Standard Bank

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Standard Bank Namibia Limited

ANNUAL FINANCIAL STATEMENTS 2020

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Standard Bank IT CAN BE™

Also trading as Stanbic Bank

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. This vision created the foundation for the kind of bank it would become and the qualities which customers and clients expect. 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 63 branches and 372 ATMs across Namibia. Our workforce has grown to over 1 500 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.

We are commercially and morally bound to serve Namibia and her people in return for the long-term profitable growth we aim to deliver as a leading financial services group in the country.

We are committed to moving Namibia forward and driving her growth.

Our success and growth over the long term is centered on making a difference in the communities in which we operate.

Standard Bank has a strong presence in Namibia.
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 and ATMs in Namibia, comprising:

Transactional volumes on our digital platforms

Internet Banking
3 185 377
2019: 2 747 792

PayPulse
882 752
2019: 396 179

Smart App
173 417
2019: 153 409

Branches
63
2019: 61 2018: 60

USSD
1 033 501
2019: 797 207

ATMs
372
2019: 350 2018: 325

Contents

Corporate governance report

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

The company's governance framework enables the board to balance its role of providing risk oversight and strategic counsel and ensuring adherence to regulatory requirements and risk tolerance. The board is committed to upholding the fundamental tenets of governance, which include discipline, independence, responsibility, fairness, social responsibility, transparency and accountability of directors to all stakeholders.

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

Standard Bank Namibia board

Board committees

- Board audit committee
- Board corporate social investment committee
- Board credit committee
- Board human capital committee
- Board information technology committee
- Board risk committee

Management committees

EXCO | PROJECT EXCO | ALCO | HRC | RMC | CC | IFC | NPC | TBC

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

Governance framework

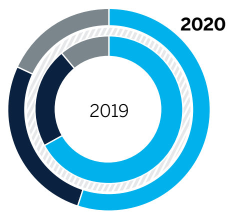
Codes, regulations and compliance

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

Board and directors

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

DIRECTOR COMPOSITION (%)



	2020	2019
Independent non-executives	55	67
Non-executives	27	22
Executive	18	11

Independent non-executive directors

The board annually reviews and confirms the classification of non-executive directors as independent. Six non-executive directors are independent.

Succession planning

Succession planning is a key focus and the board considers the composition of the board and its committees on an ongoing basis. It aims to retain retention of board members with considerable experience to ensure that appropriate levels of management oversight are maintained. The board is satisfied that the current talent pool available within the company and the work being done to strengthen it provides adequate succession depth over the short and long term.

The board is also satisfied that there is a clearly articulated talent strategy which focuses on creating a strong talent pool for key roles, and that the company is building capability on core areas to enable business strategy and ensure regulatory compliance. The board is further pleased to note that the employee value proposition (EVP) has now been implemented.

Skills, knowledge, experience and attributes of directors

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

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

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

Access to information and resources

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

Strategy

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

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

Board responsibilities

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

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

Delegation of authority

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

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

Board meetings

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

BOARD ATTENDANCE 2020

	26 Feb 2020 Q1 Board	8 May 2020 Q2 Board	24 April 2020 Board Covid 19 Update	30 June 2020 AGM	12 Aug 2020 Special Board	21 Aug 2020 Q3 Board	25 Sept 2020 Board Strategy	26 Nov 2020 Q4 Board
H Maier (chairperson)	✓	✓	✓	✓	✓	✓	✓	✓
N Bassingthwaighte	✓	✓	✓	✓	✓	✓	✓	✓
M Dax	✓	✓	✓	✓	✓	✓	✓	✓
L Du Plessis	✓	✓	✓	✓	✓	✓	✓	✓
A Mangale*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	A
J Muadinohamba	✓	✓	✓	✓	✓	✓	✓	✓
V Mungunda	✓	✓	✓	✓	✓	✓	✓	✓
P Nyandoro	✓	✓	✓	✓	✓	✓	✓	✓
B Rossouw	✓	✓	✓	✓	✓	✓	✓	✓
P Schlebusch	✓	✓	✓	✓	✓	✓	✓	✓
I Tjombonde	✓	✓	✓	✓	✓	✓	✓	✓

* – Appointed 9 November 2020 ✓ – Attended A – Apologies

Board effectiveness and evaluation

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

Education and induction

The company secretary arranges an appropriate induction programme for new directors. This includes an explanation of their fiduciary duties, responsibilities and arranging visits to operations, where discussions with management facilitate an understanding of the company's affairs and operations. Directors are regularly appraised, wherever relevant, of any new legislation and changing commercial risks that may affect the affairs of the company. In terms of the mandate of the board, directors can obtain independent professional advice in order to act in the best interests of the company, at the cost of the company. Such a director also has unrestricted access to the chairman, executive directors and the company secretary.

