	Fellow subsidiary	Other services	1 792	1 025
SBSA	Fellow subsidiary	Training	548	10
Stanbic Bank Kenya Ltd	Fellow subsidiary	Other services	1 314	
Stanbic Bank Uganda	Fellow subsidiary	Other services	580	1 057
Standard Bank Malawi	Fellow subsidiary	Other services	59	
Namclear (Pty) Ltd	Joint venture	Interbank clearing costs	20 342	17 205
			144 430	113 589

36.5 Commissions and dividends received/(paid)

SBSA	Fellow subsidiary	Commission paid	(3 061)	(12 281)
SBSA	Fellow subsidiary	Commission received	429	8 313
SBSA	Parent company	Dividends paid	(108 000)	(216 000)
Purros Investment (Pty) Ltd	Sister Company	Dividends paid	(12 000)	(24 000)
			(122 632)	(243 968)

36.6 Interest income/(expense)

SBSA	Fellow subsidiary	Interest income	104 324	57 826
SBSA	Fellow subsidiary	Interest expense	(85 297)	(25 746)
			19 027	32 080

36.7 Trading income

SBSA	Fellow subsidiary	Trading income	22 590	24 428
			22 590	24 428

36.8 Contributions to funds

Standard Bank Namibia Pension Fund	Defined contribution plan	Contributions	65 989	62 465
			65 989	62 465

36. Related party transactions continued

36.9 Related party year end balances

			GROUP	
	Relationship	Type	2019 N\$'000	2018 N\$'000
Receivables from related parties				
SBSA	Fellow subsidiary	Trading assets	10 348	5 011
SBSA	Fellow subsidiary	Loans and advances	1 599 399	1 243 894
Stanbic Bank Botswana Ltd	Fellow subsidiary	Loans and advances	487	683
Stanbic Bank Zambia Ltd	Fellow subsidiary	Loans and advances		1
Stanbic Bank Kenya Ltd	Fellow subsidiary	Loans and advances	1 179	34
SBSA	Fellow subsidiary	Derivatives	93 571	25 133
SBSA	Fellow subsidiary	Other assets	12 972	204 003
Stanbic Bank Zimbabwe Ltd	Fellow subsidiary	Other assets	90	
Standard Bank Mauritius	Fellow subsidiary	Other assets	30	
Purros Investment (Pty) Ltd	Sister company	Other assets	361	
			1 718 437	1 477 759

The loans issued to subsidiaries and fellow subsidiaries are repayable on demand. Interest is charged based on the prevailing market rate. The loans are unsecured and the loans are fully performing.

Derivatives are carried at fair value.

Sundry receivables with subsidiaries and fellow subsidiaries are repayable on demand and attract no interest. All related-party transactions were made on terms equivalent to those that prevail in arm's length transactions.

	Relationship	Type	2019 N\$'000	2018 N\$'000
Payables to related parties				
SBSA	Fellow subsidiary	Deposit and current accounts	1 394 362	3 221
Stanbic Bank Botswana Ltd	Fellow subsidiary	Deposit and current accounts	26	26
Stanbic Bank Zambia Ltd	Fellow subsidiary	Deposit and current accounts	293	
Standard Bank Angola	Fellow subsidiary	Deposit and current accounts	118	492 243
SBSA	Fellow subsidiary	Derivatives	55 470	7 582
SBSA	Fellow subsidiary	Other liabilities	64 155	324 510
Purros Investment (Pty) Ltd	Sister company	Other liabilities	3	
Stanbic Bank Uganda	Fellow subsidiary	Other liabilities	222	
Stanlib (Pty) Ltd	Fellow subsidiary	Other liabilities	18	831
Stanlib (Namibia) (Pty) Ltd	Fellow subsidiary	Other liabilities		33
Stanbic Bank Zimbabwe Ltd	Fellow subsidiary	Other liabilities	60	
SBSA	Fellow subsidiary	Subordinated debt	101 776	101 816
			1 616 613	930 262

Deposit and current accounts held with subsidiaries and fellow subsidiaries are repayable on demand. Interest is charged based on the prevailing market rate. Sundry payables with subsidiaries and fellow subsidiaries are repayable on demand and attract no interest.

37. Equity-linked transactions

37.1 Share-based payments

The group's share incentive schemes enable key management personnel and senior employees to benefit from the performance of Standard Bank Group Limited and Liberty Holdings Limited shares.

	GROUP		COMPANY	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Summary of the company's share incentive schemes and expenses recognised in staff costs:				
Equity-settled share-based payments (GSIS and Purros)	34 385	14 510		
Cash-settled share-based payments (EGS)		8		
Deferred Bonus Scheme 2012 (DBS 2012)	6 219	10 940		
Total expense recognised in staff costs	40 604	25 458		
Summary of liabilities recognised in other liabilities:				
Deferred Bonus Scheme 2012 (DBS 2012)	4 826	13 991		
Total liability recognised in other liabilities	4 826	13 991		

37.2 Equity compensation plans

The group has three equity compensation plans, namely the company Share Incentive Scheme (GSIS), the Equity Growth Scheme (EGS) and the Purros Share Scheme. The Group Share Incentive Scheme, which is equity-settled, confers rights to employees to acquire ordinary shares at the value of the SBG share price at the date the option is granted. The Equity Growth Scheme, which is cash-settled, was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights. The Purros Share Scheme, which is equity-settled, confers right to employees to acquire ordinary shares in SBN Holdings at the date the option is granted.

The three schemes have five different sub-types of vesting categories as illustrated by the table below:

Vesting categories	Year	% vesting	Expiry
Type A	3, 4, 5	50, 75, 100	10 years
Type B	5, 6, 7	50, 75, 100	10 years
Type C	2, 3, 4	50, 75, 100	10 years
Type D	2, 3, 4	33, 67, 100	10 years
Type E	3, 4, 5	33, 67, 100	10 years
Purros	1.5, 2.5, 3.5	33, 67, 100	31 December 2019

37.2.1 Equity-settled share-based payments

Group Share Incentive Scheme

A reconciliation of the movement of share options is detailed below:

	Option price range (N\$)		Number of rights	
	2019	2018	2019	2018
Options outstanding at beginning of the year				
Exercised	62.39 – 98.80	62.39 – 98.80	32 200 (17 200)	41 300 (9 100)
Lapsed			(12 500)	
Transferred in/(out)			3 750	
Options outstanding at the end of the year			6 250	32 200

Share options were exercised regularly throughout the year. The weighted average share price for the year was ZAR183.51 (2018: ZAR192.35).

37. Equity-linked transactions continued

37.2 Equity compensation plans continued

37.2.1 Equity-settled share-based payments continued

The following options granted to employees, including executive directors, had not been exercised at 31 December 2019:

Number of ordinary shares	Option price range	Weighted average price	Option expiry year
6 250	99	99	Year to 31 December 2021
6 250			

The following options granted to employees, including executive directors, had not been exercised at 31 December 2018:

Number of ordinary shares	Option price range	Weighted average price	Option expiry year
3 200	62.39	62.39	31/12/2019
6 500	111.94	111.94	31/12/2020
22 500	93.74 – 98.80	97	31/12/2021
32 200			

Purros Trust Share Scheme

This consists of restricted shares granted to all qualifying employees. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights. No dealing in the shares was allowed before 31 December 2019. Forfeiture is applicable if employee is dismissed.

	Option price range (N\$)		Number of rights	
	2019	2018	2019	2018
Shares outstanding at beginning of the year			5 092 780	4 433 221
Increase due to subdivision of shares			25 463 900	
Shares allocated during the year	29.84	29.84	4 078 308	763 813
Forfeited			(19 210)	(104 254)
Vested during the year			(34 015 778)	
Shares outstanding at the end of the year				5 092 780

All shares vested on 31 December 2019.

The following shares granted to employees, including executive directors, had not vested at 31 December 2018:

Number of ordinary shares	Option price range	Weighted average price	Option expiry year
306 618	29.84	29.84	31/12/2019

37. Equity-linked transactions continued**37.2 Equity compensation plans** continued**37.2.2 Cash-settled share-based payments**

All employees granted an annual performance award over a threshold and who are in employment in a company entity domiciled outside of South Africa have part of their award deferred. In addition the group makes special awards to qualifying employees in employment of the group. The awards are classified as cash-settled awards.

The award units are denominated in Namibia, the value of which moves parallel to the changes in the price of the SBG shares listed on the JSE and accrue notional dividends over the vesting period which are payable on vesting.

Awards vest in three equal tranches at 18 months, 30 months and 42 months from the date of award. Final pay-out is determined with reference to SBG share price on vesting date.

Currency	Weighted average fair value at grant date	Expected life at grant date (years)	2019 units					Outstanding
			Opening balance	Granted	Exercised	Forfeited	Transferred between group companies	
NAD	N\$182.43	3	42 481	20 138	(15 370)	(4 913)		42 336
ZAR			2 415				(2 415)	

Currency	Weighted average fair value at grant date	Expected life at grant date (years)	2018 units					Outstanding
			Opening balance	Granted	Exercised	Forfeited	Transferred between group companies	
NAD	N\$220.97	2.51	33 317	20 267	(11 103)			42 481
ZAR	R220.97	2.51	1 924	1 132	(641)			2 415

37. Equity-linked transactions continued

37.3 Deferred bonus scheme (DBS)

It is essential for the group to retain key skills over the longer term. This is done particularly through share-based incentive plans. The purpose of these plans is to align the interests of the group, its subsidiaries and employees, as well as to attract and retain skilled, competent people.

The group has implemented a scheme to defer a portion of incentive bonuses over a minimum threshold for key management and executives. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates retention of key employees.

The purpose of the Deferred Bonus Scheme 2012 is to encourage a longer-term outlook in business decision making and closer alignment of performance with long-term value creation.

All employees granted an annual performance award over a threshold have part of their award deferred. The award is indexed to the group's share price and accrues notional dividends during the vesting year, which are payable on vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final pay-out is determined with reference to the group's share price on vesting date.

The provision in respect of liabilities under the scheme amounts to N\$4 826 thousand at 31 December 2019 (2018: N\$13 991 thousand) and the amount charged for the year was N\$6 219 thousand (2018: N\$10 940 thousand). The change in liability is due to the change in the group share price.

	Units	
	2019	2018
Reconciliation		
Units outstanding at beginning of the year	33 853	65 057
Exercised	(23 289)	(30 107)
Lapsed	(2 061)	(1 097)
Transfers	(682)	
Units outstanding at end of the year	7 821	33 853

37. Equity-linked transactions continued**37.4 Performance reward plan**

The Performance reward plan ('PRP') is performance-driven share plan which rewards value delivered against specific targets. The PRP incentivises a group of senior executives to meet the strategic long-term objectives that deliver value to shareholders, to align the interests of those executives with those of shareholders and to act as an attraction and retention mechanism in a highly competitive marketplace for skills. The PRP operates alongside the existing conditional, equity-settled long-term plans, namely the EGS, DBS, and other share incentive schemes.

The awards are indexed to the group's share price and accrues notional dividends during the vesting period, which are payable on vesting. Shares that vest (if any), and that are delivered to the employee, are conditional on the pre-specified performance metrics. These awards have been partially hedged through the use of equity forwards.

Awards are issued to individuals in employment of a group entity domiciled outside of South Africa are classified as cash-settled.

	Units	
	2019	2018
Movement summary		
Units outstanding at beginning of the year	47 900	52 400
Granted	13 170	11 400
Exercised	(22 670)	(18 700)
Lapsed		2 800
Transfers		
Units outstanding at end of the year	38 400	47 900
Weighted average fair value at grant date	N\$182.43	N\$220.97
Expected life (years)	3.07	3.07

38. Segment reporting

The group is organised on the basis of products and services and the segments have been identified on this basis. The principal business units in the group are as follows:

Scope of operations

Business unit

Personal & Business Banking

Banking and other financial services to individual customers and small-to-medium-sized enterprises. We enable customers to take control of all their financial aspects such as transacting, saving, borrowing or planning by making use of the following product sets either through face to face interaction or digitally, according to their preference.

