STANDARD BANK NAMIBIA LIMITED

ANNUAL FINANCIAL STATEMENTS 2019

Standard Bank Moving Forward™

Also trading as Stanbic Bank

CONTENTS

ANNUAL FINANCIAL STATEMENTS

ABOUT STANDARD BANK NAMIBIA

Standard Bank opened its first commercial branch in August 1915 in Lüderitz, making it one of Namibia's oldest companies today.

Over the years, our customers and clients have come to rely on us to understand their needs, employ people with strong knowledge of local business conditions and connect borrowers with lenders. We are proud to be part of Standard Bank Group, a large financial services organisation rooted in Africa and with operations in 20 countries.

From humble beginnings of three branches, today, Standard Bank operates a distribution network of 61 branches and 350 ATMs across Namibia. Our workforce has grown to over 1 600 employees and our roots have extended deep into the fabric of Namibian society.

Standard Bank is committed to making banking available to all Namibians.

To this end, we have evolved and adapted together with our customers and clients, developing a rich heritage while nurturing and protecting our reputation. We uphold high standards of corporate governance, are committed to advancing the principles and practices of sustainable development and are inspired to advance national development objectives.

Our success and growth over the long term is built on making a difference in the communities in which we operate. We are commercially and morally bound to serve Namibia and her people, in return for the long-term profitable growth we envisage as a leading financial services group on the continent.

Our success and growth over the long term is built on making a difference in the communities in which we operate. We are commercially and morally bound to serve Namibia and her people, in return for the long-term profitable growth we envisage as a leading financial services group in the country.

Over its history, Standard Bank has grown from a mere few staff members to over 1600 today, and extended its roots deep into the fabric of Namibian society. We have evolved and adapted along with our customers and clients, growing a rich heritage while nurturing and protecting our reputation. We uphold high standards of corporate governance and are committed to advancing the principles and practices of sustainable development. We are inspired to advance national development objectives.

Standard Bank currently has a strong presence in Namibia. These points constitute:

61
BRANCHES
2018: 60
2017: 60

350
ATMS
2018: 325
2017: 304

Standard Bank has always lived up to the promise of bringing banking to the nation and we have succeeded in doing so by having a wide network of branches in Namibia.

Directors' responsibility and approval

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Standard Bank Namibia Limited. The financial statements presented on pages 7 to 109 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 page 3.

The annual financial statements set out on pages 7 to 109, 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	**Mr VJ Mungunda**
Chairman	**Chief executive**

Independent auditor's report

To the Members of Standard Bank Namibia Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Standard Bank Namibia Limited (the Company) as at 31 December 2019, and its financial performance and its 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

Standard Bank Namibia Limited's financial statements set out on pages 7 to 109 comprise:

- the directors' report for the year ended 31 December 2019;
- the statement of financial position as at 31 December 2019;
- the income statement for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement 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 financial statements section of our report.

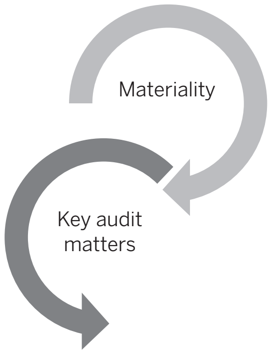
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company 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



Overall group materiality

- Overall materiality: N$39.3 million, which represents 5% of profit before direct taxation.

Key audit matters

- Expected credit losses on Corporate and Investment Banking (CIB) loans and advances; and
- Expected credit losses on Personal and Business Banking (PBB) loans and advances.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the 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 evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	N$39.3 million.
How we determined it	5% of profit before direct taxation.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on Corporate and Investment Banking (CIB) loans and advances *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.* 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 company'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. 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 *financial statements.* 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: • 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. **Evaluation of SICR** For CIB exposures, SICR is largely driven through the movement in credit ratings assigned to clients on origination and reporting date, based on the Company's 25-point master rating scale to quantify credit risk for each exposure. **Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement** Macroeconomic expectations are incorporated in CIB's client ratings to reflect the Company's expectation of future economic and business conditions. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** 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.	Our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on CIB loans and advances as follows: **Evaluation of SICR:** We selected a sample of exposures and assessed their assigned credit rating by: • Testing the inputs into the credit rating system against the financial information obtained from the exposure and the Company'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. 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 Company'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. We evaluated management's processes for identifying stage 3 exposures by selecting a sample of exposures not classified as stage3 to assess whether the stage classification was in line with the Standard Bank group's definition of default for stage 3 exposures. **Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement** 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. For collateral held, we inspected legal agreements and other documentation to confirm the existence and legal right to collateral. The collateral valuation techniques applied by management were assessed against the Company's valuation guidelines. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** 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. 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. 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.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses Personal and Business Banking (PBB) loans and advances: *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.* 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. 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: • 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. **Evaluation of SICR** The Company 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. **Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement** Forward looking expectations are included in the ECL based on the Company'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 Company's macro-economic outlook expectations. **Application of out-of-model adjustments into the ECL measurement** 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. **Assessment of ECL raised for individual exposures** 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. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** 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.	Our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances as follows: **Evaluation of SICR** We reperformed the calculation of significant deterioration roll rates and compared the roll rates to those used by management. We found no significant unexplained differences. Through discussion and inspection of relevant documentation we assessed the reasons for management's transfers from Stage 1 to Stage 2. 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. **Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement** 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. **Application of out-of-model adjustments into the ECL measurement** 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. **Assessment of ECL raised for individual exposures** 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. 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. For collateral held, we inspected legal agreements and other documentation to confirm the existence and legal right to collateral. The collateral valuation techniques applied by management were assessed against the company's valuation guidelines. For a sample of stage 3 exposures, we made use of our internal valuation expertise to independently perform reasonability tests on the valuations of collateral. Although our independent internal reasonability tests differed from external valuations in some instances, no adjustments to the ECLs were assessed as necessary. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** 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. 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Standard Bank Namibia Limited Annual Financial Statements 2019". The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 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 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 financial statements

The directors are responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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

Standard Bank Namibia Limited is a Namibian registered commercial bank and its operations are confined to Namibia, where it has offices in all main centers with the head office in Windhoek. As a registered bank, it also offers safe custodianship through its 100% owned subsidiary company, Standard Bank Namibia Nominees (Proprietary) Limited.

The company also offers an international banking service through its association with Standard Bank Group Limited (SBG), 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.

These financial statements are the separate financial statements of Standard Bank Namibia. The company is exempted from the preparation of consolidated financial statements as the company is a wholly-owned subsidiary of SBN Holdings Limited, a Namibia-incorporated company which produces consolidated financial statements available for public use.

Registered and business address

1 Chasie Street, Kleine Kuppe, Windhoek, Namibia

Registration number

78/01799

County of incorporation

Republic of Namibia

Results for the period

Net profit of the company was N$559 million (2018: N$475 million profit), after taxation of N$258 million (2018: N$240 million).

Events after the reporting period

The company entered into a 9 year lease agreement effective 1 January 2020 with a fellow subsidiary, Arleo Investments Sixteen (Pty) Ltd. Arleo Investments Sixteen (Pty) Ltd is a property investment company which houses the head office of SBN Holdings Limited.

The associated IFRS16 right-of-use asset and lease liability recognised by the company as at 1 January 2020 amounts to N$264 million.

Authorised and issued share capital

The company's authorised share capital consisted of 6 000 000 ordinary shares of 1 cent each of which 2 000 000 have been issued. The authorised share capital remained unchanged for the year.

Borrowings

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

Property and equipment

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

Dividends

A dividend of N$86.5 million 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$138 million in respect of the year ended 31 December 2019 to be paid on 28 April 2020.

Ownership

At 31 December 2019, SBN Holdings Limited owned 99.9% of the issued share capital and the following directors each hold 100 shares:

Mr H Maier
Mr VJ Mungunda
Adv N Bassingthwaighte
Mrs B Rossouw
Mr JL Muadinohamba
Ms PM Nyandoro
Mr IH Tjombonde

The directors have no beneficial interest in the ordinary shares which are held on behalf of Standard Bank Limited.

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 18 March 2019)	South African

Company secretary

S Tjijorokisa

Interest in subsidiaries

The company owns 100% of the share capital of Standard Bank Namibia Nominees (Pty) Ltd.