Board committees

Each board committee's mandate sets out the role, responsibilities, scope of authority, composition and procedures to be followed. All board committee mandates were reviewed in 2020 to take into account amendments to relevant legislation and the requirements of the Namcode.

Board audit committee

The board audit committee (BAC) assists the board in discharging its duties relating to the safeguarding of assets and evaluation of internal control frameworks within Standard Bank Namibia and any of its subsidiary companies. The BAC reviews and assesses the integrity and effectiveness of the accounting, financial, compliance and other control systems. Some of the duties and responsibilities assigned to the audit committee are as follows:

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

BOARD AUDIT COMMITTEE 2020

	19 Feb 2020 Q1	28 April 2020 Q2	23 July 2020 Q3	12 Aug 2020 (Special BAC)	18 Nov 2020 Q4
B Rossouw (chairperson)	✓	✓	✓	✓	✓
N Bassingthwaighte	✓	✓	✓	✓	✓
P Nyandoro	A	✓	✓	✓	✓

✓ – Attended **A** – Apologies

Board credit committee

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

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

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

BOARD CREDIT COMMITTEE 2020

	18 Feb 2020 Q1	22 April 2020 Q2	29 July 2020 Q3	11 Nov 2020 Q4
N Bassingthwaighte (chairperson)	✓	✓	✓	✓
H Maier	✓	✓	✓	✓
P Schlebusch	A	✓	✓	✓

✓ – Attended **A** – Apologies

Board risk committee

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

BOARD RISK COMMITTEE 2020

	12 Feb 2020 Q1	21 April 2020 Q2	22 July 2020 Q3	17 Nov 2020 Q4
I Tjombonde (chairperson)	✓	✓	✓	✓
B Rossouw	✓	✓	✓	✓
N Bassingthwaighte*	N/A	N/A	✓	✓
P Schlebusch	A	✓	✓	✓

* – Appointed July 2020 ✓ – Attended **A** – Apologies

Board IT committee

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

BOARD IT COMMITTEE 2020

	20 Feb 2020 Q1	23 April 2020 Q2	24 July 2020 Q3	20 Nov 2020 Q4
I Tjombonde (chairperson)	✓	✓	✓	✓
B Rossouw*	N/A	N/A	N/A	✓
H Maier	✓	✓	✓	✓
P Schlebusch	✓	✓	✓	✓

* – Appointed November 2020 ✓ – Attended **A** – Apologies

Board HC committee

The role of the board HC subcommittee is to:

- provide oversight on the compensation of senior management and other key personnel and ensure that compensation is consistent with the company's culture, objectives, strategy and control environment
- perform other duties related to the bank's compensation structure in accordance with applicable laws, rules, policies and regulations. The term 'compensation' includes salary, allowances, long-term incentives, bonuses, severance arrangements and other benefits, rights or remuneration received under the company's policies.

The goal of the subcommittee is to maintain compensation policies, which will attract and retain the highest quality senior managers, which will reward the senior managers for the company's progress and enhancement of shareholder value. Another objective of the subcommittee is to consider and evaluate nominations made for the appointment of independent, non-executive and/or executive directors to sit on the board of directors and to recommend fees for the directors.

BOARD HUMAN CAPITAL 2020

	19 Feb 2020	18 Nov 2020
J Muadinohamba (chairperson)	✓	✓
P Nyandoro	A	✓
H Maier	✓	✓
M Dax	✓	✓

✓ – Attended **A** – Apologies

Board corporate social investment (CSI) committee

The role of the board CSI committee is to:

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

BOARD CSI COMMITTEE 2020

	10 Feb 2020	16 Nov 2020
J Muadinohamba (chairperson)	✓	✓
Dr N Hamunime	✓	✓
M Dax	A	✓

✓ – Attended **A** – Apologies

Community upliftment

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

Company secretary

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

Going concern

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

Relationship with stakeholders

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

Connecting with our stakeholders

Standard Bank Namibia's relevance to the markets and society in which it operates depends on continued and meaningful engagement with all stakeholders. Stakeholder management involves the optimal employment of the organisation's resources to build and maintain good relationships with stakeholders. This helps the company to manage the expectations of society, minimise reputational risk and form strong partnerships, which all underpin business sustainability.