Transactional products

Comprehensive suite of transactional, saving, investment, trade, foreign exchange, payment and liquidity management solutions made accessible through a range of physical and digital channels.

Mortgage lending

Residential accommodation loans to mainly personal market customers.

Card products

- Credit card facilities to individuals and businesses (credit card issuing)
- Merchant transaction acquiring services (merchant solutions)

Instalment sale and finance leases

- Finance of vehicles for retail market customers
- Finance of vehicles and equipment in the business and corporate assets market
- Fleet solutions

Lending products

- Lending products offered to both personal and business markets
- Business lending offerings constitute a comprehensive suite of lending product offerings, structured working capital finance solutions and commercial property finance solutions

Wealth and investment

- Short- and long-term insurance products comprising:
 - simple products, including loan protection plans sold in conjunction with related banking products, homeowners' insurance, funeral cover, household contents and vehicle insurance
 - complex insurance products, including life, disability and investment policies sold by qualified intermediaries
- Financial planning and modelling
- Integrated fiduciary services, including fiduciary advice, will drafting and custody services, as well as trust and estates administration
- Tailored banking, wealth management, investment and advisory services solutions for private high net worth individuals
- Investment services, including global asset management

38. Segment reporting continued**Scope of operations** continued**Business unit** continued

<p>Corporate & Investment Banking</p> <p>Corporate and investment banking services to clients including governments, parastatals, larger corporates, financial institutions and multinational corporates.</p>	<p>Client coverage</p> <ul style="list-style-type: none"> • Relationship management • Sector expertise <p>Global markets</p> <ul style="list-style-type: none"> • Money Market Instruments • Commodity trading • Equities • Foreign exchange • Interest rates trading and structuring • Exchange trade products • Credit trading <p>Transactional products and services</p> <ul style="list-style-type: none"> • Transactional banking • Investor services • Trade finance • Cash management <p>Investment banking</p> <ul style="list-style-type: none"> • Advisory • Principle finance • Debt solutions • Structured trade finance and commodity finance • Debt capital markets
<p>Other services</p>	<p>Includes the results of support functions, which are either centralised or embedded in the business segments. The direct costs of support functions are recharged to the business segments. These functions include:</p> <ul style="list-style-type: none"> • Operations • IT • Governance • Finance • Human Capital • Marketing and Communications • Compliance • Risk • Internal Audit • Legal

38. Segment reporting continued

Scope of operations continued

The segment report includes the consolidated results of each business unit containing all the activities of the business units across the group. No geographical segment information is disclosed due to the fact that business activities predominantly relate to Namibia.

	Personal & Business Banking	
	2019	2018
	N\$'000	N\$'000
GROUP		
Net interest income	1 803 928	1 660 027
Inter-segment revenue	(748 225)	(737 193)
Non-interest revenue	853 837	803 843
Total income	1 909 540	1 726 677
Credit impairment charges	(234 324)	(101 177)
Income after credit impairment charges	1 675 216	1 625 500
Operating expenses	(1 148 171)	(1 145 183)
Net income	527 045	480 317
Share of profits from associates and joint ventures		
Net income before indirect taxation	527 045	480 317
Indirect taxation	(16 861)	(15 963)
Profit before direct taxation	510 184	464 354
Direct taxation	(142 865)	(128 820)
Profit/(loss) for the year	367 319	335 534
Operating information		
Total assets	19 573 557	19 136 683
Total liabilities	17 787 532	8 536 107
Other information		
Investment in associate		
Depreciation	73 370	38 541
Amortisation		

39. Basic and diluted earnings per ordinary share

The calculation of earnings per share is as follows:

	GROUP	
	2019	2018
Basic earnings attributable to shareholders (N\$'000)	613 498	552 423
Weighted average number of shares in issue ('000) ¹	502 832	100 000
Basic earnings per ordinary shares (cents) ¹	122	552

¹ On 29 May 2019, the group effected a sub-division of its ordinary shares which previously amounted to 100 000 000, on a one to five basis, thereby increasing the total number of authorised ordinary shares to 500 000 000 shares. Therefore comparability will not be achieved as a result of this sub-division.

Basic earnings per ordinary share equals diluted earnings per share as there are no potential dilutive ordinary shares in issue.

	Corporate & Investment Banking		Other		Total	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
	(430 606)	(439 680)	(40 779)	(325)	1 332 543	1 220 022
	780 641	767 196	(32 416)	(30 003)		
	386 199	338 054	22 720	(16 188)	1 262 756	1 125 709
	736 234	665 570	(50 475)	(46 516)	2 595 299	2 345 731
	(4 841)	5 560			(239 165)	(95 617)
	731 393	671 130	(50 475)	(78 426)	2 356 134	2 250 114
	(370 187)	(384 952)	30 321	77 922	(1 488 037)	(1 451 709)
	361 206	286 178	(20 154)	31 910	868 097	798 405
			3 929	3 410	3 929	3 410
	361 206	286 178	(16 225)	34 818	872 026	801 815
	(2 440)	(4 397)	(13 704)	(12 766)	(33 005)	(33 126)
	358 766	281 781	(29 929)	22 554	839 021	768 689
	(90 016)	(76 630)	7 358	(10 816)	(225 523)	(216 266)
	268 750	205 151	(22 571)	11 738	613 498	552 423
	14 479 608	12 473 636	1 158 766	191 737	35 211 931	31 802 056
	13 362 639	18 737 303	69 749	1 237 509	31 219 920	28 510 919
			15 435	11 506	15 435	11 506
	1 664	466	37 171	29 225	112 205	68 232
	359		30 309	24 078	30 668	24 078

40. Net asset value and tangible net asset value per share

	GROUP	
	2019	2018
Net asset value per share (cents)	794	3 291
Net tangible asset value per share (cents)	704	2 992
Weighted number of shares in issue ('000)	502 832	100 000

¹ On 29 May 2019, the group effected a sub-division of its ordinary shares which previously amounted to 100 000 000, on a one to five basis, thereby increasing the total number of authorised ordinary shares to 500 000 000 shares. Therefore comparability will not be achieved as a result of this sub-division.

Annexure A – Subsidiaries

Nature of operation		Issued share capital N\$	Effective holding		Net indebtedness	
			2019 %	2018 %	2019 N\$'000	2018 N\$'000
Standard Bank Namibia Limited	Banking services	2 000 015	100	100	186 408	225 300
Arleo Investments Sixteen (Pty) Ltd	Property holding company	1 000	100	100		
Standard Insurance Brokers (Namibia) (Pty) Limited	Insurance broking services	1	100	100		
Stanfin (Namibia) (Pty) Limited	Insurance broking services	2	100	100		
MobiCash Payments Solutions (Pty) Ltd	Mobile and payment services	10 000	50.91			

All subsidiaries are incorporated within Namibia. All subsidiary undertakings are included in the consolidation. The proportion of voting rights in the subsidiary undertakings held directly by the company does not differ from the proportion of ordinary shares held.

Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	MobiCash Payment Solutions (Pty) Ltd	
	2019 N\$'000	2018 N\$'000
Summarised balance sheet		
Current assets	19 072	
Current liabilities	9 949	
Current net assets	9 123	
Non-current assets	15 920	
Non-current liabilities	5 070	
Non-current net assets	10 850	
Net assets	19 973	
Accumulated NCI	14 169	
Summarised statement of comprehensive income		
Revenue	78 881	
Total comprehensive income	1 010	
Profit allocated to NCI	496	

Annexure B – Joint venture

Namclear (Pty) Limited		
Ownership structure	Joint venture	
Nature of business	Clearing of interbank transactions	
Principal place of business and country of incorporation	Namibia	
Year end	December	
Accounting treatment	Equity accounted	
Date to which equity accounted	31 December 2019	
	2019	2018
Effective holding (%)	25	25
	N\$'000	N\$'000
Income statement		
Total income	59 806	52 025
Total profit for the year	15 715	13 639
Total comprehensive income	15 715	13 639
Statement of financial position		
Cash and cash equivalents	40 994	28 686
Non-current assets	54 227	47 793
Current assets	54 432	38 820
Non-current liabilities	(32 007)	(29 928)
Current liabilities	(14 912)	(10 662)
Net asset value	61 740	46 023
Proportion of net asset value based on effective holding	15 435	11 506
Carrying value	15 435	11 506
Share of total comprehensive income from joint venture	3 929	3 410

Namclear has no quoted market price available for its shares.

There are no contingent liabilities relating to the bank's interest in the joint venture. There are also no significant restrictions on the ability of joint ventures to transfer funds to the bank in the form of cash dividends or repayments of loans or advances.

Annexure C – Risk and capital management

Overview

Capital management

The group's capital management function is designed to ensure that regulatory requirements are met at all times and that the group and its principal subsidiaries are capitalised in line with the group's risk appetite and target ratios, both of which are approved by the board.

It further aims to facilitate the allocation and use of capital, such that it generates a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of the group's budget and forecasting process. The capital plan is tested under a range of stress scenarios as part of the group's annual ICAAP and recovery plan.

The capital management function is governed primarily by management level subcommittees that oversee the risks associated with capital management, namely the asset and liability committee (ALCO) and one of its subcommittees, the capital management committee. The principal governance documents are the capital management governance framework and the model risk governance framework.

Risk management

The group's activities give rise to various financial as well as insurance risks. Financial risks are categorised into credit, funding and liquidity and market risk.

The group's approach to managing risk and capital is set out in the group's risk, compliance and capital management (RCCM) governance framework approved by risk management committee and ALCO.

Capital management

The group manages its capital levels to support business, growth, maintain depositor and creditors confidence, create value for the shareholders and ensure regulatory compliance.

The main regulatory requirements to be complied with are those specified in the Banks Act and related regulations, which are aligned with Basel III.

Regulatory capital adequacy is measured through the following three risk-based ratios:

Common equity tier 1 (CET 1): ordinary share capital, share premium, retained earnings, other reserves and qualifying non-controlling interest less impairments divided by total risk weighted assets (RWA).

Tier 1: CET 1 and other qualifying non-controlling interest plus perpetual, non-cumulative instruments with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Perpetual non-cumulative preference shares that comply with Basel I and Basel II rules are included in tier I capital but are currently subject to regulatory phase-out requirements over a 10-year period, which commenced on 1 January 2013.

Total capital adequacy: tier 1 plus other items such as general credit impairments and subordinated debt with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Subordinated debt that complies with Basel I and Basel II rules is included in total capital but is currently subject to regulatory phase-out requirements, over a 10-year period, which commenced on 1 January 2013.

BASEL III REGULATORY CAPITAL (UNAUDITED)

	GROUP		BANK	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Tier 1				
Ordinary share capital and premium	643 234	443 234	793 230	593 230
Ordinary shareholders' reserves	3 151 231	2 426 261	2 389 641	2 031 406
	3 794 465	2 869 495	3 182 871	2 624 636
Less: regulatory adjustments	(298 130)	(121 596)	(298 130)	(121 596)
Intangible assets	(160 582)	(59 792)	(160 582)	(59 792)
Deferred tax asset	(89 989)	(39 279)	(89 989)	(39 279)
Defined benefit pension fund assets and liabilities	(47 559)	(22 525)	(47 559)	(22 525)
Common equity tier 1 capital	3 496 335	2 747 899	2 884 741	2 503 040
Tier II				
Subordinated debt	100 000	100 000	100 000	100 000
Current unappropriated profits	344 247	267 005	316 365	202 419
General allowance for credit impairments	234 696	252 199	234 696	252 199
	678 943	619 204	651 061	554 618
Total eligible capital (including unappropriated profits)	4 175 278	3 367 103	3 535 802	3 057 658

CAPITAL ADEQUACY RATIOS (UNAUDITED)

	Minimum regulatory require- ment %	Target ratio %	Including unappropriated profits		Excluding unappropriated profits	
			2019 %	2018 %	2019 %	2018 %
GROUP						
Total capital adequacy ratio	10	11 – 12	15.31	14.39	15.31	14.39
Tier I capital adequacy ratio	7	7.7 – 8.2	13.97	12.88	12.60	11.74
Tier I leverage ratio	6	6.6 – 7.2	9.47	8.98	8.54	8.19
BANK						
Total capital adequacy ratio	10	11 – 12	14.14	13.05	14.14	13.05
Tier I capital adequacy ratio	7	7.7 – 8.2	12.80	11.55	11.54	10.68
Tier I leverage ratio	6	6.6 – 7.2	8.73	8.11	7.87	7.50

BASEL III RISK-WEIGHTED ASSETS (UNAUDITED)

	GROUP		BANK	
	2019 N\$'000	2018 N\$'000	2019 N\$'000	2018 N\$'000
Credit risk	21 827 334	20 436 891	21 552 357	20 212 533
Market risk	413 719	364 572	413 719	364 572
Operational risk	2 783 568	2 603 516	3 036 583	2 852 041
Total risk-weighted assets	25 024 621	23 404 979	25 002 659	23 429 146



CREDIT RISK

Definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk (including borrowers and trading counterparties), concentration risk and country risk.