Compliance with BID-2

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

Statement of financial position

as at 31 December 2019

	Note	2019 N$'000	2018[1] N$'000	1 January 2018[1] N$'000
Assets				
Cash and balances with the central bank	1	**1 512 374**	1 546 355	1 357 935
Derivative assets	2	**149 910**	33 237	64 198
Trading assets	3	**268 177**	134 812	430 186
Pledged assets	4	**580 098**		
Financial investments	5	**3 982 837**	4 386 995	3 324 915
Current tax asset		**84 075**	58 180	45 870
Loans and advances	6	**26 262 826**	23 955 416	22 701 903
Other assets	7	**1 186 198**	666 886	1 782 678
Interest in joint venture and subsidiary	8	**15 435**	11 506	8 098
Property, equipment and right of use assets[2]	9	**566 470**	568 340	504 906
Intangible assets	10	**401 455**	298 960	323 038
Deferred tax asset	14	**34 280**	17 468	69 228
Total assets		**35 044 135**	31 678 155	30 612 955
Equity and liabilities				
Equity		**3 560 236**	2 883 370	2 631 382
Ordinary share capital	11	**2 000**	2 000	2 000
Ordinary share premium	12	**591 230**	591 230	591 230
Reserves		**2 967 006**	2 290 140	2 038 152
Liabilities		**31 483 899**	28 794 785	27 981 573
Derivative liabilities	2	**142 511**	25 714	58 279
Trading liabilities	13	**14 881**	980	92
Deposits and current accounts	15	**28 335 969**	25 686 867	25 686 870
Debt securities issued	16	**1 591 344**	1 792 115	1 320 552
Provisions and other liabilities[2]	17	**1 399 194**	1 289 109	874 035
Deferred tax liability	14			41 745
Total equity and liabilities		**35 044 135**	31 678 155	30 612 955

1 During the year, the 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 company's statement of financial of position. Refer to the restatements section on page 17 for more detail.

2 The company 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 16 for more detail on the adoption of IFRS 16.

Income statement

for the year ended 31 December 2019

	Note	2019 N$'000	2018 N$'000
Net interest income		**1 366 637**	1 218 303
Interest income	24	**2 876 281**	2 592 046
Interest expense[1]	25	**(1 509 644)**	(1 373 743)
Non-interest revenue		**1 134 216**	1 024 325
Net fee and commission revenue		**864 941**	798 184
Fee and commission revenue	26	**1 034 932**	960 927
Fee and commission expense	27	**(169 991)**	(162 743)
Trading revenue	28	**117 597**	121 904
Other revenue	29	**10 029**	6 916
Other gains and losses on financial instruments	30	**141 649**	97 321
Total income		**2 500 853**	2 242 628
Credit impairment charges	31	**(239 165)**	(95 617)
Income before operating expenses		**2 261 688**	2 147 011
Operating expenses[1]	32	**(1 448 950)**	(1 435 568)
Net income before capital items and equity accounted earnings		**812 738**	711 443
Share of post-tax profit from joint venture	8.2	**3 929**	3 410
Net income before indirect taxation		**816 667**	714 853
Indirect taxation	33	**(31 270)**	(33 002)
Profit before direct taxation		**785 397**	681 851
Direct taxation	33	**(226 725)**	(206 815)
Profit for the year		**558 672**	475 036

1 The company 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 15 for more detail on the adoption of IFRS 16.

Statement of other comprehensive income

for the year ended 31 December 2019

	2019 N$'000	2018 N$'000
Profit for the year	**558 672**	475 036
Other comprehensive income – net of taxation[1]	**3 644**	8 352
Items that may be reclassified to profit and loss		
Net change in fair value of financial assets measured at FVOCI	**3 644**	(235)
Net change in expected credit loss	**706**	767
Net change in fair value	**2 938**	(1 002)
Fair value movement on post retirement benefit (note 35)		8 587
Total comprehensive income for the year	**562 316**	483 388

1 Income tax relating to each component of other comprehensive income is disclosed in note 33.2.

Statement 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
Balance at 1 January 2018		593 230	28 682
Total comprehensive (loss)/income for the year			
Profit for the year			
Other comprehensive (loss)/income after tax for the year			
Transactions with the shareholder, recorded directly in equity			8 604
Equity-settled share-based payment transactions			8 604
Dividends paid	34.5		
Balance at 1 January 2019		**593 230**	**37 286**
Total comprehensive income for the year			
Profit for the year			
Other comprehensive income after tax for the year			
Transactions with the shareholder, recorded directly in equity			**1 050**
Equity-settled share-based payment transactions			**1 050**
Contribution from owners			
Dividends paid	34.5		
Balance at 31 December 2019		**593 230**	**38 336**

[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$'000	Capital reserve N$'000	Post-employment benefit reserve N$'000	Retained earnings N$'000	Total equity N$'000
(378)		11 056	1 998 788	2 631 378
(235)		8 587	475 036	483 388
			475 036	475 036
(235)		8 587		8 352
			(240 000)	(231 396)
				8 604
			(240 000)	(240 000)
(613)		**19 643**	**2 233 824**	**2 883 370**
3 644			**558 672**	**562 316**
****			**558 672**	**558 672**
3 644				**3 644**
			(86 500)	**114 550**
				1 050
	200 000			**200 000**
			(86 500)	**(86 500)**
3 031	**200 000**	**19 643**	**2 705 996**	**3 560 236**

Statement of cash flows

for the year ended 31 December 2019

	Note	2019 N$'000	2018 N$'000
Net cash flows from operating activities		**178 924**	(11 754)
Net cash flows used in operations		**(895 085)**	(1 035 563)
Net income before indirect taxation		**816 667**	714 853
Adjusted for:		**(1 002 487)**	(1 063 323)
Credit impairment charges	31	**239 165**	95 617
Depreciation and amortisation	32	**138 935**	92 086
Equity-settled share-based payments		**40 604**	25 458
Fair value adjustments trading assets		**(22 414)**	(22 676)
Indirect taxation	33	**(31 270)**	(33 002)
Interest expense	25	**1 509 644**	1 373 743
Interest received	24	**(2 876 281)**	(2 592 046)
Net movement in post-employment benefits		**6 272**	10 628
Profit/(loss) on sale of property and equipment	32	**591**	(4 116)
Dividends received	29	**(3 804)**	(5 605)
Income from equity accounted investments	8	**(3 929)**	(3 410)
Increase in income earning assets[1]	34.1	**(3 639 287)**	(852 666)
Increase in deposits and other liabilities[1]	34.2	**2 930 022**	165 573
Interest received		**2 869 062**	2 549 284
Dividends received		**3 804**	5 605
Interest paid		**(1 528 042)**	(1 307 813)
Tax paid	34.3	**(270 815)**	(223 267)
Net cash flows (used in)/from investing activities		**(99 883)**	(127 326)
Capital expenditure on property and equipment		**(4 318)**	(166 735)
Proceeds from sale of property and equipment	34.4	**10 475**	39 409
Capital expenditure on intangible assets		**(106 040)**	
Net cash flows (used in)/from financing activities		**(113 022)**	327 500
Subordinated debt redeemed		**(100 000)**	(302 500)
Contributions from owners		**200 000**	
Senior debt (redeemed)/issued		**(100 000)**	870 000
Principal element of payments	17.1	**(26 522)**	
Dividends paid	34.5	**(86 500)**	(240 000)
Net (decrease)/increase in cash and cash equivalents		**(33 981)**	188 420
Cash and cash equivalents at the beginning of the year	1	**1 546 355**	1 357 935
Cash and cash equivalents at the end of the year	1	**1 512 374**	1 546 355

1 During the year, the 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 company's statement of financial position. Refer to the restatements section on page 17 for more detail.

Accounting policy elections, transition and restatement

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

These financial statements are the separate financial statements of Standard Bank Namibia Limited. The Company is exempted from the preparation of consolidated financial statements as the Company is a wholly-owned subsidiary of SBN Holdings Limited, a Namibia-incorporated company which produces consolidated financial statements available for public use.

Basis of preparation

The company's 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 company 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 company's previously reported financial results, disclosures or accounting policies and did not impact the company'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 company's results upon transition and materially impacted the company's accounting policies for lessees.

AFS refer to page 16 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 company as a lessor are not different from those under IAS 17.

Adoption and transition

The company retrospectively adopted IFRS 16 on 1 January 2019 with an adjustment to the company's opening 1 January 2019 reserves and, as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the 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 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 utilising the internal funding rate of the company.

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 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 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 company relied on its assessment made applying IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease.*

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

The company leases 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 company. 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%.

TABLE 1: IMPACT ON THE COMPANY'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	568 340	**65 745**	**634 085**
Other financial and non-financial assets[1]	1 053 000	**(370)**	**1 052 630**
Total assets	1 621 340	**65 375**	**1 686 715**
Equity and liabilities			
Liabilities	28 794 785	**65 375**	**28 860 160**
Total equity and liabilities	28 794 785	**65 375**	**28 860 160**

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 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 company's statement of financial position as a separate legal entity. The restatement on the company's statement of financial positions only impacts the following:

	2018		
	As previously presented N$'000	Restatement N$'000	Restated N$'000
Assets			
Trading assets	129 801	5 011	134 812
Loans and advances	22 237 208	1 718 208	23 955 416
Interests in group companies, associates and joint ventures	2 095 902	(2 084 396)	11 506
Other assets	305 709	361 177	666 886
Total	**24 768 620**		**24 768 620**
Liabilities			
Deposits and current accounts	25 191 374	495 493	25 686 867
Liabilities to group companies	1 309 614	(1 309 614)	
Debt securities issued	1 690 299	101 816	1 792 115
Provisions and other liabilities	576 804	712 305	1 289 109
Total	**28 768 091**		**28 768 091**

	1 January 2018			
	As previously presented N$'000	IFRS 9 transition N$'000	Restatement N$'000	Restated N$'000
Assets				
Financial investments	3 335 106	(10 191)		3 324 915
Loans and advances	22 136 794	(201 359)	766 468	22 701 903
Interests in group companies, associates and joint ventures	865 545		(857 447)	8 098
Other assets	1 691 699		90 979	1 782 678
Deferred taxation assets		69 228		69 228
Total	**28 029 144**	**(142 322)**		**27 886 822**
Equity and liabilities				
Equity	2 185 262	(147 110)		2 038 152
Deposits and current accounts	24 600 240	4 788	1 081 842	25 686 870
Liabilities to group companies	1 536 248		(1 536 248)	
Debt securities issued	1 218 731		101 821	1 320 552
Provisions and other liabilities	521 450		352 585	874 035
	30 061 931	**(142 322)**		**29 919 609**

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 company 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 company 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 company's 25-point master rating scale. Ratings are mapped to probability of default ('PDs') 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 company's master rating scale as investment grade (within credit risk grade 1 – 12 of the company'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 company 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 company determines the macroeconomic outlook, over a planning horizon of at least three years, based on the company'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 company'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 company'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 company credit governance committee oversight.