Sustainability

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

Ethics and organisational integrity

The company's code of ethics is designed to empower employees and enable effective decision-making at all levels of the business according to defined ethical principles. It also aims to ensure that, as a significant organisation in the financial services industry, the company adheres to the highest standards of responsible business practice.

The code interprets and defines the company's values in greater detail and provides value-based decision-making principles to guide its conduct. It is aligned with other Standard Bank Namibia's policies and procedures and supports the relevant industry regulations and laws. The code specifies acceptable and unacceptable practices and assists in making ethical infringements easy to identify. It also promotes awareness of, and sensitivity to, ethical issues.

The chief executive and ethics officer are the formal custodians of the company code of ethics and ultimately responsible for its implementation. Ethics incidents are reported via the ethics and fraud hotline, human resources department, risk department, financial crime control department and the ethics officers. Reported incidents include fraud, harassment, ethical dilemmas in procurement and abuse of authority. Quarterly ethics reports are presented to the board audit committee.

Remuneration

Remuneration philosophy

The company's remuneration philosophy aligns with its core values, including growing our people and delivering value to our shareholders. The philosophy continues to emphasise the fundamental value of our people and their role in ensuring sustainable growth. This approach is crucial in an environment where skills remain scarce. The company's board of directors sets the principles for the remuneration philosophy in line with approved business strategy and objectives. The philosophy aims to maintain an appropriate balance between employee and shareholder interests. A key success factor for the bank is its ability to attract, retain and motivate the talent it requires to achieve its strategic and operational objectives in Namibia.

Remuneration governance

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

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

Board remuneration structure

Non-executive directors

Terms of service

All non-executive directors are provided with a letter of appointment setting out the terms of their engagement. Directors are appointed by the shareholders at the annual general meeting (AGM) and interim board appointments are allowed between AGMs. One-third of the longest serving, non-executive directors are required to retire at each AGM and may offer themselves for re-election. If recommended by the directors and supported by the board, the board then proposes their re-election to shareholders.

Fees

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

Details of non-executive directors' fees can be found in Annexure D on page 104.

Executive directors

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

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

Transformation

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

Board of directors

Non-executive

1 Herbert Maier

Chairman

Qualifications BCom (UCT), CTA (UCT), CA(SA), CA(Nam) Digital Savvy Board Certificate, MIT Sloan School Of Management, Cambridge, Massachusetts, USA

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

Appointed 2010

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

2 Isac Hiriua Tjombonde

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

Head of Information Services at NamPower responsible for information and communication technology. He is a Trustee of NamPower Provident Fund.

Appointed 2015

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

3 Jeremia Muadinohamba

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

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

Appointed 2007

Directorships
- SBN Holdings Ltd
- Standard Bank Namibia Ltd

4 Peter Schlebusch

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

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

Appointed 2019

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

5 Adv Natasha Bassingthwaighte

Qualifications BJuris, LLB (University of Namibia)

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

Appointed 2011

Directorships
- SBN Holdings Ltd
- Standard Bank Namibia Ltd
- Standard Insurance Brokers (Namibia) (Pty) Ltd
- PPS Insurance Company (Namibia) Ltd
- Desert SPV One Investments (Pty) Ltd
- Old Mutual Black Brokers Trust
- Rainy Day Investments Eighteen (Pty) Ltd
- The Auas View Investment Unit Eight (Pty) Ltd

6 Birgit Rossouw

Qualifications BPhil (University of Stellenbosch), CA(Nam), BCom (UP), BCom (Hons)(UP) CTA (UP), Digital Savvy Board Certificate, MIT Sloan School Of Management, Cambridge, Massachusetts, USA