Approach to managing and measuring credit risk

The group's credit risk is a function of its business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk arising from derivative and securities financing contracts entered into with our customers and trading counterparties. To the extent equity risk is held on the banking book, it is also managed under the credit risk governance framework, except in so far as approval authority rests with the board risk committee (BRC). The management of credit risk is aligned to the group's three lines of defence framework. The business function owns the credit risk assumed by the group and as the first line of defence is primarily responsible for its management, control and optimisation in the course of business generation.

The credit function acts as the second line of defence and is responsible for providing independent and objective approval and oversight for the credit risk-taking activities of business, to ensure the process of procuring revenue, while assuming optimal risk, is undertaken with integrity. Further second-line oversight is provided by the group risk function through independent credit risk assurance.

The third line of defence is provided by group internal audit (GIA), under its mandate from the board audit committee (BAC). The fourth line of defence is provided by external audit.

Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the group, from an individual facility level through to an aggregate portfolio level
- defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions
- monitoring the group's credit risk exposure relative to approved limits
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within the group's approved risk appetite. All primary lending credit limits are set and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD). Pre-settlement counterparty credit risk (CCR) inherent in trading book exposures is measured on a potential future exposure (PFE) basis, modelled at a defined level of confidence, using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

Credit risk mitigation

Wherever warranted, the group will attempt to mitigate credit risk, including CCR to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit risk mitigation policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

In the case of collateral where the group has an unassailable legal title, the group's policy is such that collateral is required to meet certain criteria for recognition in loss given default (LGD) modelling, including that it:

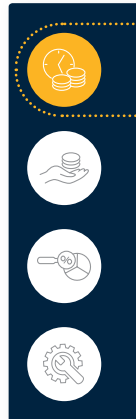
- is readily marketable and liquid
- is legally perfected and enforceable
- has a low valuation volatility
- is readily realisable at minimum expense
- has no material correlation to the obligor credit quality
- has an active secondary market for resale.

The main types of collateral obtained by the group for its banking book exposures include:

- mortgage bonds over residential, commercial and industrial properties
- cession of book debts
- pledge and cession of financial assets
- bonds over plant and equipment
- the underlying movable assets financed under leases and instalment sales.

Reverse repurchase agreements and commodity leases to customers are collateralised by the underlying assets.

Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker obligors. Guarantors include banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.



For trading and derivatives transactions where collateral support is considered necessary, the group typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure (CSA).

Netting agreements, such as collateral under the CSA of an ISDA agreement, are only obtained where the group firstly, has a legally enforceable right to offset credit risk by way of such an agreement, and secondly, where the group has the intention of utilising such agreement to settle on a net basis.

Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if the mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

Wrong-way risk arises in transactions where the likelihood of default (i.e. the probability of default (PD) by a counterparty and the size of credit exposure (as measured by EAD) to that counterparty tend to increase at the same time. This risk is managed both at an individual counterparty level and at an aggregate portfolio level by limiting exposure to such transactions, taking adverse correlation into account in the measurement and mitigation of credit exposure and increasing oversight and approval levels. The group has no appetite for wrong-way risk arising where the correlation between EAD and PD is due to a legal, economic, strategic or similar relationship (i.e. specific wrong-way risk). General wrong-way risk, which arises when the correlation between EAD and PD for the counterparty is due mainly to macro factors, is closely managed within existing risk frameworks.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, the group implements hedging and other strategies from time-to-time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.

Credit portfolio characteristics and metrics

Maximum exposure to credit risk

Debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the group's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the group's master rating scale. The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable PPB portfolios. The group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

Default

The group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The group will not rebut IFRS 9's 90 days past due rebuttable presumption.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- a breach of contract, such as default or delinquency in interest and/or principal payments
- disappearance of active market due to financial difficulties
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY

	Gross carrying amount N\$'000	SB 1 – 12		SB 13 – 20	
		Stage 1 N\$'000	Stage 2 N\$'000	Stage 1 N\$'000	Stage 2 N\$'000
2019					
Loans and advances at amortised cost					
PBB	19 196 458			15 898 715	
Mortgage loans	11 739 977			9 181 485	
Vehicle and asset finance	2 904 936			2 541 197	
Card debtors	175 900			154 195	
Other loans and advances	4 375 644			4 021 837	
Personal unsecured lending	1 868 727			1 750 621	
Business lending and other	2 506 917			2 271 216	
CIB	7 038 138	4 437 208		2 516 680	71 585
Corporate	2 474 949	25 397		2 404 803	32 085
Sovereign	1 726 283	1 574 905		111 878	39 500
Bank	2 836 906	2 836 906			
Gross carrying amount	26 234 595	4 437 207		18 415 395	71 585
Less: total credit impairment on loans and advances	(599 102)				
Net carrying amount of loans and advances measured at amortised cost	25 635 493				
Financial investments measured at amortised cost					
Sovereign	54 756	54 756			
Gross carrying amount	54 756	54 756			
Less: total expected credit loss for financial investments measured at amortised cost					
Net carrying amount of financial investments measured at amortised cost	54 756				
Financial investments at fair value through OCI					
Sovereign	2 075 524	2 075 524			
Gross carrying amount	2 075 524	2 075 524			
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	(3 004)				
Total financial investment at fair value through OCI	2 072 520				
Off-balance sheet exposures					
Letters of credit and banker's acceptances	62 451	62 451			
Guarantees	2 086 955	1 179 640		846 856	60 459
Unutilised facilities	4 329 351	3 764 710		527 942	36 590
Total exposure to off-balance sheet credit risk	6 478 757	5 006 801		1 374 798	97 049
Expected credit losses for off-balance sheet exposures	(3 955)				
Net carrying amount of off-balance sheet exposures	6 474 802				
Total exposure to credit risk on financial assets subject to an expected credit loss	34 237 571				
Add the following exposures not subject to ECL:					
Cash and balances with the central bank – held at fair value ¹	1 526 148				
Derivative assets	149 910				
Other financial investments	1 933 512				
Trading assets	268 177				
Pledged asset	580 098				
Interest in joint ventures ²	15 435				
Other financial assets ³	1 319 988				
Total exposure to credit risk	40 073 731				

¹ Balances with central banks are not subjected to ECL considerations due to the rigorous regulatory requirements of these transactions and its link to the underlying entities ability to operate as a bank. Amount represents deposits placed in currencies as issued by the central banks with which they are stored.

² Due to historical experience interests in joint ventures are regarded as a low probability of default.

³ Due to the short term nature of these financial assets and historical experience, other amortised cost financial assets are regarded as having a low probability of default.

SB 21 – 25		Default	Total gross carrying amount of default exposures N\$'000	Securities and expected recoveries on default exposures N\$'000	Interest in suspense on default exposures N\$'000	Balance sheet expected credit loss on default exposures N\$'000	Gross default coverage %	Non-performing exposures %
Stage 1 N\$'000	Stage 2 N\$'000	Stage 3 N\$'000						
	1 741 302	1 556 441	1 556 441	1 188 315	48 890	319 235		
	1 227 452	1 331 040	1 331 040	1 080 753	36 834	213 453	19	11
	300 638	63 101	63 101	10 645		52 456	83	2
	18 662	3 043	3 043			3 042	100	2
	194 550	159 257	159 257	96 917	12 056	50 284		
	100 007	18 099	18 099	933	654	16 512	95	1
	94 543	141 158	141 158	95 984	11 402	33 772	32	6
	12 664			(134)		134		
	12 664			(134)		134		
	1 753 966	1 556 441	1 556 441	1 188 181	48 890	319 369		

97	12
97	12



CREDIT RISK

MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY

	Gross carrying amount N\$'000	SB 1 – 12		SB 13 – 20	
		Stage 1 N\$'000	Stage 2 N\$'000	Stage 1 N\$'000	Stage 2 N\$'000
2018					
Loans and advances at amortised cost					
PBB	17 878 450			14 705 407	
Mortgage loans	11 337 242			8 827 966	
Vehicle and asset finance	3 055 859			2 693 057	
Card debtors	219 397			186 899	
Other loans and advances	3 265 952			2 997 485	
Personal unsecured lending	1 348 081			1 221 886	
Business lending and other	1 917 871			1 775 599	
CIB	6 063 654	4 335 335	130 285	1 596 086	
Corporate	3 102 499	1 374 180	130 285	1 596 086	
Sovereign	1 328 365	1 328 365			
Bank	1 632 790	1 632 790			
Gross carrying amount	23 942 104	4 335 335	130 285	16 301 493	
Less: total credit impairment on loans and advances	(466 734)				
Net carrying amount of loans and advances measured at amortised cost	23 475 370				
Financial investments measured at amortised cost					
Sovereign	50 577	50 577			
Gross carrying amount	50 577	50 577			
Less: total expected credit loss for financial investments measured at amortised cost					
Net carrying amount of financial investments measured at amortised cost	50 577				
Financial investments at fair value through OCI					
Sovereign	2 761 493	2 761 493			
Gross carrying amount	2 761 493	2 761 493			
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	(613)				
Total financial investment at fair value through OCI	2 760 880				
Off-balance sheet exposures					
Letters of credit and banker's acceptances	4 240	4 240			
Guarantees	2 168 011	2 167 295	716		
Irrevocable unutilised facilities	3 962 613	3 943 308	19 305		
Total exposure to off-balance sheet credit risk	6 134 864	6 114 843	20 021		
Expected credit losses for off-balance sheet exposures	(6 155)				
Net carrying amount of off-balance sheet exposures	6 128 709				
Total exposure to credit risk on financial assets subject to an expected credit loss	32 415 536				
Add the following exposures not subject to ECL:					
Cash and balances with the central bank – held at fair value ¹	1 546 357				
Derivative assets	33 237				
Other financial investments	1 640 596				
Trading assets	134 812				
Interest in associates, joint ventures and subsidiaries ²	11 506				
Other financial assets ³	801 453				
Total exposure to credit risk	36 583 497				

¹ Balances with central banks are not subjected to ECL considerations due to the rigorous regulatory requirements of these transactions and its link to the underlying entities ability to operate as a bank. Amount represents deposits placed in currencies as issued by the central banks with which they are stored.

² Due to historical experience interests in joint ventures measured at amortised cost are regarded as a low probability of default.

³ Due to the short term nature of these financial assets and historical experience, other amortised cost financial assets are regarded as having a low probability of default.