The company'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 company'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 company'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 company'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 company 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 company'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 company'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 company'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 is growth is expected to reach 0.4% in 2020 on the back of normalising 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 in 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.

	Base scenario		Bearish scenario		Bullish scenario	
Macroeconomic factors	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% weighing 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 company'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 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 company and, in particular, provides assurance that the risk and return measures that the company has taken are accurate and complete.

The 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 company 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 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 company 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 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 company'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 company. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the 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 company. 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.

AFS Refer to note 19 for fair value disclosures.

Computer software intangible assets

The 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.

AFS 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.

Current and deferred tax

The 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 company recognises 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 which do not meet the criteria defined within IAS 12 Income Taxes and IFRIC 23 *Uncertainty over Income Tax Treatments*, are not provided for but are rather disclosed as contingent liabilities or assets as appropriate. 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. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the company in order to utilise the deferred tax assets.

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 company'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 company's post-employment benefits consist of both post-employment retirement funds and healthcare benefits. The 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 company's independent actuaries at intervals of not more than three years.

AFS 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

	2019 N$'000	2018 N$'000
Coins and bank notes[1]	456 542	486 389
Balances with the Bank of Namibia[1,2]	1 055 832	1 059 966
Total	**1 512 374**	1 546 355

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 company subject to certain restrictions and limitations imposed by the BoN.

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
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 company enters into a variety of foreign exchange and interest rate, derivative transactions for both trading and hedging purposes. Derivative instruments used by the company 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 company 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
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 company'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 company 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
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
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

	2019 N$'000	2018 N$'000
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
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 company 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 company remains exposed includes credit and interest rate risk.

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

5. Financial investments

	2019 N$'000	2018 N$'000
Government bonds and treasury bills	**2 130 278**	2 811 457
Mutual funds and unit-linked investments	**1 852 559**	1 575 538
Total	**3 982 837**	4 386 995
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[1]	**(2)**	
Financial investments measured at fair value through profit or loss	**1 852 559**	1 575 538
Debt financial investments measured at fair value through OCI	**2 075 524**	2 760 880
Total	**3 982 837**	4 386 995

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 measured at amortised cost.

6. Loans and advances

6.1 Classification

	2019 N$'000	2018[2] N$'000
Net loans and advances measured at amortised cost	**26 262 826**	23 955 416
Gross loans and advances measured at amortised cost	**26 861 425**	24 422 150
Mortgage loans	**12 339 977**	11 818 300
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]	**2 836 905**	1 632 790
Other loans and advances	**4 402 475**	3 264 940
Credit impairments on loans and advances (note 6.3)	**(598 599)**	(466 734)
Net loans and advances	**26 262 826**	23 955 416

1 During the year, the 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 17 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.

6.2 Instalment sale and finance leases

	2019 N$'000	2018 N$'000
Gross investment in instalment sale and finance leases	**3 420 623**	3 618 965
Receivable within one year	**353 335**	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 IIS) N$'000	Total N$'000
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**		**(19 424)**	**(16 225)**
Closing ECL 31 December 2019	**88 408**	**141 833**	**368 358**	**598 599**

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
Mortgage loans[2]	179 665		148 550	(8 012)	(43 018)	277 185
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)	168 570	(8 012)	(43 019)	220 342
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 advances[3]	155 942		86 600	(77 605)	23 594	188 531
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)	92 446	(77 605)	23 594	92 385
Total	466 735		273 864	(125 775)	(16 225)	598 599

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
Mortgage loans[2]	(112 717)		(52 689)	7 059	(21 317)	(179 664)
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	(21 317)	(111 023)
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[3]	(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[4]	(406 974)		(143 972)	121 071	(36 859)	(466 734)

1 The 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.

Changes in gross exposures relating to changes in ECL

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

	2019 N$'000	2018[2] N$'000
Trading settlement assets	**796 470**	27 411
Other debtors[1]	**364 051**	467 452
Items in the course of collection	**25 677**	172 023
Total	**1 186 198**	666 886

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 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 17 for more detail.

8. Interest in joint venture and subsidiary

	2019 N$'000	2018[1] N$'000
Interest in joint venture and subsidiary (note 8.1 and 8.2)	**15 435**	11 506
Total	**15 435**	11 506

1 During the year, the 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 17. for more detail.

8.1 Interest in joint venture

	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 company in the form of cash or dividends or repayments of loans and advances.

AFS Refer to Annexure B for more detail on the interest in the joint venture.

8. Interest in joint venture and subsidiaries continued

8.2 Interest in subsidiary

	2019 N$	2018 N$
Shares at cost	2	2
Total	**2**	2

AFS Refer to Annexure A for more detail on the interest in subsidiary.

9. Property, equipment and right of use assets

	Property	
	Freehold N$'000	Leasehold N$'000
Net book value 1 January 2018	85 812	65 897
Movements	16 306	16 382
Additions	17 229	50 827
Disposals/terminations/modifications		(28 516)
Depreciation	(923)	(5 929)
Net book value at the beginning of the year[1]	**102 118**	**82 279**
IFRS 16 Transition 1 January 2019		
Cost	**107 439**	**141 939**
Accumulated depreciation	**(5 321)**	**(59 660)**
Movements	**18 753**	**(21 714)**
Additions	**9 046**	**423**
Disposals/terminations/modifications		**(2 165)**
Transfers to intangible assets	**10 251**	**(9 932)**
Depreciation	**(544)**	**(10 040)**
Net book value 31 December 2019[1]	**120 871**	**60 565**
Cost	**126 735**	**130 265**
Accumulated depreciation	**(5 864)**	**(69 700)**

[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			
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$'000	Total N$'000
220 247	9 368	12 726	110 856				504 906
43 075	(2 523)	1 103	(10 909)				63 434
82 453	5 894	5 748	4 585				166 736
	(5 378)	(1 399)					(35 293)
(39 378)	(3 039)	(3 246)	(15 494)				(68 009)
263 322	**6 845**	**13 829**	**99 947**				**568 340**
				11 055	**54 216**	**474**	**65 745**
578 158	**25 775**	**37 757**	**220 404**				**1 111 472**
(314 836)	**(18 930)**	**(23 928)**	**(120 457)**				**(543 132)**
(59 022)	**(2 276)**	**(1 983)**	**14 776**	**(3 660)**	**(12 212)**	**(277)**	**(67 615)**
12 775	**647**	**1 348**	**45 824**	**719**	**8 059**		**78 841**
(88)		**(460)**	**(8 353)**				**(11 066)**
(23 417)		**149**	**(2 776)**				**(25 725)**
(48 292)	**(2 923)**	**(3 020)**	**(19 919)**	**(4 379)**	**(20 271)**	**(277)**	**(109 665)**
204 300	**4 569**	**11 846**	**114 723**	**7 395**	**42 004**	**197**	**566 470**
566 679	**25 617**	**38 530**	**241 934**	**11 774**	**62 275**	**474**	**1 204 283**
(362 379)	**(21 048)**	**(26 684)**	**(127 211)**	**(4 379)**	**(20 271)**	**(277)**	**(637 813)**

10. Intangible assets

	Computer software[1] N$'000	Total N$'000
Net book value – 1 January 2018	323 038	323 038
Movements	(24 078)	(24 078)
Additions		
Disposals		
Amortisation	(24 078)	(24 078)
Impairments		
Net book value – 31 December 2018	**298 960**	**298 960**
Cost	**361 160**	**361 160**
Accumulated amortisation and impairment	**(62 200)**	**(62 200)**
Movements	**102 495**	**102 495**
Additions	**106 040**	**106 040**
Transfers from property and equipment	**25 725**	**25 725**
Amortisation	**(29 270)**	**(29 270)**
Net book value – 31 December 2019	**401 455**	**401 455**
Cost	**492 925**	**492 925**
Accumulated amortisation and impairment	**(91 470)**	**(91 470)**