SB 21 – 25		Default	Total gross carrying amount of default exposures N\$'000	Securities and expected recoveries on default exposures N\$'000	Interest in suspense on default exposures N\$'000	Balance sheet expected credit loss on default exposures N\$'000	Gross default coverage %	Non-performing exposures %
Stage 1 N\$'000	Stage 2 N\$'000	Stage 3 N\$'000						
	2 346 760	826 283	826 283	606 955	91 638	127 882	27	5
	1 862 946	646 330	646 330	535 314	66 053	44 963	17	6
	300 497	62 305	62 305	14 732		47 573	76	2
	28 695	3 803	3 803			3 803	100	2
	154 622	113 845	113 845	56 909	25 585	31 543	50	3
	103 389	22 806	22 806	96	3 303	19 599	100	2
	51 233	91 039	91 039	56 813	22 282	11 944	38	5
		1 948	1 948	779		1 169	60	
		1 948	1 948	779		1 169	60	
	2 346 760	828 231	828 231	607 734	91 638	129 051		



Credit impairment losses on loans and advances

Loans and advances are assessed for possible impairment at each reporting date. Before impairments are allocated to individual loans, consideration is first given to whether there is evidence of a decrease in expected cash flows from a portfolio of loans and advances. This will include estimations of the emergence period between the date of the occurrence of the loss event and the identification of that loss. Portfolio impairments are calculated for both performing and non-performing but not

specifically impaired loans. Factors such as national- and industry-specific economic conditions, the extent of early arrears and any legislation that could affect recovery, are all considered when calculating the portfolio impairment charge.

For those non-performing loans (NPL) where there is objective evidence of default, specific impairments are calculated using methodologies that include inputs such as segmentation, modelled expected loss (EL) and PD. Estimates of future cash flows on individually impaired loans are based on historical loss experience for similar loans.

Concentration risk

Concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, an industry, a product, a geography, maturity, or collateral. The group's credit risk portfolio is well-diversified. The group's management approach relies on the reporting of concentration risk along key dimensions, the setting of portfolio limits and stress testing.

IFRS: INDUSTRY SEGMENTAL ANALYSIS GROSS LOANS AND ADVANCES

	2019 N\$'000	2018 N\$'000
Agriculture	742 434	713 394
Construction	279 547	190 070
Electricity	1 709 557	858 536
Finance, real estate and other business services	6 711 135	4 608 613
Individuals	14 878 991	14 838 101
Manufacturing	648 890	420 257
Mining	295 072	916 960
Other services	497 653	1 154 347
Transport	289 822	103 159
Wholesale	181 494	138 664
Gross loans and advances	26 234 595	23 942 101

All loans are recorded in Namibia.

IFRS: SEGMENTAL ANALYSIS OF STAGE 3 ECL

	2019 N\$'000	2018 N\$'000
Agriculture	(14 657)	(4 730)
Construction	(3 068)	(722)
Electricity	(966)	(532)
Finance, real estate and other business services	(103 569)	(6 208)
Individuals	(176 338)	(76 345)
Manufacturing	(4 972)	(463)
Mining	(61)	(7)
Other services	(12 679)	(30 708)
Transport	(928)	(3 480)
Wholesale	(1 997)	(4 687)
Total	(319 235)	(127 882)

All impairments relate to loans that are recorded in Namibia.

Collateral

The table on the following page shows the financial effect that collateral has on the group's maximum exposure to credit risk. The table is presented according to Basel asset categories and includes collateral that may not be eligible for recognition under Basel but that management takes into consideration in the management of the group's exposures to credit risk. All on- and off-balance sheet exposures that are exposed to credit risk, including NPL, have been included.

Collateral includes:

- financial securities that have a tradable market, such as shares and other securities
- physical items, such as property, plant and equipment
- financial guarantees, suretyships and intangible assets.

Netting agreements, which do not qualify for offset under IFRS but which are nevertheless enforceable, are included as part of the group's collateral. All exposures are presented before the effect of any impairment provisions.

Of the group's total exposure, 20% (2018: 10%) is unsecured and mainly reflects short-term exposures to individuals.

	Total exposure N\$'000	Unsecured N\$'000	Secured N\$'000	Collateral coverage – Total collateral	
				1% to 50% N\$'000	50% to 100% N\$'000
2019					
Corporate	8 674 409	2 278 331	6 396 078	6 396 078	
Sovereign	3 856 563		3 856 563		3 856 563
Bank	2 836 905		2 836 905		2 836 905
Retail	21 955 142	5 272 377	16 682 765	4 342 788	12 339 977
Retail mortgage	12 339 977		12 339 977		12 339 977
Other retail	9 615 165	5 272 377	4 342 788	4 342 788	
Total	37 323 019	7 550 708	29 772 311	10 738 866	19 033 445
Add: Financial assets not exposed to credit risk	3 780 832				
Add: Interest in financial instruments of group companies	15 435				
Less: Impairments for loans and advances	(599 102)				
Less: Unrecognised off balance sheet items	(6 478 757)				
Total exposure	34 041 930				
Reconciliation to statement of financial position:					
Cash and balances with central banks	1 526 148				
Derivative assets	149 910				
Trading assets	268 177				
Pledged assets	580 098				
Financial investments	4 063 792				
Loans and advances	25 635 493				
Interest in subsidiaries and joint ventures	15 435				
Other financial assets	1 270 273				
Total	34 041 930				

Collateral continued

	Total exposure N\$'000	Unsecured N\$'000	Secured N\$'000	Collateral coverage – Total collateral	
				1% to 50%	50% to 100%
2018					
Corporate	8 803 531	1 575 538	7 227 993		7 227 993
Sovereign	4 139 822		4 139 822		4 139 822
Bank	1 632 790		1 632 790		1 632 790
Retail	20 367 867	1 567 479	18 800 388		18 800 388
Retail mortgage	11 818 300		11 818 300		11 818 300
Other retail	8 549 567	1 567 479	6 982 088		6 982 088
Total	34 944 010	3 143 017	31 800 993		31 800 993
Add: Financial assets not exposed to credit risk	1 874 598				
Add: Interest in financial instruments of group companies	11 506				
Less: Impairments for loans and advances	(466 734)				
Less: Unrecognised off balance sheet items	(6 134 865)				
Total exposure	30 793 387				
Reconciliation to statement of financial position:					
Cash and balances with central banks	1 546 357				
Derivative assets	33 237				
Trading assets	134 812				
Financial investments	4 452 053				
Loans and advances	23 475 367				
Assets in group companies and joint ventures	11 506				
Other financial assets	575 183				
Total	30 228 515				



FUNDING AND LIQUIDITY RISK

Definition

Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Approach to managing liquidity risk

The nature of the group's banking and trading activities gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide the group with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The group manages liquidity in accordance with applicable regulations and within the group's risk appetite framework. The group's liquidity risk management governance framework supports the measurement and management of liquidity across both the corporate and retail sectors to ensure that payment obligations can be met by the group's legal entities, under both normal and stressed conditions. Liquidity risk management ensures that the group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times. The group manages liquidity risk as three interrelated pillars, which are aligned to the Basel III liquidity requirements.

Structural liquidity risk management

Structural requirements

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of liquid assets and core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

Structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the company's defined liquidity risk thresholds. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis with active management intervention if potential limit breaches are evidenced. The behaviourally adjusted cumulative liquidity mismatch remains within the company's liquidity risk appetite. In order to ensure ongoing compliance with statutory and internal risk management guidelines, certain short-term assets are profiled as long dated.

Maturity analysis of financial liabilities by contractual maturity

The following table analyses cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay (except for trading liabilities and derivative liabilities, which are presented as redeemable on demand) and will, therefore, not agree directly to the balances disclosed in the consolidated Statement of financial position (SOFPP).

Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. Management considers only contractual maturities to be essential for understanding the future cash flows of derivative liabilities that are designated as hedging instruments in effective hedge accounting relationships. All other derivative liabilities, together with trading liabilities, are treated as trading and are included at fair value in the redeemable on demand bucket since these positions are typically held for short periods of time.

The table also includes contractual cash flows with respect to off-balance sheet items. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

	Redeemable on demand N\$'000	Maturing within 1 month N\$'000	Maturing between 1 – 6 months N\$'000	Maturing between 6 – 12 months N\$'000	Maturing after 12 months N\$'000	Total N\$'000
GROUP						
2019						
Liabilities						
Derivative liabilities					142 511	142 511
Trading liabilities					14 881	14 881
Deposits and current accounts	17 176 178	532 107	3 869 251	3 882 457	2 875 979	28 335 972
Debt issued securities		19 400		200 050	1 371 895	1 591 345
Other financial liabilities					616 154	616 154
Total	17 176 178	551 507	3 869 251	4 082 507	5 021 420	30 700 863
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	56 632	114	5 705			62 451
Financial guarantees	1 195 109	2 844	16 413		872 589	2 086 955
Unutilised borrowing facilities	4 329 351					4 329 351
Total	5 581 092	2 958	22 118		872 589	6 478 757
2018						
Liabilities						
Derivative liabilities			25 714			25 714
Trading liabilities	980					980
Deposits and current accounts	16 274 756	487 864	4 484 706	2 022 421	2 606 701	25 876 448
Loans from group companies	100 625	2 640	56 304	58 469	1 273 784	1 491 822
Debt issued securities				109 864	1 842 745	1 952 609
Provisions and Other liabilities	576 803					576 803
Total	16 953 164	490 504	4 566 724	2 190 754	5 723 230	29 924 376
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	218		2 438		1 585	4 241
Financial guarantees	494 663		8 130		1 665 218	2 168 011
Unutilised borrowing facilities	3 962 613					3 962 613
Total	4 457 494		10 568		1 666 803	6 134 865



MARKET RISK

Definition

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

The group's key market risks are:

- trading book market risk
- Interest rate in the banking book (IRRBB)
- foreign currency risk

Trading book market risk

Definition

Trading book market risk is represented by financial instruments, including commodities, held in the trading book, arising out of normal global markets' trading activity.

Approach to managing market risk in the trading book

The group's policy is that all trading activities are undertaken within the group's global markets' operations.

The market risk functions are independent of the group's trading operations and are overseen by the market risk committee which is accountable to the relevant legal entity ALCOs.

All Value at Risk ('VaR') and Stressed Value at Risk ('SVaR') limits require prior approval from the respective entity ALCOs. The market risk functions have the authority to set these limits at a lower level.

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to bring exposures back in line with approved market risk appetite, with such breaches being reported to management and ALCO.

VaR and SVaR

The group uses the historical VaR and SVaR approach to quantify market risk under normal and stressed conditions.

For risk management purposes VaR is based on 251 days of unweighted recent historical data updated at least monthly, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:

- calculate 250 daily market price movements based on 251 days' historical data. Absolute movements are used for interest rates and volatility movements; relative for spot, equities, credit spreads, and commodity prices
- calculate hypothetical daily profit or loss for each day using these daily market price movements

- aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are unlikely to occur.

Limitations of historical VaR are acknowledged globally and include:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature
- the use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This will usually not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully
- the use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.

VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposures. VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

Approach to managing IRRBB

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings ('IRBB') (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The group's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group operates. The group's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of ALCO.

Measurement

The analytical techniques used to quantify IRRBB include both earnings- and valuation-based measures. The analysis takes into account embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.



Foreign currency risk

Definition

The group's primary non-trading-related exposures to foreign currency risk arise as a result of the translation effect on the group's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

Approach to managing foreign currency risk

The group manages the risk according to existing legislation, Namibian exchange control regulations and accounting parameters. It takes into account naturally offsetting risk positions and manages the group's residual risk by means of forward exchange contracts, currency swaps and option contracts.

Foreign currency risk sensitivity analysis

The table that follows reflects the expected financial impact, in N\$ equivalent, resulting from a 5% shock to foreign currency risk exposures. The sensitivity analysis is based on net open foreign currency exposures arising from designated net investment hedges, other derivative financial instruments, foreign-denominated cash balances and accruals and intragroup foreign-denominated debt. The sensitivity analysis reflects the sensitivity to OCI and profit or loss on the group's foreign denominated exposures.