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

11. Ordinary share capital

	2019 N$'000	2018 N$'000
11.1 Authorised		
6 000 000 (2018: 6 000 000) ordinary shares of N$1 each	**6 000**	6 000
11.2 Issued		
2 000 000 (2018: 2 000 250) fully paid ordinary shares of N$1 each	**2 000**	2 000

	Number of ordinary shares
Reconciliation of shares issued	
Shares in issue at 1 January 2018	2 000 250
Shares in issue at 31 December 2018	**2 000 250**
Shares issued during 2019	
Shares cancelled during 2019	**(250)**
Shares in issue at 31 December 2019	**2 000 000**

12. Ordinary share premium

	2019 N$'000	2018 N$'000
Share premium on issue of shares	**591 230**	591 230

13. Trading liabilities

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

14. Deferred tax

	2019 N$'000	2018 N$'000
14.1 Deferred tax analysis		
Property, plant and intangible assets	**(161 346)**	(164 449)
Assets on lease	**(10 229)**	(7 407)
Fair value adjustments on FVOCI financial investments	**(733)**	649
Impairment charges on loans and advances	**56 327**	59 051
Post-employment benefits	**38 047**	36 040
Provisions and other differences	**112 214**	93 584
Deferred tax closing balance	**34 280**	17 468
Deferred tax asset	**224 971**	196 395
Deferred tax liability	**(190 691)**	(178 927)
14.2 Deferred tax reconciliation		
Deferred tax opening balance 1 January 2019	**17 468**	(41 745)
Originating temporary differences for the year:	**16 812**	59 213
Restatement of opening deferred tax balance	**1 004**	
Property, equipment and intangible assets	**3 104**	(29 910)
Assets on lease	**(2 822)**	203
Fair value adjustments on FVOCI financial investments	**(1 382)**	471
Impairment charges on loans and advances	**(4 201)**	22 729
Post-employment benefits	**2 007**	3 316
Provisions and other differences	**19 102**	62 404
Deferred tax balance at the end of the year	**34 280**	17 468
Temporary differences for the year comprise:		
Recognised in profit or loss	**18 195**	(4 142)
Recognised in OCI (note 33.2)	**(1 383)**	(3 930)
Recognised in retained earnings		59 001
Total	**16 812**	50 929

15. Deposits and current account

	2019 N$'000	2018 N$'000
Deposits from banks[1]	**2 328 818**	775 735
Deposits from customers	**26 007 151**	24 911 132
Current accounts	**7 488 563**	4 382 643
Cash management deposits	**1 295 658**	4 481 647
Card creditors	**29 205**	29 840
Call deposits	**8 620 081**	7 127 703
Savings accounts	**603 995**	649 111
Term deposits	**2 311 997**	2 361 599
Negotiable certificates of deposit	**5 657 652**	5 878 589
Total	**28 335 969**	25 686 867

1 During the year, the 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 17 for more detail.

16. Debt securities issued

		Carrying value[2]	Notional value[2]	Carrying value[2]	Notional value[2]
	Maturity date	2019 N$'000	2019 N$'000	2018 N$'000	2018 N$'000
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	**101 776**	**100 000**	101 816	100 000
		1 591 344	**1 569 800**	1 792 115	1 769 800

1 During the year, the 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 17 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

	2019 N$'000	2018 N$'000
Staff-related accruals	**88 472**	80 442
Obligation toward post-employment benefits	**118 896**	112 624
ECL for off-balance sheet exposures	**4 353**	6 155
Lease liabilities	**51 045**	
Other liabilities and accruals[1]	**1 136 428**	1 089 888
Total	**1 399 194**	1 289 109

[1] During the year, the 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 17 for more detail.

17.1 Reconciliation of lease liabilities

	Balance at 1 January 2019 N$'000	Additions/ modification N$'000	Interest expense N$'000	Payments N$'000	Balance at 31 December 2019 N$'000
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)

Maturity analysis of lease liabilities:

	Within 1 year N$'000	From 1 to 5 years N$'000	Total N$'000
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
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
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)	**30 151**	

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$'000	FVTPL Designated at fair value N$'000	FVTPL Fair value through profit or loss – default N$'000
2019				
Assets				
Cash and balances with the central bank	1			**787 698**
Derivative assets	2	**149 910**		
Trading assets	3	**268 177**		
Pledged assets	4	**580 098**		
Financial investments	5			**1 852 559**
Loans and advances	6			
Other financial assets[2]				
Other non-financial assets				
Total assets		**998 185**		**2 640 255**
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				
Total liabilities		**157 392**		

[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.

	Note	FVTPL Held-for-trading N$'000	FVTPL Designated at fair value N$'000	FVTPL Fair value through profit or loss – default N$'000
2018				
Assets				
Cash and balances with the central bank	1			774 965
Derivative assets	2	33 237		
Trading assets	3	134 812		
Financial investments	5			1 575 538
Loans and advances	6			
Other financial assets[2]				
Other non-financial assets				
		168 049		2 350 503
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				
Total liabilities		26 694		

[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$'000**	**Amortised cost N$'000**	**Other non-financial assets/ liabilities N$'000**	**Total carrying amount N$'000**	**Fair value[1] N$'000**
			787 698	**724 676**		**1 512 374**	**1 512 374**
			149 910			**149 910**	**149 910**
			268 177			**268 177**	**268 177**
			580 098			**580 098**	**580 098**
	2 075 524		**3 928 083**	**54 754**		**3 982 837**	**3 982 837**
				26 262 826		**26 262 826**	**27 174 075**
				1 186 198		**1 186 198**	
					1 101 715	**1 101 715**	
	2 075 524		**5 713 966**	**28 228 454**	**1 101 715**	**35 044 135**	
			142 511			**142 511**	**142 511**
			14 881			**14 881**	**14 881**
				2 328 818		**2 328 818**	**2 328 818**
				26 007 151		**26 007 151**	**26 071 317**
				1 591 344		**1 591 344**	**1 052 916**
				1 399 194		**1 399 194**	
			157 392	**31 326 507**		**31 483 899**	

	FVOCI						
	Debt instruments N$'000	Equity instruments N$'000	Total fair value N$'000	Amortised cost N$'000	Other non-financial assets/ liabilities N$'000	Total carrying amount N$'000	Fair value[1] N$'000
			774 965	771 390		1 546 355	1 546 355
			33 237			33 237	33 237
			134 812			134 812	134 812
	2 760 880		4 336 418	50 577		4 386 995	4 386 995
				23 955 416		23 955 416	23 519 357
				666 886		666 886	
					954 454	954 454	
	2 760 880		5 279 432	25 444 269	954 454	31 678 155	
			25 714			25 714	25 714
			980			980	980
				775 735		775 735	775 735
				24 911 132		24 911 132	21 599 669
				1 792 115		1 792 115	1 792 115
					1 289 109	1 289 109	
			26 694	27 478 982	1 289 109	28 794 785	

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 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
Assets								
Cash and balances with the central bank	787 698			787 698	774 965			774 965
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	1 852 559		3 928 083	2 760 880	1 575 538		4 336 418
Total	3 711 497	2 002 469		5 713 966	3 670 657	1 608 775		5 279 432
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

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

19.2 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
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**			23 519 357	23 519 357
Total	**779 432**		**29 174 075**	**27 953 507**	821 967		23 519 357	24 341 324
Liabilities								
Deposits from banks	**2 328 818**			**2 328 818**	775 735			775 735
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**	2 567 850		21 599 669	24 167 519

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 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 company has 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 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
2019					
Assets					
Derivative assets	149 910		149 910	(149 910)	
Loans and advances[5]	26 262 827	(1 295 658)	24 967 169	(24 967 169)	
Total	**26 412 737**	**(1 295 658)**	**25 117 079**	**(25 117 079)**	

	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 amount of financial liabilities subject to netting agreements[3] N$'000	Collateral pledged[6] N$'000	Net amount N$'000
2019					
Liabilities					
Derivative liabilities	(142 511)		(142 511)	142 511	
Deposits and current accounts[5]	(28 335 969)	(1 295 658)	(29 631 627)		(29 631 627)
Total	**(28 478 480)**	**(1 295 658)**	**(29 774 138)**	**142 511**	**(29 631 627)**

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
2018					
Assets					
Derivative assets	33 237		33 237	(33 237)	
Loans and advances[5]	22 703 942	(4 481 647)	18 222 295	(18 222 295)	
Total	22 737 179	(4 481 647)	18 255 532	(18 255 532)	

	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
2018					
Liabilities					
Derivative liabilities	(25 714)		(25 714)	25 714	
Deposits and current accounts[5]	(25 191 374)	(4 481 647)	(29 673 021)		(29 673 021)
Total	(25 217 088)	(4 481 647)	(29 698 735)	25 714	(29 673 021)