FOREIGN CURRENCY RISK SENSITIVITY IN N\$ EQUIVALENTS¹

			USD	Euro	GBP	Other	Total
GROUP							
2019							
Total net long/(short) position	N\$'000		10 656	4 255	26	2 096	
Sensitivity	%		5	5	5	5	
Impact on profit or loss	N\$'000		533	213	1	105	852
Total net long/(short) position	N\$'000		10 656	4 255	26	2 096	
Sensitivity	%		(5)	(5)	(5)	(5)	
Impact on profit or loss	N\$'000		(533)	(213)	(1)	(105)	(852)
2018							
Total net long/(short) position	N\$'000		37 037	129 907	972	37 868	
Sensitivity	%		5	5	5	5	
Impact on profit or loss	N\$'000		1 852	6 495	49	1 893	10 289
Total net long/(short) position	N\$'000		37 037	129 907	972	37 868	
Sensitivity	%		(5)	(5)	(5)	(5)	
Impact on profit or loss	N\$'000		(1 852)	(6 495)	(49)	(1 893)	(10 289)

¹ Before tax.



OPERATIONAL RISK

Introduction

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Reputational risk and strategic risk are, in line with general market convention, excluded from the definition of operational risk.

Operational risk exists in the natural course of business activity. It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor possible. The group's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist management in understanding their inherent risk and reducing their risk profile in line with the group's risk tolerance while maximising their operational performance and efficiency.

Framework

The group has set minimum requirements for managing operational risk through the group operational risk governance standard. These requirements have been fully implemented and embedded across the group.

The framework sets out a structured and consistent approach for managing operational risk across the group. The risk management approach involves identifying, assessing, measuring, managing, mitigating, and monitoring the risks associated with operations, enabling comprehensive analysis and reporting of the group's operational risk profile.

The framework is based on the following core components:

- **Risk identification and control methodology:** Facilitates the identification of risks and the management thereof across each business and operational function. It comprises two key elements:
 - **Risk and control self-assessments:** Each business unit and group enabling function is required to analyse its business activities and critical processes to identify the key operational risks to which it is exposed, and assess the adequacy and effectiveness of its controls. For any area where management concludes that the level of residual risk is beyond an acceptable level, it is required to define action plans to reduce the level of risk. The assessments are facilitated, monitored and challenged by the relevant operational risk function aligned to each business unit and group enabling function.
 - **Indicators:** Based on the key risks and controls identified above, relevant indicators are used to monitor key business environment and internal control factors that may influence the group's operational risk profile. Each indicator has trigger thresholds to provide an early-warning indicator of potential risk exposures and/or a potential breakdown of controls.
 - **Operational risk incidents:** All areas are required to report operational risk incidents to their relevant operational risk function. The definition of operational risk incidents includes not only events resulting in actual loss, but those resulting in non-financial impacts and near misses. This process is intended to enable the root cause of individual incidents, or trends of incidents, to be analysed and actions taken to reduce the exposure or to enhance controls.

All incidents relating to the group are consolidated within a central group database, which is also integrated with risk and control self-assessments and indicators.

- **Reporting:** Operational risk reports are produced on both a regular and an event-driven basis. The reports include a profile of the key risks to business units' achievement of their business objectives, relevant control issues and operational risk incidents. Specific reports are prepared on a regular basis for the relevant business unit committees and for the board risk committee.

The primary responsibility for managing operational risk forms part of the day-to-day responsibilities of management and employees at all levels. Business line management is ultimately responsible for owning and managing risks resulting from their activities. The risks are managed where they arise.

The operational risk management function is independent from business line management and is part of the second line of defence. It is organised as follows:

- A central function, based at a group level, provides group wide oversight and reporting. It is also responsible for developing and maintaining the operational risk management framework.
- The primary oversight body for operational risk is RMC, which reports to Exco, the BRC and ultimately the board. RMC is chaired by the group head of risk and includes representation from group specialist functions and business units. RMC is also responsible for approving group wide operational risk policies and methodologies.
- In addition to the operational risk management function, there are individual focus areas on particular aspects of operational risk, including:
 - specialist functions that are responsible for oversight of specific components of operational risk, including compliance, legal, financial crime, information security and business continuity management
 - an internal financial controls framework has been established to ensure the robust control over balance sheet substantiation and other key financial controls
 - within the group's IT and operations functions, there are dedicated areas focused on the day-to-day management of operations control and IT risk.



Measuring operational risk

The group continues to calculate capital based on the standardised approach in accordance with BON requirements.

Specialist operational risk types

The definition of operational risk is very broad. Operational risk contains specific sub-risks that are subject to management and oversight by dedicated specialist functions.

Model risk

The term model refers to a quantitative method, system or approach that applies statistical, economic, financial, or mathematical principles and processes to translate input data into quantitative estimates. The group uses models to measure risk across the various risk types. Examples include credit grading, pricing, valuation and risk appetite metrics.

Model risk is the potential for adverse consequences from measurement, pricing and management decisions based on incorrect or inappropriate use of models. Incorrect or inappropriate use of models may arise from incorrect assumptions, incomplete information, inaccurate implementation and limited model understanding leading to incorrect conclusions by the user.

The group's approach to managing model risk is based on the following principles:

- All new models, both internal and external, are subject to validation and independent review in which the various components of a model and its overall functioning are evaluated to determine whether the model is performing as intended.
- The three lines of defence governance model is adopted, being model development, independent model validation and internal audit oversight functions.
- Appropriateness and fit-for-purpose use of models in technical forums is challenged.
- Model validation summaries that highlight model limitations and recommend improvements.
- Implementation of approved models into production systems is controlled.
- Model performance, including requirements for an annual review process, is monitored on an ongoing basis.
- Data that is used as model inputs, which includes independent price testing of mark-to-market positions is reviewed and governed. Where this is not available, industry consensus services are used.
- Governance is achieved through committees with appropriate board and executive management members for material models, and through policies which deal with minimum standards, materiality, validation criteria, approval criteria, roles and responsibilities.
- Auditable, skilled and experienced pool of technically competent staff is maintained.

Taxation risk

In terms of the group tax policy, the group fulfils its responsibilities under tax law in each jurisdiction in which it operates, both in terms of domestic and international taxes with specific reference to transfer pricing principles across jurisdictions, whether in relation to compliance, planning or client service matters. Tax law includes all responsibilities which the group may have in relation to group taxes, personal taxes, indirect taxes and tax administration.

Compliance with this policy is aimed at ensuring that the group pays neither more nor less tax than tax law requires. The group continually reviews its existing and planned operations in this regard and ensures that, where clients participate in group products, these clients are either aware of the probable tax implications or are advised to consult with independent professionals to assess these implications, or both.

The framework to achieve compliance with the group tax policy comprises four elements:

- Identification and management of tax risk
- Human resources policies, including an optimal mix of staffing and outsourcing
- Skills development, including methods to maintain and improve managerial and technical competency
- Communication of information affecting tax within the group.

Good corporate governance in the tax context requires that each of these elements is in place, as the absence of any one would seriously undermine the others.

Legal risk

Legal risk is defined as exposure to the adverse consequences of non-compliance with legal or statutory responsibilities and/or inaccurately drafted contracts and their execution, as well as the absence of written agreements or inadequate agreements. This includes exposure to new laws, as well as changes in interpretations of existing law by appropriate authorities. This applies to the full scope of group activities and may also include others acting on behalf of the group.

Legal risk arises where:

- the group's businesses or functions may not be conducted in accordance with, or benefit from, applicable laws in the countries in which it operates
- regulatory requirements are incorrectly applied
- the group may be liable for damages to third parties
- contractual obligations may be enforced against the group in an adverse way, resulting from legal proceedings being instituted against it.

The following sub-categories of legal risk are recognised:

- Contract non-conclusion risk
- Contract unenforceability risk
- Security interest failure risk
- Netting and set-off disallowance risk
- Adverse tax and regulatory treatment risk
- Contract breach, damages and fines risk
- Copyright loss or contravention risk
- Litigation risk
- Anti-competitive behaviour risk.

The group has processes and controls in place to manage its legal risk. Failure to manage these risks effectively could result in legal proceedings impacting the group adversely, both financially and reputationally.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss or damage to reputation that the group may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice that are applicable to its financial services activities.

Approach to compliance risk management

The group's approach to managing compliance risk is proactive and premised on internationally accepted principles of risk management, including those recommended by Basel. It is aligned with other group risk type methodologies. Group compliance supports business in complying with current and emerging regulatory developments, including money laundering and terrorist financing control, sanctions management, identifying and managing conflicts of interest and market abuse and mitigating reputational risk.

Framework and governance

Compliance risk management is a core risk management activity overseen by the BRC. The head of compliance has unrestricted access to the chief executive and to the chairman of the BAC, thereby ensuring the function's independence.

The group's compliance framework is based on the principles of effective compliance risk management, as outlined in the Banking Institutions Act, and recommendations from international policy-making bodies. Our business compliance model includes dedicated compliance support and advisory services to business which is supplemented by training.

A robust risk management reporting and escalation procedure requires both business unit and functional area heads to report monthly and quarterly on the status of compliance risk management in the group.

Money laundering and terrorist financing control

Legislation across the group pertaining to money laundering and terrorist financing control imposes significant requirements in terms of:

- customer identification
- record keeping
- staff training
- obligations to detect, prevent and report money laundering and terrorist financing.

SBG minimum standards are implemented throughout the group. The group also subscribes to the principles of the Financial Action Task Force, an inter-governmental body developing and promoting policies to combat money laundering and terrorist financing, of which Namibia is a member country.

Compliance training

Employees are made aware of their responsibilities in terms of current and emerging legislative and regulatory requirements through ongoing training and awareness initiatives. Employees, including senior management, are made aware of their legislative responsibilities either through e-learning, face-to-face interventions or through targeted awareness campaigns. Training is key to embedding a culture of compliance in the group.

Regulatory change

The group aims to embed regulatory best practice in our operations in a way that balances the interests of various stakeholders, while supporting the long-term stability and growth in the markets where we have a presence.

The group's regulator is the Bank of Namibia (BON). BON supervises both the group and SBN, the banking entity, on a consolidated basis.

Environmental and social risk

Environmental and social risk assessment and management deals with two aspects, being those over which:

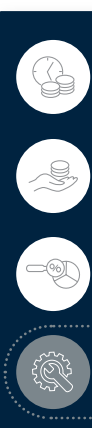
- we do not have control but which have potential to impact on our operations and those of our clients
- we have direct control such as waste management and the use of energy and water.

The SBG sustainability management unit develops the strategy, policy and management frameworks which enable the identification, management, monitoring and reporting of both of these aspects.

The uncontrolled aspects include threats to the global environment result from changing global climate and its impact on weather patterns, fresh water, infrastructure, economic growth and social resilience. The group uses two approaches to screen and process projects, namely the Equator Principles for project finance loans and an internally developed appraisal system for other financial product types. These tools are designed to identify the risks associated with a transaction and the customer's ability to manage environmental and social issues, as well as the risks associated with the transaction itself such as the nature and value of the loan, and the industry sector involved.

All project finance deals will in future be screened for climate change risk and human rights impacts. This is in addition to the more traditional environmental and social risks which include those associated with occupational health and safety, relocation of communities and the impact on livelihoods of individuals.

In relation to the controllable aspects, energy use, water use, waste production and carbon emissions resulting from our operations are recorded within an environmental management system. This is used both for improving efficiency and reporting to key stakeholders.



From a governance perspective, the group's material issues are divided into six broad categories which form the basis of engagement on sustainability issues with the group executive committee and the board. These are:

- sustainable long-term financial performance
- governance, regulation and stakeholder engagement
- sustainable and responsible financial services
- socioeconomic development
- a positive and consistent employee experience
- the environment.

Business continuity management and resilience

Business continuity management is defined as a holistic management process that identifies potential impacts that threaten the group and provides a basis for planning in mitigation to these operational impacts. It further provides a framework for building resilience and the capability for an effective response that safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

The group has business resiliency and continuity plans in place to ensure its ability to operate on an ongoing basis and limit losses in the event of severe business disruptions.