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 company to be offset in the event of default. In most cases the 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 table discloses the maturity analysis for the 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
2019						
Cash and balances with the central bank	1	**1 512 374**				**1 512 374**
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	**1 852 559**	**902 742**	**1 180 677**	**46 859**	**3 982 837**
Loans and advances	6	**3 176 040**	**2 814 721**	**2 498 764**	**17 773 301**	**26 262 826**
Other assets	7	**1 186 198**				**1 186 198**
		7 727 121	**4 695 485**	**3 699 654**	**17 820 160**	**33 942 420**
2018[2]						
Cash and balances with the central bank[1]	1	1 546 355				1 546 355
Derivative assets	2		33 237			33 237
Trading assets	3		134 713	98		134 811
Financial investments	5	1 573 053	2 601 889	209 568	2 485	4 386 995
Loans and advances	6	1 461 786	2 790 864	6 592 564	13 110 203	23 955 417
Other assets	7	666 886				666 886
		5 248 080	5 560 703	6 802 230	13 112 688	30 723 701

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

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

	Note	Less than 12 months after reporting period N$'000	More than 12 months after reporting period N$'000	Total N$'000
2019				
Current tax asset		*	*	**84 076**
Interest in joint venture and subsidiaries	8		**15 435**	**15 435**
Property and equipment and right of use assets	9		**566 469**	**566 469**
Intangible assets	10		**401 455**	**401 455**
Deferred tax asset	14	*	*	**34 280**
		-	**983 359**	**1 101 716**
2018				
Current tax asset		*	*	59 180
Interest in joint venture and subsidiaries	8		11 506	11 506
Property and equipment and right of use assets	9		568 340	568 340
Intangible assets	10		298 960	298 960
Deferred tax asset	14	*	*	17 468
		-	878 806	954 454

* Undated.

22. Maturity analysis of financial liabilities

The following table discloses the maturity analysis for the company's financial liabilities on a contractual discounted basis.

	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
2019							
Derivative liabilities	2				**135 778**	**6 733**	**142 511**
Trading liabilities	13				**4 512**	**10 369**	**14 881**
Deposits and current accounts	15	**16 681 499**	**541 796**	**3 810 601**	**4 003 182**	**3 298 891**	**28 335 969**
Debt securities issued	16				**203 230**	**1 388 114**	**1 591 344**
Lease liabilities	17		**2 880**	**13 452**	**3 394**	**31 319**	**51 045**
Provision and other liabilities	17	**1 348 149**					**1 348 149**
		18 029 648	**544 676**	**3 824 053**	**4 350 096**	**4 735 426**	**31 483 899**
2018							
Derivative liabilities	2		17 164		4 593	3 957	25 714
Trading liabilities	13	980					980
Deposits and current accounts	15	14 750 548	476 922	4 435 997	1 928 002	4 095 398	25 686 867
Debt securities issued	16			100 888		1 691 227	1 792 115
Provision and other liabilities	17	1 289 109					1 289 109
		16 040 637	494 086	4 536 885	1 932 595	5 790 582	28 794 785

23. Contingent liabilities and commitments

23.1 Contingent liabilities

	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

	2019 N$'000	2018 N$'000
Contractual capital expenditures	**42 418**	63 046
Total	**42 418**	63 046

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

23.3 Lease commitments

	2019 N$'000	2018 N$'000
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 company 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 company is also the defendant in some legal cases for which the company 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 company should not have a material adverse effect on the company's consolidated financial position and the directors are satisfied that the company 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

	2019 N$'000	2018 N$'000
Effective interest rate income on:		
Financial investments	**204 121**	191 632
Loans and advances[1]	**2 581 169**	2 379 743
Interest income on credit impaired financial assets[1]	**90 991**	20 671
Total	**2 876 281**	2 592 046
Comprising:		
Interest income on items measured at amortised cost	**2 672 160**	2 400 414
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

	2019 N$'000	2018 N$'000
Interest on current accounts	**62 888**	5 864
Interest on savings and deposit accounts	**115 876**	156 212
Interest on lease liabilities[1]	**3 416**	
Interest on other interest-bearing liabilities	**1 327 464**	1 211 667
Total	**1 509 644**	1 373 743
Comprising:		
Interest expense on items measured at amortised cost	**1 509 644**	1 373 743

1 The 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 15 for more detail on the adoption of IFRS 16.

26. Fee and commission revenue

	2019 N$'000	2018 N$'000
Account transaction fees	**348 754**	356 595
Card-based commission	**89 644**	173 926
Electronic banking fees	**376 522**	232 724
Foreign currency service fees	**16 059**	15 883
Documentation and administration fees	**105 824**	100 814
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	**9 183**	12 435
Total	**1 034 932**	960 927

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

27. Fee and commission expense

	2019 N$'000	2018 N$'000
Account transaction fees	**15 354**	13 768
Card-based commission	**68 959**	55 776
Documentation and administration fees	**74 919**	74 572
Electronic banking fees	**10 759**	18 627
Total	**169 991**	162 743

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

28. Trading revenue

	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

	2019 N$'000	2018 N$'000
Property-related revenue	**1 167**	739
Other non-banking related revenue	**5 058**	572
Dividends on unlisted financial investments	**3 804**	5 605
Total	**10 029**	6 916

30. Other gains and losses on financial instruments

	2019 N$'000	2018 N$'000
Fair value gains and loss on debt financial instruments measured at fair value through profit or loss – default	**141 649**	97 321
Total	**141 649**	97 321

31. Credit impairment charges

	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

	2019 N$'000	2018 N$'000
Auditors' remuneration	**5 454**	3 851
Audit fees	**5 377**	3 715
Other services	**77**	136
Amortisation	**29 270**	24 077
Communication expense	**21 104**	21 184
Depreciation	**109 665**	68 009
IT expenses	**120 199**	151 995
Lease rentals on operating lease[1] (note 17)	**30 151**	54 469
Professional fees	**144 907**	123 579
Profit on sale of property and equipment	**591**	(4 116)
Premises costs	**56 082**	47 963
Staff costs	**845 331**	779 610
Salaries and allowances	**735 953**	692 489
Equity-settled share-based payments	**34 385**	14 510
Post-employment benefits – pension – defined contribution plan	**64 993**	61 499
Post-employment benefits – medical expenses	**10 000**	11 112
Other expenses[2]	**86 196**	164 947
Total	**1 448 950**	1 435 568

1 The company 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 16 for more detail 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

	2019 N$'000	2018 N$'000
33.1 Indirect taxation		
Value added tax	**23 111**	24 584
Duties and other	**8 159**	8 418
Total	**31 270**	33 002
33.2 Direct taxation		
Normal taxation	**244 920**	210 957
Current year charge	**244 920**	210 957
Deferred taxation	**(18 195)**	(4 142)
Total	**226 725**	206 815

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
2019			
Change in fair value of FVOCI debt financial assets – IFRS 9	**5 027**	**(1 383)**	**3 644**
Total	**5 027**	**(1 383)**	**3 644**
2018			
Change in fair value of post-employment benefit obligations	12 628	(4 041)	8 587
Change in fair value of FVOCI debt financial assets – IFRS 9	(346)	111	(235)
Total	12 282	(3 930)	8 352

Namibian tax rate reconciliation

	2019 %	2018 %
The total tax charge for the year as a percentage of net income before indirect tax	**31.6**	33.5
Indirect taxation	**(3.8)**	(4.6)
Direct taxation charge for the year as a percentage of profit before indirect taxation	**27.8**	28.9
The charge for the year has been reduced as a consequence of:		
Dividends received	**2.5**	0.3
Other non-taxable income	**0.2**	2.4
Other non-deductible expenses	**(0.3)**	(0.3)
Other permanent differences	**1.2**	0.7
2018 overprovision reversal	**0.6**	
Standard rate of Namibian tax	**32.0**	32.0

34. Statement of cash flows notes

34.1 Increase in income-earning assets

	2019 N$'000	2018 N$'000
Financial investments	247 780	(1 002 310)
Pledged assets	(580 098)	
Trading assets[1]	(109 622)	298 948
Loans and advances[1]	(2 561 362)	(1 123 967)
Derivative assets	(116 673)	30 962
Interest in group companies[1]		(365 705)
Other assets[1]	(519 312)	1 309 171
Total	**(3 639 287)**	(852 901)

34.2 Increase in deposits and other liabilities

	2019 N$'000	2018 N$'000
Deposit and current accounts[1]	2 664 222	1 602 279
Trading liabilities	13 901	867
Derivative liabilities	116 797	(32 565)
Liabilities to group companies[1]		(1 761 921)
Other liabilities[1]	135 102	356 913
Total	**2 930 022**	165 573

34.3 Direct taxation paid

	2019 N$'000	2018 N$'000
Current tax at beginning of the year	58 180	45 870
Recognised in profit or loss and other comprehensive income	(244 920)	(210 957)
Current tax at end of the year	(84 075)	(58 180)
Total	**(270 815)**	(223 267)

34.4 Proceeds from the sale of property and equipment

	2019 N$'000	2018 N$'000
Net book value of disposals	11 066	35 293
(Loss)/Profit on disposal	(591)	4 116
Proceeds from disposal	**10 475**	39 409

34.5 Dividends paid

	2019 N$'000	2018 N$'000
Dividend declared during the year	(86 500)	(240 000)

[1] During the year, the 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 company's statement of financial of position. Refer to the restatements section on page 17 for more detail.