Crisis management is based on a command and control process for managing the business through a crisis to full recovery. These processes may also be deployed to manage non-operational crises, including business crises, at the discretion of senior management.

Contingency and recovery plans for core services, key systems and priority business activities have been developed and are revisited as part of existing management processes to ensure that continuity strategies and plans remain relevant.

Information risk management

Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of the group's information resources, which compromises confidentiality, integrity or availability. Information risk management deals with all aspects of information in its physical and electronic forms. It focuses on the creation, use, transmission, storage, disposal and destruction of information.

The operational risk function through its Information Risk Office, is responsible for establishing information risk management inclusive of an information risk management framework, and promotes information risk management policies and practices across the group.

The execution of these policies and standards is functionally overseen by the group chief technology and operations officer.

Financial crime control

Financial crime includes fraud, money laundering, violent crime and misconduct by staff, customers, suppliers, business partners, stakeholders and third parties. The group will not condone any instance of financial crime and where these instances arise, the group takes timely and appropriate remedial action

Financial crime control is defined as the prevention and detection of, and response to, all financial crime in order to mitigate economic loss, reputational risk and regulatory sanction.

The group's financial crime control unit is mandated by the BAC to provide capabilities which minimise the overall impact of financial crime on the group. This ensures the safety of our people and assets, and builds trust with our stakeholders.

The group's financial crime control function reports to the head of risk. This function enables a holistic view of the status and landscape of financial crime prevention, detection and response, including emerging threats. The head of financial crime control has unrestricted access to executives and the chairperson of the BAC, thereby supporting the function's independence.

Occupational health and safety

The health and safety of all employees remains a priority. Training of health and safety officers and employee awareness is an ongoing endeavour. Group policies are being rolled out to all operations and the number of incidents being reported is reducing.

Other risk

Business risk

Business risk is the risk of loss due to operating revenue not covering operating costs and is usually caused by the following:

- inflexible cost structures
- market-driven pressures, such as decreased demand, increased competition or cost increases
- group-specific causes, such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation.

It includes strategic risk and post-retirement obligation risk.

Business risk is governed by Exco which is ultimately responsible for managing the costs and revenues of the group.

The group mitigates business risk in a number of ways:

- Extensive due diligence during the investment appraisal process is performed, in particular for new acquisitions.
- New product processes per business line through which the risks and mitigating controls for new and amended products and services are tabled and discussed.
- Stakeholder management ensures favourable outcomes from external factors beyond the group's control.
- The profitability of product lines and customer segments is consistently monitored.
- Tight control is maintained over the group's cost base, including the management of its cost-to-income ratio. This allows for early intervention and management action to reduce costs where necessary.
- Being alert and responsive to changes in market forces.
- There is a strong focus in the budgeting process on achieving headline earnings growth while containing cost growth. In addition, contingency plans are built into the budget that allow for costs to be significantly reduced in the event that expected revenue generation does not materialise.
- The group continually aims to increase the ratio of variable costs to fixed costs, allowing for more flexibility to proactively reduce costs during economic downturn conditions.

Strategic risk

Strategic risk is the risk that the group's future business plans and strategies may be inadequate to prevent financial loss or protect the group's competitive position and shareholder returns.

The group's business plans and strategies are discussed and debated by members of management and non-executive board members.

Post-retirement obligation risk

Post-retirement obligation risk is the risk to the group's earnings that arises from the requirement to contribute as an employer to an under-funded defined benefit plan. The risk arises due to either an increase in the estimated value of medical liabilities or a decline in the market value of the fund's assets or reduction in their investment returns.

The group operates a defined contribution plan. The group maintains a number of defined benefit pension and medical aid provider schemes for past and certain current employees, collectively termed post-retirement obligations.

 AR Refer to note 35.

Reputational risk

Reputational risk results from damage to the group's image which may impair its ability to retain and generate business. Such damage may result in a breakdown of trust, confidence or business relationships.

Safeguarding the group's reputation is of paramount importance. Each business line, legal entity or support function executive is responsible for identifying, assessing and determining all reputational risks that may arise within their respective areas of business. The impact of such risks is considered alongside financial or other impacts.

Matters identified as a reputational risk to the group will be reported to the head of governance and legal who, if required, will escalate these matters to EXCO.

Should a risk event occur, the group's crisis management processes are designed to minimise the reputational impact of the event. Crisis management teams are in place both at executive and business line level to ensure the effective management of any such events. This includes ensuring that the group's perspective is fairly represented in the media.



Annexure D – Emoluments of directors

	GROUP	
	2019 N\$'000	2018 N\$'000
Executive directors	16 328	11 638
Non-executive directors	3 288	2 771
	19 616	14 409

Annexure E – Detailed accounting policies

The following are the significant accounting policies that were applied in the preparation of the group and company financial statements.

1. Basis of consolidation

Subsidiaries

Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses (where applicable) in the separate financial statements. The carrying amounts of these investments are reviewed annually for impairment indicators and, where an indicator of impairment exists, are impaired to the higher of the investment's fair value less costs to sell or value in use.

Consolidated financial statements

The accounting policies of subsidiaries that are consolidated by the group conform to the group's accounting policies. Intragroup transactions, balances and unrealised gains/(losses) are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. The proportion of comprehensive income and changes in equity allocated to the group and non-controlling interest are determined on the basis of the group's present ownership interest in the subsidiary.

Subsidiaries are consolidated from the date on which the group acquires control up to the date that control is lost. Control is assessed on a continuous basis.

Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

Foreign currency translations

Group companies

The results and financial position of foreign operations that have a functional currency that is different from the group's presentation currency are translated into the group's presentation currency as follows:

- assets and liabilities (including goodwill, intangible assets and fair value adjustments arising on acquisition) are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rate; and
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the group's foreign currency translation reserve (FCTR).

Transactions and balances

Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions (in certain instances a rate that approximates the actual rate at the date of the transaction is utilised, for example an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Foreign exchange gains and losses on equities (debt) classified as fair value through OCI are recognised in the fair value through OCI reserve in OCI (trading revenue) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of other revenue (trading revenue).

Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases the foreign currency gains and losses are recognised in the group's FCTR.

2. Interest in joint venture

Joint venture

Joint ventures are initially measured at cost and subsequently accounted for using the equity method at an amount that reflects the group's share of the net assets of the associate or joint venture (including goodwill).

Equity accounting is applied from the date on which the entity becomes a joint venture up to the date on which the group ceases to have significant influence or joint control.

Equity accounting of losses is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the group has an obligation or has made payments on behalf of the joint venture.

Unrealised profits from transactions are eliminated in determining the group's share of equity accounted profits. Unrealised losses are eliminated in the same way as unrealised gains (but only to the extent that there is no evidence of impairment).

Where there is an indicator of impairment the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying amount.

Impairment losses are recognised through non-trading and capital related items. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined, net of equity accounted losses, if no impairment loss had been recognised.

For a disposal of a joint venture, being where the group loses joint control over a joint venture, the difference between the sales proceeds and any retained interest and the carrying value of the equity accounted investment is recognised as a gain or loss in non-trading and capital related items. Any gains or losses in OCI reserves that relate to the joint venture are reclassified to non-trading and capital related items at the time of the disposal.

The accounting policies of joint venture have been changed where necessary to ensure consistency with the policies of the group.

3. Financial instruments

Initial measurement – financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

Financial assets

Nature

Amortised cost	<p>A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):</p> <ul style="list-style-type: none"> • Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. <p>This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default.</p>
Fair value through OCI	<p>A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):</p> <ul style="list-style-type: none"> • Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. <p>This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default.</p> <p>Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.</p>
Held for trading	<p>Financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.</p> <p>Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-trader margin.</p>
Designated at fair value through profit or loss	<p>Financial assets are designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise.</p>
Fair value through profit or loss – default	<p>Financial assets that are not classified into one of the above mentioned financial asset categories.</p>

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Amortised cost	<p>Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges.</p> <p>Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.</p>
Fair value through OCI	<p>Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss.</p> <p>Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income.</p> <p>Dividends received on equity instruments are recognised in other revenue within non-interest income.</p>
Held for trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.
Fair value through profit or loss – default	<p>Debt instruments: Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.</p> <p>Equity instrument: Fair value gains and losses on the financial asset recognised in the income statement as part of other gains and losses on financial instruments. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.</p>

Impairment

ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	<p>A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired:</p> <ul style="list-style-type: none"> • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

The key components of the impairment methodology are described as follows:

Significant increase in credit risk	<p>At each reporting date the company assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset.</p> <p>Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.</p>
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	<p>The group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:</p> <ul style="list-style-type: none"> • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider. <p>Exposures which are overdue for more than 90 days are also considered to be in default.</p>
Forward-looking information	Forward-looking information is incorporated into the group's impairment methodology calculations and in the group's assessment of SICR. The group includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

Reclassification

Reclassifications of debt financial assets are permitted when, and only when, the group changes its business model or managing financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments
- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value
- The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value
- The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at the date of reclassification.

Financial liabilities

Nature

Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: <ul style="list-style-type: none"> • to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis • where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.
Amortised cost	All other financial liability's not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	<p>Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue.</p> <p>Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.</p>
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	Derecognition	Modification
Financial assets	<p>Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.</p> <p>The group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.</p> <p>When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate.</p> <p>In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.</p>	<p>Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.</p> <p>If the terms are not substantially different for financial assets or financial liabilities, the group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).</p>
Financial liabilities	<p>Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.</p>	

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee; or
- unamortised premium.

Derivatives and embedded derivatives

In the normal course of business, the group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities.

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

In terms on IFRS 9 embedded derivatives included in hybrid instruments, where the host is a financial asset, is assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant group accounting policy.

The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

Hedge accounting – IAS 39

Derivatives are designated by the group into the following relationships:

TYPE OF HEDGE	NATURE	TREATMENT
Fair value hedges	Hedges of the fair value of recognised financial assets, liabilities or firm commitments.	<p>Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised immediately in profit or loss.</p> <p>If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.</p>
Cash flow hedges	Hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecasted transaction, or a highly probable forecast intragroup transaction.	<p>The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve. The ineffective part of any changes in fair value is recognised immediately in profit or loss.</p> <p>Amounts recognised in OCI are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in OCI are transferred and included in the initial measurement of the cost of the asset or liability.</p> <p>If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately reclassified to profit or loss.</p>
Net investment hedges	Hedges of net investments in a foreign operation.	The designated component of the hedging instrument that relates to the effective portion of the hedge, is recognised directly in the foreign currency hedge of net investment reserve. The ineffective part of any changes in fair value is recognised immediately in profit or loss. The cumulative gains and losses in OCI are accounted for similarly to cash flow hedges.

Hedge accounting risk management strategy

Where all relevant criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated at fair value. The group company apply hedge accounting in respect of the following risk categories.

Interest rate risk

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (IRRBB) (net interest income and banking book mark-to-market profit or loss). The group and company's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group and company operate.

The group and company's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO. The group and company's interest rate risk management is predominantly controlled by a central treasury department (group treasury) under approved policies. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. ALCO provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

In adherence to policies regarding interest rate risk management the group applies fair value hedge accounting in respect of the interest rate risk element only, present within the following exposures:

- Specifically identified long-term fixed interest rate Deposits and debt funding. To manage the risk associated with such risk exposures the group uses one or more cash collateralised fix for floating interest rate swaps that matches the critical terms or that exhibits the same duration as the of the underlying risk exposure.
- Specifically identified long-term interest rate basis risk (CPI vs. JIBAR) inherent in Loans and Advances. To manage the basis risk associated with such risk exposures the group uses one or more cash collateralised floating for floating basis interest rate swaps that matches the critical terms or that exhibits the same duration as the of the underlying risk exposure and
- The group and company observe interest rate risk in respect of these exposures using an unfunded cash collateralised interest rate derivatives discount curve. Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists using regression analysis between the hedged items and the hedging instruments for sensitivity of changes to changes in interest rate risk only.