35. Post-employment benefits

	2019 N$'000	2018 N$'000
Amounts recognised as liabilities in the statement of financial position		
Post-employment healthcare benefit medical aid	118 896	112 624
Amounts recognised as expenses in profit and loss for the year		
Retirement fund	64 993	61 499
Post-employment healthcare benefit medical aid	10 000	11 112
	74 993	72 611

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.

	2019 N$'000	2018 N$'000
Employer's contribution for the year	**64 993**	61 499

35. Post-employment benefits continued

35.2 Post-employment healthcare benefits

	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 scheme for the year ending 31 December 2020 are N$ 3 870 00.		
Movement in the present value of defined medical scheme benefit obligation		
Balance at beginning of the year	**112 624**	109 298
Current service cost	**2 394**	3 432
Interest cost	**7 606**	11 760
Remeasurement of post-employment benefit obligations relating to change in financial and demographic assumptions		(8 587)
Premiums paid	**(3 728)**	(3 279)
Balance at end of the year	**118 896**	112 624
Consisting of:		
Present value of unfunded obligations	**118 896**	112 624
Unrecognised actuarial gains/losses		
Obligation recognised in the statement of financial position	**118 896**	112 624
The amounts recognised in profit or loss are determined as follows:		
Current service cost	**2 394**	3 432
Interest cost	**7 606**	11 760
Remeasurement of post-employment benefit obligations relating to change in financial and demographic assumptions		(4 564)
Included in staff costs	**10 000**	10 628
The amounts recognised in statements of other comprehensive income		
Remeasurement of post-employment benefit obligations relating to change in financial and demographic assumptions		8 587
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	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

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

36.2 Joint ventures

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

36.3 Key management personnel

Key management personnel has been defined as directors of the 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.

	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 change in loans 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 change in deposits 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

	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 Limited	Fellow subsidiary	Other Services	**1 314**	
Stanbic Bank Uganda	Fellow subsidiary	Other Services	**580**	1 057
Standard Bank Malawi	Fellow subsidiary	Other Services	**59**	
Standard Bank Insurance Brokers (Namibia) Limited	Fellow subsidiary	Other Services	**(507)**	
Stanfin (Namibia) (Pty) Ltd	Fellow subsidiary	Other Services	**(78)**	
Namclear (Pty) Ltd	Joint venture	Interbank clearing costs	**20 342**	17 205
MobiCash Payment Solutions (Pty) Ltd	Fellow subsidiary	Payment solution fees	**4 311**	
			148 156	113 589

36.5 Commissions and dividends received/(paid)

	Relationship	Type	2019 N$'000	2018 N$'000
SBSA	Fellow subsidiary	Commission paid	**(3 061)**	(12 281)
SBSA	Fellow subsidiary	Commission received	**429**	8 422
MobiCash Payment Solutions (Pty) Ltd	Fellow subsidiary	Commission received	**1 030**	
SBN Holdings Limited	Parent company	Dividends paid	**(86 500)**	(240 000)
			(88 102)	(243 859)

36.6 Interest income/(expense)

	Relationship	Type	2019 N$'000	2018 N$'000
SBSA	Fellow subsidiary	Interest income	**104 324**	57 826
SBSA	Fellow subsidiary	Interest expense	**(85 297)**	(25 746)
Arleo Investment Sixteen (Pty) Ltd	Fellow subsidiary	Interest income	**58 165**	33 705
			77 192	65 785

36.7 Trading income

	Relationship	Type	2019 N$'000	2018 N$'000
SBSA	Fellow subsidiary	Trading income	**22 590**	24 428
			22 590	24 428

36.8 Contributions to funds

	Relationship	Type	2019 N$'000	2018 N$'000
Standard Bank Namibia Pension Fund	Defined contribution plan	Contributions	**64 993**	61 499
			64 993	61 499

36. Related party transactions continued

36.9 Related party year end balances

	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**	1 242 896
Stanbic Bank Botswana Ltd	Fellow subsidiary	Loans and advances	**487**	683
Stanbic Bank Zambia Ltd	Fellow subsidiary	Loans and advances		1
Stanbic Bank Kenya Limited	Fellow subsidiary	Loans and advances	**1 179**	34
Arleo Investments Sixteen (Pty) Ltd	Fellow subsidiary	Loans and advances	**600 000**	474 594
SBSA	Fellow subsidiary	Derivatives	**93 571**	21 011
SBSA	Fellow subsidiary	Other assets	**12 972**	33 674
Stanbic Bank Zimbabwe Ltd	Fellow subsidiary	Other assets	**90**	90
Standard Bank Mauritius	Fellow subsidiary	Other assets	**30**	
Standard Bank Insurance Brokers (Namibia) Pty Ltd	Fellow subsidiary	Other assets	**334**	
Stanfin (Namibia) (Pty) Ltd	Fellow subsidiary	Other assets	**1 445**	
Arleo Investments Sixteen (Pty) Ltd	Fellow subsidiary	Other assets	**41 380**	6 464
Purros Investment (Pty) Ltd	Sister company	Other assets	**361**	361
SBN Holdings (Pty) Ltd	Parent	Other assets	**202 835**	320 588
			2 564 431	2 105 407

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**	495 389
Stanbic Bank Botswana Ltd	Fellow subsidiary	Deposit and current accounts	**26**	26
Standard Bank Angola	Fellow subsidiary	Deposit and current accounts	**118**	78
Stanbic Bank Zambia Ltd	Fellow subsidiary	Deposits and current accounts	**293**	
SBSA	Fellow subsidiary	Derivatives	**55 470**	3 373
SBSA	Fellow subsidiary	Other liabilities	**64 155**	168 129
SBN Holdings (Pty) Ltd	Parent	Other liabilities	**16 427**	542 203
Stanlib (Namibia) (Pty) Ltd	Fellow subsidiary	Other liabilities	**128**	831
Purros Investment (Pty) Ltd	Sister company	Other liabilities	**3**	
Standard Bank Insurance Brokers (Namibia) Pty Ltd	Fellow subsidiary	Other liabilities	**182**	
Stanbic Bank Uganda	Fellow subsidiary	Other liabilities	**222**	1 082
Stanbic Bank Zimbabwe Ltd	Fellow subsidiary	Other liabilities	**60**	60
SBSA	Fellow subsidiary	Subordinated debt	**101 776**	101 816
			1 633 222	1 312 987

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

	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
	4 826	13 991

37.2 Equity compensation plans

The company has three equity compensation plans, namely the company Share Incentive Scheme (GSIS), the Equity Growth Scheme (EGS) and the Purros Share Scheme. The company 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

Company 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			**32 200**	41 300
Exercised	**62.39 – 98.80**	62.39 – 98.80	**(17 200)**	(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	**98.8**	**98.8**	**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			**(34 615 778)**	
Shares outstanding at the end of the year				5 092 780

All shares have 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 company makes special awards to qualifying employees in employment of the company. 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.

			2019 units					
Currency	Weighted average fair value at grant date	Expected life at grant date (years)	**Opening balance**	**Granted**	**Exercised**	**Forfeited**	**Transferred between group companies**	**Outstanding**
NAD	N$182.43	2.51	**42 481**	**20 138**	**(15 370)**	**(4 913)**		**42 336**
ZAR			**2 415**				**(2 415)**	

			2018 units				
Currency	Weighted average fair value at grant date	Expected life at grant date (years)	Opening balance	Granted	Exercised	Forfeited	Outstanding
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 company 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 company, its subsidiaries and employees, as well as to attract and retain skilled, competent people.

The company 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 company'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 company'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 company share price.

	Units	
	2019	2018
Reconciliation		
Units outstanding at beginning of the year	**33 858**	65 057
Exercised	**(23 289)**	(30 107)
Lapsed	**(2 061)**	(1 092)
Transfers	**(682)**	
Units outstanding at end of the year	**7 826**	33 858

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 company is organised on the basis of products and services and the segments have been identified on this basis. The principal business units in the company 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

Corporate & Investment Banking Corporate and investment banking services to clients including governments, parastatals, larger corporates, financial institutions and multinational corporates.	**Client coverage** • Relationship management • Sector expertise **Global markets** • Money Market Instruments • Commodity trading • Equities • Foreign exchange • Interest rates trading and structuring • Exchange trade products • Credits **Transactional products and services** • Transactional banking • Investor services • Trade finance • Cash management **Investment banking** • Advisory • Principle finance • Debt solutions • Structured trade finance and commodity finance • Debt capital markets
Other services	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: • legal & compliance • human capital • finance • governance • assurance • IT • procurement • marketing • real estate • risk management • group shared services • corporate social investment

38. Segment reporting continued

Scope of operations continued

The segment report includes only those business unit activities conducted within the company. No geographical segment information is disclosed d
business units across SBN Holdings, are reflected in the segment report in SBN Holdings annual financial statements.