The group and company use a combination of interest rate swaps and interest rate basis swaps to mitigate against the risk of changes in market value of hedged items for changes in interest rates. The group elects for each fair value interest rate risk hedging relationship, using swaps, to include forward points (basis) contained in the derivative instrument in the hedging relationship. Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness.

The group continues to apply IAS 39 hedge accounting requirements for 2019 and 2018.

4. Fair value

In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Fair value hierarchy

The group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Hierarchy levels

The levels have been defined as follows:

Level 1

Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Hierarchy transfer policy

Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

Item and description	Valuation technique	Main inputs and assumptions
Derivative financial instruments Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: <ul style="list-style-type: none"> Discounted cash flow model Black-Scholes model combination technique models. 	For level 2 and 3 fair value hierarchy items: <ul style="list-style-type: none"> discount rate* spot prices of the underlying entity correlation factors volatilities dividend yields earnings yield valuation multiples.
Trading assets and trading liabilities Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	
Pledged assets Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign and corporate debt, equities, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties.		
Financial investments Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, listed and unlisted equity instruments, investments in mutual fund investments and unit-linked investments.		

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Item and description	Valuation technique	Main inputs and assumptions
<p>Loans and advances to banks and customers</p> <p>Loans and advances comprise:</p> <ul style="list-style-type: none"> • Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks • Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements). 	<p>For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.</p>	<p>For level 2 and 3 fair value hierarchy items:</p> <ul style="list-style-type: none"> • discount rate*
<p>Deposits and debt funding</p> <p>Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.</p>	<p>For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.</p>	<p>For level 2 and 3 fair value hierarchy items:</p> <ul style="list-style-type: none"> • discount rate*

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Portfolio valuations

The group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits the group of financial assets and financial liabilities to be measured at fair value on a net basis, with the net fair value being allocated to the financial assets and financial liabilities.



Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

5. Employee benefits

Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
Defined contribution plans The group operates a number of defined contribution plans.  AFS See note 35 for more information.	Accruals are recognised for unpaid contributions.	No direct impact.	Contributions are recognised as an operating expense in the periods during which services are rendered by the employees.
Defined benefit plans The group operates a number of defined benefit retirement and post-employment medical aid plans. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries.  AFS See note 35 for more information.	Assets or liabilities measured at the present value of the estimated future cash outflows, using interest rates of government bonds denominated in the same currency as the defined benefit plan (corporate bonds are used for currencies for which there is a deep market of high-quality corporate bonds), with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets. A net defined benefit asset is only recognised to the extent that economic benefits are available to the group from reductions in future contributions or future refunds from the plan.	Remeasurements of the net defined benefit obligation, including actuarial gains and losses, the return on plan assets (excluding interest calculated) and the effect of any asset ceiling are recognised within OCI.	Net interest income/(expense) is determined on the defined benefit asset/(liability) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/(liability). Other expenses related to the defined benefit plans are also recognised in operating expenses. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in operating expenses. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.
Short-term benefits Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in operating expenses as the related service is provided.

6. Non-financial assets

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment										
<p>Tangible assets (property, equipment and land)</p> <p>Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Land is measured at cost less accumulative impairment losses.</p> <p>Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in operating expenses as incurred.</p> <p>Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.</p>	<p>Property and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values. Land is not depreciated.</p> <table><tr><td>Buildings</td><td>40 years</td></tr><tr><td>Computer equipment</td><td>3 – 5 years</td></tr><tr><td>Motor vehicles</td><td>4 – 5 years</td></tr><tr><td>Office equipment</td><td>5 – 10 years</td></tr><tr><td>Furniture</td><td>5 – 13 years</td></tr></table> <p>Leased assets: Shorter of useful life or lease term</p> <p>The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.</p>	Buildings	40 years	Computer equipment	3 – 5 years	Motor vehicles	4 – 5 years	Office equipment	5 – 10 years	Furniture	5 – 13 years	<p>These assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.</p> <p>An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use.</p> <p>Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.</p> <p>In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.</p> <p>For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest cash generating unit (CGUs).</p> <p>Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use.</p> <p>Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through non-trading and capital related items only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.</p>
Buildings	40 years											
Computer equipment	3 – 5 years											
Motor vehicles	4 – 5 years											
Office equipment	5 – 10 years											
Furniture	5 – 13 years											

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
<p>Goodwill</p> <p>Goodwill represents the excess of the consideration transferred and the acquisition date fair value of any previously held equity interest over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of the acquisition. The group's interest in acquired subsidiaries takes into account any non-controlling interest.</p> <p>Goodwill arising on the acquisition of subsidiaries (associates or joint ventures) is reported in the statement of financial position as part of 'Goodwill and other intangible assets' ('Interest in associates and joint ventures').</p>	Not applicable	<p>The accounting treatment is generally the same as that for tangible assets except as noted below.</p> <p>Goodwill is tested annually for impairment and additionally when an indicator of impairment exists.</p> <p>An impairment loss in respect of goodwill is not reversed.</p>
<p>Computer software</p> <p>Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred.</p> <p>However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets.</p> <p>Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use.</p> <p>Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.</p>	<p>Amortisation is recognised in operating expenses on a straight line basis at rates appropriate to the expected lives of the assets (two to 15 years) from the date that the asset is available for use.</p> <p>Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary</p>	<p>Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists.</p> <p>The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets.</p>
<p>Other intangible assets</p> <p>The group recognises the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in operating expenses as incurred.</p> <p>The group capitalises brands, customer lists, customer contracts, distribution forces and similar rights acquired in business combinations.</p> <p>Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.</p>	<p>Amortisation is recognised in operating expenses on a straight-line basis over the estimated useful lives of the intangible assets, not exceeding 20 years, from the date that the asset is available for use.</p> <p>Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.</p>	
<p>Derecognition</p> <p>Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.</p>		

7. Property developments and properties in possession

Property developments

Property developments are stated at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and where applicable, development and borrowing costs during development.

Properties in possession

Properties in possession are properties acquired by the group which were previously held as collateral for underlying lending arrangements that, subsequent to origination, have defaulted. The properties are initially recognised at cost and are subsequently measured at the lower of cost and its net realisable value. Any subsequent write-down in the value of the acquired properties is recognised as an operating expense. Any subsequent increases in the net realisable value, to the extent that it does not exceed its original cost, are also recognised within operating expenses.

8. Equity-linked transactions

Equity-settled share-based payments

The fair value of the equity-settled share-based payments are determined on grant date and accounted for within operating expenses (staff costs) over the vesting period with a corresponding increase in the group's share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against operating expenses and share-based payment reserve over the remaining vesting period.

On vesting of the equity-settled share-based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of the equity-settled share-based payment, any proceeds received are credited to share capital and premium.

Cash-settled share-based payments

Cash-settled share-based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses.

9. Leases – Lessee accounting policies

IFRS 16

Type and description	Statement of financial position	Income statement
IFRS 16 – Lessee accounting policies		
Single lessee accounting model All leases are accounted for by recognising a right-of-use asset and a lease liability except for: <ul style="list-style-type: none"> • leases of low value assets; and • leases with a duration of twelve months or less. 	Lease liabilities: Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the group) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. The group's internal funding rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes: <ul style="list-style-type: none"> • Amounts expected to be payable under any residual value guarantee; • The exercise price of any purchase option granted in favour of the group, should it be reasonably certain that this option will be exercised; • Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised. Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.	Interest expense on lease liabilities: A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.
	Right of use assets: Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: <ul style="list-style-type: none"> • lease payments made at or before commencement of the lease; • initial direct costs incurred; and • the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset. The group applies the cost model subsequent to the initial measurement of the right of use assets.	Depreciation on right of use assets: Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the group at the end of the lease term, whereby the right of use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses.
	Termination of leases: When the group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised.	Termination of leases: On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

Type and description	Statement of financial position	Income statement
IFRS 16 – Lessee accounting policies continued		
All leases that meet the criteria as either a lease of a low value asset or a short term lease are accounted for on a straight-line basis over the lease term.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.
Reassessment and modification of leases	<p>Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:</p> <p>When the group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.</p> <p>For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.</p> <p>For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.</p> <p>Lease modifications that are accounted for as a separate lease:</p> <p>When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.</p>	

Type and description	Statement of financial position	Income statement
IFRS 16 and IAS 17 – Lessor accounting policies		
Finance leases Leases, where the group transfers substantially all the risk and rewards incidental to ownership, are classified as finance leases.	Finance lease receivable, including initial direct costs and fees, are primarily accounted for as financing transaction in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances.	Finance charges earned within interest income are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. The tax benefits arising from investment allowances on assets leased to clients are accounted for within direct taxation.
Operating leases All leases that do not meet the criteria of a financial lease are classified as operating leases.	The asset underlying the lease continues to be recognised and accounted for in terms of the relevant group accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised.	<p>Operating lease income net of any incentives given to lessees, is recognised on the straight-line basis, or a more representative basis where applicable, over the lease term and is recognised in operating income.</p> <p>When an operating lease is terminated before the lease period has expired, any payment received/(paid) by the group by way of a penalty is recognised as income/(expense) in the period in which termination takes place.</p>
IFRS 16 – Lessor lease modifications		
Finance leases	<p>When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease.</p> <p>All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.</p>	
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.	

Type and description	Statement of financial position	Income statement
IAS 17 – Lessee accounting policies		
Finance leases Leases, where the group assumes substantially all the risk and rewards incidental to ownership, are classified as finance leases.	<p>The leased asset is capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments together with an associated liability to the lessor. Refer to non-financial assets accounting policy for the treatment of the leased asset.</p> <p>Lease payments less the interest component, which is calculated using the interest rate implicit in the lease or the group's incremental borrowing rate, are recognised as a capital repayment which reduces the liability to the lessor.</p>	<p>A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.</p>
Operating leases All leases that do not meet the criteria of a financial lease are classified as operating leases.	<p>Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.</p>	<p>Payments made under operating leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. Contingent rentals are expensed as they are incurred.</p> <p>When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.</p>

10. Equity

Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

Dividends

Distributions are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note to the annual financial statements.

11. Provisions, contingent assets and contingent liabilities

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, 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. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The group's provisions typically (when applicable) include the following:

Provisions for legal claims

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any).

Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

Provision for onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

Contingent assets

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

Contingent liabilities

Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

12. Taxation

Type	Description, recognition and measurement	Offsetting
Direct taxation: current tax	<p>Current tax is recognised in the direct taxation line in the income statement except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI.</p> <p>Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.</p>	Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.
Direct taxation: deferred tax	<p>Deferred tax is recognised in direct taxation except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI.</p> <p>Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences:</p> <ul style="list-style-type: none"> • the initial recognition of goodwill; • the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and • investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future. <p>The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.</p> <p>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 are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.</p> <p>Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the group the ability to control the reversal of the temporary difference.</p> <p>Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.</p>	
Indirect taxation	Indirect taxes, including non-recoverable value added tax (VAT), skills development levies and other duties for banking activities, are recognised in the indirect taxation line in the income statement.	Not applicable
Dividend tax	Taxes on dividends declared by the group are recognised as part of the dividends paid within equity as dividend tax represents a tax on the shareholder and not the group. Dividends tax withheld by the group on dividends paid to its shareholders and payable at the reporting date to the Namibian Receiver of Revenue (where applicable) is included in 'Other liabilities' in the statement of financial position.	Not applicable

13. Revenue and expenditure

Description	Recognition and measurement
Net interest income	<p>Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in net interest income using the effective interest method for all interest-bearing financial instruments. 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 or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.</p> <p>Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income.</p> <p>When a financial asset is classified as Stage 3 impaired, interest income is calculated on the impaired value (gross carrying amount less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only credit impairments when the financial asset is reclassified out of Stage 3. Dividends received on preference share investments classified as debt form part of the group's lending activities and are included in interest income.</p>
Net fee and commission revenue	<p>Fee and commission revenue, including accounting transaction fees, card-based commission, documentation and administration fees, electronic banking fees, foreign currency service fees, insurance based fees and commissions, and knowledge-based fees and commissions are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.</p> <p>Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.</p> <p>Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.</p>
Trading revenue	Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.
Customer loyalty programmes	The group's banking activities operate a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions of which they form a part. The consideration allocated to the reward credits is measured at the fair value of the reward credit and is recognised over the period in which the customer utilises the reward credits. Expenses relating to the provision of the reward credits are recognised in fee and commission expenses as and when they are incurred.
Dividend income	Dividends are recognised in interest income (other revenue) for debt (equity instruments) when the right to receipt is established. Scrip dividends are recognised as dividends received where the dividend declaration allows for a cash alternative.