	Personal & Business Banking	
	2019 N$'000	2018 N$'000
Net interest income	**1 801 895**	1 658 307
Inter-segment revenue	**(748 224)**	(721 552)
Non-interest revenue	**744 882**	702 458
Total income	**1 798 553**	1 639 213
Credit impairment charges	**(234 324)**	(101 282)
Income after credit impairment charges	**1 564 229**	1 537 931
Operating expenses	**(1 131 241)**	(1 129 488)
Net income	**432 988**	408 443
Share of profits from associates and joint ventures		
Net income before indirect taxation	**432 988**	408 443
Indirect taxation	**(15 222)**	(15 838)
Profit before direct taxation	**417 766**	392 605
Direct taxation	**(131 924)**	(119 456)
Profit/(loss) for the year	**285 842**	273 149
Operating information		
Total assets	**19 035 324**	17 689 791
Total liabilities	**17 249 251**	16 344 696
Other information		
Investment in associate		
Depreciation	**73 114**	38 541
Amortisation		

ue to the fact that business activities predominantly relate to Namibia. The consolidated results of each business unit, containing all the activities of the

	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)	(336 232)	**(4 652)**	(103 772)	**1 366 637**	1 218 303
	780 641	751 554	**(32 417)**	(30 002)		
	386 199	234 607	**(3 315)**	87 260	**1 134 216**	1 024 325
	736 234	649 929	**(33 934)**	(46 514)	**2 500 853**	2 242 628
	(4 841)	5 665			**(239 165)**	(95 617)
	731 393	655 594	**(33 934)**	(46 514)	**2 261 688**	2 147 011
	(370 187)	(384 448)	**52 476**	78 368	**(1 448 950)**	(1 435 568)
	361 206	271 146	**18 544**	31 854	**812 738**	711 443
			3 929	3 410	**3 929**	3 410
	361 206	271 146	**22 473**	35 264	**816 667**	714 853
	(2 440)	(4 398)	**(13 608)**	(12 766)	**(31 270)**	(33 002)
	358 766	266 748	**8 865**	22 498	**785 397**	681 851
	(90 063)	(76 792)	**(4 738)**	(10 567)	**(226 725)**	(206 815)
	268 703	189 956	**4 127**	11 931	**558 672**	475 036
	14 479 608	12 473 649	**1 529 203**	1 514 715	**35 044 135**	31 678 155
	13 362 636	11 475 775	**872 012**	974 314	**31 483 899**	28 794 785
			15 435	11 506	**15 435**	11 506
	1 664	466	**34 887**	29 002	**109 665**	68 009
	359		**28 911**	24 077	**29 270**	24 077

Annexure A – Subsidiary

	Nature of operation	Issued share capital N$	Effective holding 2019 %	2018 %	Net indebtedness 2019 N$'000	2018 N$'000
Standard Bank Nominees (Pty) Limited	Safe custodian	2	**100**	100		

These financial statements are the separate financial statements of Standard Bank Namibia. The company is exempted from the preparation of consolidated financial statements as the company is a wholly-owned subsidiary of SBN Holdings Limited, a Namibia-incorporated company which produces consolidated financial statements available for public use.

Standard Bank Nominees (Pty) Ltd is incorporated within Namibia.

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 company's capital management function is designed to ensure that regulatory requirements are met at all times and that the company and its principal subsidiaries are capitalised in line with the company'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 company's budget and forecasting process. The capital plan is tested under a range of stress scenarios as part of the company'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 company'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 company's approach to managing risk and capital is set out in the company's risk, compliance and capital management (RCCM) governance framework approved by risk management committee and ALCO.

Capital management

The company 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)

	2019 N$'000	2018 N$'000
Tier 1		
Ordinary share capital and premium	793 230	593 230
Ordinary shareholders' reserves	2 389 641	2 031 406
	3 182 871	2 624 636
Less: regulatory adjustments	(298 130)	(121 596)
Intangible assets	(160 582)	(59 792)
Deferred tax asset	(89 989)	(39 279)
Defined benefit pension fund assets and liabilities	(47 559)	(22 525)
Common equity tier 1 capital	2 884 741	2 503 040
Tier II		
Subordinated debt	100 000	100 000
Current unappropriated profits	316 365	202 419
General allowance for credit impairments	234 696	252 199
	651 061	554 618
Total eligible capital (including unappropriated profits)	3 535 802	3 057 658

CAPITAL ADEQUACY RATIOS (UNAUDITED)

	Minimum regulatory require-ment %	Target ratio %	Including unappropriated profits 2019 %	Including unappropriated profits 2018 %	Excluding unappropriated profits 2019 %	Excluding unappropriated profits 2018 %
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)

	2019 N$'000	2018 N$'000
Credit risk	21 552 357	20 212 533
Market risk	413 719	364 572
Operational risk	3 036 583	2 852 041
Total risk-weighted assets	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 company'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 board risk committee (BRC). The management of credit risk is aligned to the company's three lines of defence framework. The business function owns the credit risk assumed by the company 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 company 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 company, 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 company'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 company'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 company 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 company has an unassailable legal title, the company'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 company 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 company 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 company firstly, has a legally enforceable right to offset credit risk by way of such an agreement, and secondly, where the company 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 company 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 company 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 company's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the company's master rating scale. The company 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 company 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 company'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 company'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 company 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 company, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the company 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

		SB 1 – 12		SB 13 – 20	
	Gross carrying amount N$'000	Stage 1 N$'000	Stage 2 N$'000	Stage 1 N$'000	Stage 2 N$'000
2019					
Loans and advances at amortised cost					
PBB	19 823 288			16 525 545	
Mortgage loans	12 339 977			9 781 485	
Vehicle and asset finance	2 904 936			2 541 197	
Card debtors	175 900			154 195	
Other loans and advances	4 402 475			4 048 668	
Personal unsecured lending	1 868 728			1 750 622	
Business lending and other	2 533 747			2 298 046	
CIB	7 038 137	4 437 207		2 516 681	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	2 836 905	2 836 905			
Gross carrying amount	26 861 425	4 437 207		19 042 226	71 585
Less: total credit impairment on loans and advances	(598 599)				
Net carrying amount of loans and advances measured at amortised cost	26 262 826				
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	(2)				
Net carrying amount of financial investments measured at amortised cost	54 754				
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)	(3 064)				
Total financial investment at fair value through OCI	2 072 460				
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	(4 353)				
Net carrying amount of off-balance sheet exposures	6 474 404				
Total exposure to credit risk on financial assets subject to an expected credit loss	34 864 444				
Add the following exposures not subject to ECL:					
Cash and balances with the central bank[1]	1 512 374				
Derivative assets	149 910				
Other financial investments	1 852 559				
Trading assets	268 177				
Pledged assets	580 098				
Interest in joint venture[2]	15 435				
Other financial assets[3]	1 270 273				
Total exposure to credit risk	40 513 270				

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						
	Stage 1 N$'000	Stage 2 N$'000	Stage 3 N$'000	Total gross carrying amount of default exposures N$'000	Securities and expected recoveries on defaul 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 %
		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	39	4
		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

		SB 1 – 12		SB 13 – 20	
	Gross carrying amount N$'000	Stage 1 N$'000	Stage 2 N$'000	Stage 1 N$'000	Stage 2 N$'000
2018					
Loans and advances at amortised cost					
PBB	18 358 496			15 185 453	
Mortgage loans	11 818 300			9 309 024	
Vehicle and asset finance	3 055 859			2 693 057	
Card debtors	219 397			186 899	
Other loans and advances	3 264 940			2 996 473	
Personal unsecured lending	1 348 081			1 221 886	
Business lending and other	1 916 859			1 774 587	
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	24 422 150	4 335 335	130 285	16 781 539	
Less: total credit impairment on loans and advances	(466 734)				
Net carrying amount of loans and advances measured at amortised cost	23 955 416				
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	6 110 603	20 021		
Expected credit losses for off-balance sheet exposures	(6 154)				
Net carrying amount of off-balance sheet exposures	6 128 710				
Total exposure to credit risk on financial assets subject to an expected credit loss	32 895 583				
Add the following exposures not subject to ECL:					
Cash and balances with the central bank – held at fair value[1]	1 546 355				
Derivative assets	33 237				
Other financial investments	1 575 538				
Trading assets	129 801				
Interest in associates, joint ventures and subsidiaries[2]	15 435				
Other financial assets	754 039				
Total exposure to credit risk	36 949 988				

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 During the year, the 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 17 for more detail.

	SB 21 – 25		Default						
	Stage 1 N$'000	Stage 2 N$'000	Stage 3 N$'000	Total gross carrying amount of default exposures N$'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 %
		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	5
		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 RISK

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 company's credit risk portfolio is well-diversified. The company'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$'000	2018[1] N$'000
Agriculture	**742 434**	713 394
Construction	**279 547**	190 070
Electricity	**1 709 557**	858 536
Finance, real estate and other business services	**7 337 965**	4 999 149
Individuals	**14 878 991**	14 927 614
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	**26 861 425**	24 422 150

1 During the year, the 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 17 for more detail.

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 company'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 company'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 company's collateral. All exposures are presented before the effect of any impairment provisions.

Of the company'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	Collateral coverage – Total collateral 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	(598 599)				
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	1 512 374				
Derivative assets	149 910				
Trading assets	268 177				
Pleadged assets	580 098				
Financial investments	3 982 837				
Loans and advances	26 262 826				
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%	Collateral coverage – Total collateral 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	2 439 470				
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	1 546 355				
Derivative assets	33 237				
Trading assets	134 812				
Financial investments	4 386 995				
Loans and advances	23 955 416				
Assets in group companies and joint ventures	11 506				
Other financial assets	725 066				
Total	30 793 387				

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 company's banking and trading activities gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide the company 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 company manages liquidity in accordance with applicable regulations and within the company's risk appetite framework. The company'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 company's legal entities, under both normal and stressed conditions. Liquidity risk management ensures that the company has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times. The company 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 company 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 (SOFP).

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.

FUNDING AND LIQUIDITY RISK

	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
2019						
Liabilities						
Derivative liabilities					**142 511**	**142 511**
Trading liabilities					**14 881**	**14 881**
Deposit 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 company's key market risks are:

- trading book market risk
- Interest rate risk 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 company's policy is that all trading activities are undertaken within the company's global markets' operations.

The market risk functions are independent of the company's trading operations and are overseen by the market risk committee which is accountable to the 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 company 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 company's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the company operates. The company'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 company's primary non-trading-related exposures to foreign currency risk arise as a result of the translation effect on the company's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

Approach to managing foreign currency risk

The company 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 company'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, against N$. 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 company's foreign denominated exposures.

FOREIGN CURRENCY RISK SENSITIVITY IN N$ EQUIVALENTS[1]

		USD	Euro	GBP	Other	Total
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 indeed possible. The company's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profile in line with the company's risk tolerance, while maximising their operational performance and efficiency.

Framework

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

The framework sets out a structured and consistent approach for managing operational risk across the company. The risk management approach involves identifying, assessing, measuring, managing, mitigating, and monitoring the risks associated with operations, enabling comprehensive analysis and reporting of the company'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 company 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 company 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 company'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 company are consolidated within a central company 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:

- Individual teams are dedicated to each business unit and company enabling functions. These teams are based alongside their business areas and facilitate the business's adoption of the operational risk framework. As part of the second line of defence, they also monitor and challenge the business units' and company enabling functions' management of their operational risk profile.
- A central function, based at a company level, provides companywide oversight and reporting. It is also responsible for developing and maintaining the operational risk management framework.
- The primary oversight body for operational risk is ORCC, which reports to Exco, the BRC and ultimately the board. ORCC is chaired by the company head of risk and includes representation from company specialist functions and business units. ORCC is also responsible for approving companywide 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 company'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 company 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 company 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 company'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 company tax policy, the company 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 company may have in relation to company taxes, personal taxes, indirect taxes and tax administration.

Compliance with this policy is aimed at ensuring that the company pays neither more nor less tax than tax law requires. The company continually reviews its existing and planned operations in this regard and ensures that, where clients participate in company 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 company 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 company.

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 company activities and may also include others acting on behalf of the company.

Legal risk arises where:

- the company'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 company may be liable for damages to third parties
- contractual obligations may be enforced against the company 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 company has processes and controls in place to manage its legal risk. Failure to manage these risks effectively could result in legal proceedings impacting the company 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 company 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 company'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 company risk type methodologies. Company 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 company'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 company.

Money laundering and terrorist financing control

Legislation across the company 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 company. The company 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 company.

Regulatory change

The company 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 company operates in a highly regulated industry across multiple jurisdictions, including the need to comply with legislation with extra-territorial reach. The company's regulator is the Bank of Namibia (BON). BON supervises both the company 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 company 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. Environmental efficiency targets have been set at a SBN level.

From a governance perspective, the company's material issues are companied into six broad categories which form the basis of engagement on sustainability issues with the company 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 company 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 company 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 company'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.

Information risk management is responsible for establishing an information security management system inclusive of an information risk management framework, and promotes information risk management policies and practices across the company.

The execution of these policies and standards is functionally overseen by the company 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 company will not condone any instance of financial crime and where these instances arise, the company 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 company's financial crime control unit is mandated by the BAC to provide capabilities which minimise the overall impact of financial crime on the company. This ensures the safety of our people and assets, and builds trust with our stakeholders.

The company'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 company 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. company 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
- company-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 company.

The company 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 company's control.
- The profitability of product lines and customer segments is consistently monitored.
- Tight control is maintained over the company'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 company 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 company's future business plans and strategies may be inadequate to prevent financial loss or protect the company's competitive position and shareholder returns.

The company'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 company'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 company operates a defined contribution plan. The company maintains a number of defined benefit pension and medical aid provider schemes for past and certain current employees, collectively termed post-retirement obligations.

AFS Refer to note 35.

Reputational risk

Reputational risk results from damage to the company'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 company'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 company 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 company'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 company's perspective is fairly represented in the media.

Annexure D – Emoluments of directors

	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 were applied in the preparation of the 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.

Foreign currency translations

Transactions and balances

Foreign currency transactions are translated into the company's functional currency 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 company's foreign currency translation reserve ('FCTR').

2. Interest joint venture

Joint ventures

Joint ventures are initially measured at cost and subsequently accounted for using the equity method at an amount that reflects the company'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 company 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 company has an obligation or has made payments on behalf of the joint venture.

Unrealised profits from transactions are eliminated in determining the company'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 company 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 associates and joint ventures have been changed where necessary to ensure consistency with the policies of the company.

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 company commits to purchase (sell) the instruments (trade date accounting).

Financial assets

Nature

Amortised cost	**A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):** • 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. 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.
Fair value through OCI	**A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):** • 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. 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. 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.
Held for trading	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. 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.
Designated at fair value through profit or loss	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.
Fair value through profit or loss – default	Financial assets that are not classified into one of the above mentioned financial asset categories.

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	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. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through OCI	**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. **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. Dividends received on equity instruments are recognised in other revenue within non-interest income.
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	**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. **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.

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)	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: • 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	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. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
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	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: • 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.
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 company changes it s 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: • 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 liabilty'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	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. 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.
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	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. 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. 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. 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.	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. 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).
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

Financial guarantee contracts

A financial guarantee contract is a contract that requires the company (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 company 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 company 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 company 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 company 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.	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. 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.
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.	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. 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. 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.
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 as either fair value, cash flow, or net investment hedges for recognised financial assets or liabilities, and highly probable forecast transactions. The group and 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 company's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the company operate.

The company's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of ALCO. The 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 company 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 company 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 company 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 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 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 company 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 company continues to apply IAS 39 hedge accounting requirements for 2019 and 2018.

4. Fair value

In terms of IFRS, the company 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 company 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 company'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: • Discounted cash flow model • Black-Scholes model • combination technique models.	For level 2 and 3 fair value hierarchy items: • discount rate* • spot prices of the underlying • 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
Loans and advances to banks and customers Loans and advances comprise: • 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).	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.	For level 2 and 3 fair value hierarchy items: • discount rate*
Deposits and debt funding 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.	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.	For level 2 and 3 fair value hierarchy items: • 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 company 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
Tangible assets (property, equipment and land) 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. 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. 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.	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. Buildings 40 years Computer equipment 3 – 5 years Motor vehicles 4 – 5 years Office equipment 5 – 10 years Furniture 5 – 13 years Leased assets Shorter of useful life or lease term The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.	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. 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. 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. 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. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest cash generating unit ('CGUs'). 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. 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.

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
Computer software Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. 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.	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. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary	Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets.
Derecognition 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.		

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 company 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 company'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: • 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: • 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: • 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	**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:** 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. 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. 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.	
	Lease modifications that are accounted for as a separate lease: 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.	

<table>
<tr><th>Type and description</th><th>Statement of financial position</th><th>Income statement</th></tr>
<tr><td colspan="3">IFRS 16 and IAS 17 – Lessor accounting policies</td></tr>
<tr><td>Finance leases
Leases, where the group transfers substantially all the risk and rewards incidental to ownership, are classified as finance leases</td><td>Finance lease receivable, including initial direct costs and fees, are primarily accounted for as financing transaction in backing activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances.</td><td>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.</td></tr>
<tr><td>Operating leases
All leases that do not meet the criteria of a financial lease are classified as operating leases.</td><td>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.</td><td>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.

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.</td></tr>
<tr><td colspan="3">IFRS 16 – Lessor lease modifications</td></tr>
<tr><td>Finance leases</td><td colspan="2">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.

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.</td></tr>
<tr><td>Operating leases</td><td colspan="2">Modifications are accounted for as a new lease from the effective date of the modification.</td></tr>
</table>

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	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. 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.	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.
Operating leases All leases that do not meet the criteria of a financial lease are classified as operating leases.	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 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. 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.

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 company 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 company'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 company 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 company 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 company, 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 company'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	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. 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.	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	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. 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: • 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. 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. 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. 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. 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.	
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	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. 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. 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.
Net fee and commission revenue	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. 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. 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.
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.
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.
Other gains/ losses on financial instruments	Includes: • 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 company 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 company 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 company. However, fee income earned and fee expenses incurred by the company relating to the company'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 company.

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 and 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 company's financial statements.

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