Description	Recognition and measurement
Other gains/losses on financial instruments	Includes: <ul style="list-style-type: none"> Fair value gains and losses on financial assets that are classified at fair value through profit or loss (designated and default) The gain or loss on the derecognition of a debt financial asset classified as at fair value through OCI Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost Gains and losses arising from the reclassification of a financial asset from amortised cost to fair value Gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability as at amortised cost Fair value gains and losses on designated financial liabilities
Other revenue	Other revenue includes dividends on equity financial assets, underwriting profit from the group's short-term insurance operations and related insurance activities and re-measurement gains and losses from contingent consideration on disposals and purchases.

Offsetting

Income and expenses are presented on a net basis only when permitted by IFRS, or for gains and losses arising from a group of similar transactions.

14. Other significant accounting policies

Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance.

Fiduciary activities

The group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the group. However, fee income earned and fee expenses incurred by the group relating to the group's responsibilities from fiduciary activities are recognised in profit or loss.

Non-trading and capital related items

Non-trading and capital related items primarily include the following:

- gains and losses on disposal of subsidiaries, joint ventures and associates (including foreign exchange translation gains and losses)
- gains and losses on the disposal of property and equipment and intangible assets
- impairment and reversals of impairments of joint ventures and associates
- impairment of investments in subsidiaries, property and equipment, and intangible assets
- other items of a capital related nature.

15. New standards and interpretations not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2019 and have not been applied in preparing these annual financial statements.

Title: IFRS 3 Business Combinations (amendment)

Effective date: 1 January 2020 with earlier application permitted

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment is not expected to have a material impact on the group.

Title: IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments (amendments) and IAS 39 Financial Instruments: Recognition and Measurement

Effective date: 1 January 2020 with earlier application permitted

Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Title: IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Effective date: deferred the effective date for these amendments indefinitely until further notice

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.

Notice of annual general meeting

SBN Holdings Ltd
 (Incorporation in the Republic of Namibia)
 (Registration number 206/306)
 ISIN: NA0003475176
 Share Code (NSX): SNO
 SBN Holdings or the Company

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to all holders of ordinary shares in the company that the Annual General Meeting of the shareholders of the company will be held at Namibia Institute Public Administration Management (NIPAM), Paul Nash Street, Olympia, Windhoek, Namibia on 28 April 2020 at 9H00 for the following business:

1. Ordinary resolution number 1:

RESOLVED THAT the minutes of the previous annual general meeting be and hereby are approved.

2. Ordinary resolution number 2:

RESOLVED THAT the Annual Financial Statement for the year ended 31 December 2019 be adopted.

3. Ordinary resolution number 3:

RESOLVED THAT the final dividend declared on 26 February 2020 of 27 cents per ordinary shares be and hereby is approved

4. Ordinary resolution number 4: Re-election of directors by way of separate resolution.

To re-elect directors of the company who retire in terms of the Company's Articles of Association and who, being eligible, offers themselves for re-election. Biographical information of the directors to be re-elected is set out on pages 34 – 35 of the annual report.

- 4.1 Maria Dax (Independent Non-Executive Director)
- 4.2 Jeremia Muadinohamba (Independent Non-Executive Director)
- 4.3 Birgit Rossouw (Independent Non-Executive Director)

5. Ordinary Resolution Number 5: Election of directors by way of separate resolution.

To elect the following director of the company who were appointed by the Board of Directors effective 31 January 2020 and is now recommended by the Board of election by shareholders. Biographical information of the director to be elected is set out on page 37 of the Annual Report

- 5.1 Letitea Du Plessis

6. Ordinary resolution number 6:

RESOLVED THAT all the ordinary shares required for the purpose of carrying out the terms of the SBN Employee Share Incentive Scheme ("the scheme") be and are hereby specifically placed under the control of the trustees of the scheme, who are hereby authorized and shall have the power to allot and issue those shares as they become required for the purpose of carrying out and giving effect to the terms of the scheme.

7. Ordinary resolution number 7:

RESOLVED THAT all the authorized but unissued shares in the capital of the company be and hereby placed under the control of the directors who are hereby authorized to allot or issue shares on such terms and condition as they deem fit, subject to the provisions of the Banking Institution Act 2 of 1998, Companies Act 28 of 2004 ("the Act"), the Articles of the Company and the Listings Requirements of the Namibia Stock Exchange ("NSX"), which provide, inter alia, that:

- Such issue of shares shall not in the aggregate exceed 10% of the company's shares in issue; and
- The resolution for the issue of shares must be approved by a 75% majority vote cast in favor of such resolution.

8. Ordinary resolution number 8:

RESOLVED THAT PWC be reappointed as auditors of the company and authorise the directors to determine the remuneration of the auditors

9. Ordinary resolution number 9:

	No of Meetings per Annum	Proposed 2019/2020 Annual Fee	Calculated Fee per Meeting
Standard Bank Namibia Ltd & SBN Holdings Ltd			
Members	4	63 936	15 984
Chairperson	4	127 876	31 969
Standard Bank Namibia Ltd & SBN Holdings Ltd Retainer			
Members	4	77 732	19 433
Chairperson	4	155 280	38 820
Board Audit Committee			
Members	4	107 740	26 935
Chairperson	4	132 800	33 200
Board Risk Committee			
Member	4	107 740	26 935
Chairperson	4	132 800	33 200
Board Human Capital			
Member	2	53 870	26 935
Chairperson	2	66 400	33 200
Board Credit Committee			
Member	4	107 740	26 935
Chairperson	4	132 800	33 200
Board IT Committee			
Member	4	107 740	26 935
Chairperson	4	132 800	33 200
Board CSI			
Member	2	53 870	26 935
Chairperson	2	66 400	33 200
STANFIN (Namibia)(Pty) Ltd			
Member	4	107 740	26 935
Chairperson	4	132 800	33 200
Standard Insurance Brokers (Namibia)(Pty) Ltd			
Member	4	107 740	26 935
Chairperson	4	132 800	33 200

RESOLVED THAT the annual fees of the Non-Executive Directors remain unchanged as reflected below be approved for the 2019/2020 financial year:

10. Ordinary resolution number 10:

RESOLVED THAT the existing remuneration policy remain in force, no changes are proposed to the current policy and shareholders ratify the current Remuneration Policy.

11. Ordinary resolution number 11:

RESOLVED THAT the following directors be re-appointed as members of Audit Committee

B. Rossouw (Chairman)
N. Bassingthwaigthe
P. Nyandoro

12. Ordinary resolution number 12:

RESOLVED THAT any one of the directors and/or the Group Company Secretary be and are authorized to do all such things, sign all such documents procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to all of the resolution proposed and passed and passed at which this resolution is proposed.

Voting:

All holders of SBN Holdings shares will be entitled to attend and vote at the annual general meeting. On a show of hand every holder of SBN Holdings shares who is present in person, or in the case of a company, the representative appointed in terms of section 196 of the Company Act, shall have one vote.

On a poll, the holder of ordinary shares present in person or by proxy will each be entitled to one vote for every ordinary share held.

Proof of Identification required:

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholder's meeting. Forms of identification include valid identity documents and passports.

Proxies:

Each member entitled to attend and vote at the annual meeting is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and, on a poll, to vote in his /her stead. The form of proxy for the annual general meeting, which sets out the relevant instructions for its completion, accompanies this notice. In order to be effective, duly completed forms of proxy must be received at the office of the transfer secretary of the Company by no later than 15:00 on Thursday, 23 April 2020

By order of the board SBN Holdings Ltd

Sigrid Tjijorokisa
Group Company Secretary
24 February 2020

Registered Office

Standard Bank Namibia Ltd
No 1 Chasie Street, Kleine Kuppe, Windhoek
Po Box 21391, Windhoek, Namibia

Transfer Secretaries

4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia,

Form of proxy

For Completion by the registered ordinary shareholders who hold ordinary shares of the company and who are unable to attend the 2020 annual general meeting of the company to be held at Namibia Institute of Public Administration and Management (NIPAM), Paul Nash Street Olympia, Windhoek, Namibia on Tuesday 31 March 2020 at 9:00 (the annual general meeting)

I/We	(name in full)
Holder number	Contact Number
being the holder(s) of	ordinary shares in the Company do hereby appoint:
	or failing him/her
	or failing him/her

the chairperson on the annual general meeting.

as my/our proxy to act for me/us at the annual general meeting (as the case may be) which will held for the purpose of considering and, if deemed fit passing, with or without modification, the resolution to be proposed thereat and at each adjournment thereof and to vote on such resolution in respect of the share in the issued capital of the Company registration in my/our name/s in accordance with the following instructions (see note):

Ordinary Resolutions

	For*	Against*	Abstain*
Ordinary resolution 1: Approval of minutes of previous annual general meeting			
Ordinary resolution 2: Adoption of annual financial statements for 31 December 2019			
Ordinary Resolution 3: Approval of final dividend declared			
Ordinary resolution 4: re-election of directors by way of separate resolution			
4.1 Maria Dax (Independent Non- Executive Director)			
4.2 Jeremia Muadinohamba (Independent Non-Executive Director)			
4.3 Birgit Rossouw (Independent Non-Executive Director)			
Ordinary resolution number 5: Election of directors by way of separate resolution			
5.1 Letitea Du Plessis			
Ordinary resolution number 6: Control of SBN employee Share Incentive Scheme ordinary share			
Ordinary resolution number 7: control of unissued shares			
Ordinary resolution number 8: Re-appointment of external auditors and authority to determine their remuneration			
Ordinary resolution number 9: Approval of Non-Executive Directors remuneration			
Ordinary resolution number 10: Approval of the existing remuneration policy			
Ordinary resolution 11: Re-appointment of Audit Committee members			
Ordinary resolution 12: Authority to sign documentation			

@ Insert an X in the appropriate space above to indicate how you wish your vote to be cast. However, if you wish to cast your vote in respect of less than all of the shares that you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote

Signed at	this	day of	2020.
Assisted by me (where applicable)	signature		

Each member is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and on a poll, vote in place of that member at the annual general meeting

Notes

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairperson of the annual general meeting", but any such deletion must be initiated by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your vote in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the shareholders' s votes exercisable thereat. A shareholder or his/her proxy is no obligated to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. Forms of proxy must be received at the Company transfer secretaries. Transfer Secretary (Proprietary) Limited, 4 Robert Mugabe Avenue (entrance on Berg Street) Windhoek, (PO box 2401) Windhoek, Namibia by not later than 15:00 on Thursday 23 April 2020. Alternatively forms of proxy may be send to the Company's transfer secretary by way of e-mail to **ts@nsx.com.na** provided that such e-mails are received by the transfer secretary by no later than 15:00 on Thursday 23 April 2020 .
4. The completion and lodging of this form of proxy will not preclude the relevant shareholders from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretary or waived by the chairperson of the annual general meeting
6. Any alteration or correction made to this form of proxy must be initiated by the signatory/ies
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretary of the Company.
8. The chairperson of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairperson is satisfied as to the manner in which shareholder wishes to vote.
9. A proxy may not delegate his/her authority to any other person
10. Where there are joint holders of ordinary shares:
 - Any one holder may sign the form of proxy
 - The vote of the senior (for that purpose seniority will be determined by the order in which the names of the shareholder appears in SBN Holdings Ltd's list of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the votes/s of the other joint shareholder/s.



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