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

Appointed 2012

Directorships
- SBN Holdings Ltd
- Standard Bank Namibia Ltd
- Stanfin (Namibia) (Pty) Ltd
- Namibia Asset management Ltd
- IJG Frontier Investment Fund
- OMDIs Town Transform Agency

COMMITTEE MEMBERSHIPS

BCC, Board IT, BAC, Board HC, BRC, CSI

Non-executive

7 Maria Shivute Dax

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

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

Appointed 2019

Directorships

- SBN Holdings Ltd
- Standard Bank Namibia Ltd
- Government Institutions Pension Fund
- The University Centre for Studies in Namibia

8 Pindie Nyandoro

Qualifications BSc (Hons), MBA, LLB

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

Appointed 2011

Directorships

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

9 Alpheus Mangale

Qualifications ND: CSc (Eng) (TUT), PGMCert (HBS), AMP (Harvard)

Alpheus was appointed to the board of SBN Holdings and Standard Bank Namibia on 09 November 2020. Alpheus is currently Standard Bank Group Chief Engineering Officer a position he has held since 2020. In the past, he also served as Standard Bank Group Chief Information Officer (2017 to 2020).

Alpheus is a seasoned senior executive with over 23 years, experience across Enterprise and Public Sector market in Europe, Middle East and Africa region. He previously was the CEO of MTN Business base in South Africa for 3 years. He served on various boards in the past including MTN Foundation, MTN Business, Cisco Systems as well as Dimension Data Africa & Middle East.

Appointed 2020

Directorships

- SBN Holdings Ltd
- Standard Bank Namibia Ltd

Executive

10 Vetumbuavi Mungunda

Chief executive director

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

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

Appointed 2014

Directorships

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

Mr Mungunda has resigned from the group effective April 2021. Ms M Geises has been appointed as CEO designate, effective April 2021.

11 Letitea du Plessis

Chief financial officer

Qualifications BAcc (University of Stellenbosch), PDA (University of Stellenbosch), ACA (UCT), ACIDealing (Cert), CA(Nam), CA(SA)

Letitea was appointed to the board of SBN Holdings and Standard Bank Namibia on 10 February 2020. Letitea is currently Standard Bank Namibia Chief Financial Officer a position she held since July 2019. In the past she also served as Head: Treasury (2017 to 2019) and Head: Investment Banking (2014 to 2017) and prior Manager: Investment Banking (2012 to 2014). Letitea worked as Senior Auditor (2006-2007) and Audit Trainee (2003-2005) for PricewaterhouseCoopers (UK and Namibia) before she joined Standard Bank Namibia.

Appointed 2020

Directorships

- Arleo Investments Sixteen (Pty) Limited
- Purros Investments (Pty) Limited
- SBN Holdings Ltd
- Standard Bank Namibia Ltd

COMMITTEE MEMBERSHIPS

BCC
Board IT
BAC
Board HC
BRC
CSI

Executive committee

1 Vetumbuavi Mungunda
Chief executive

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

Joined the group 2014
Appointed 2014

2 Mercia Geises
Head – Personal & Business Banking

Qualifications BJuris (UNAM), LLB (UFS), LLM (UFS), MBA (USB)

Joined the group 2016
Appointed 2016

3 Nelson Lucas
Head – Corporate & Investment Banking

Qualifications BCompt (Unisa), HBCompt (Unisa), CA(Nam), CA(SA), Programme in Advanced VAT (Unisa), Programme in Investment Analysis and Portfolio Management (Unisa)

Joined the group 2019
Appointed 2020

4 Minullie Daniels
Head – PBB Credit

Qualifications Diploma in Human Resource Management, Advanced Diploma in Bank Credit Management; MDP (USB)

Joined the group 2012
Appointed 2012

5 Letitea du Plessis
Chief financial officer

Qualifications BCom (Stellenbosch), CA(Nam), CA(SA)

Joined the group 2012
Appointed 2017

6 Dirk Smit
Head – CIB Credit

Qualifications BCom (USB), MDP (USB), SMP (USB)

Joined the group 1993
Appointed 2013

7 Samantha Moller-Henckert
Head – Risk Management

Qualifications BCom (UCT), LLB (UFS), AMBCI (BCI)

Joined the group 2017
Appointed 2017

8 Teymour Kooros
Head – Wealth

Qualifications BSc (SIS/AU) International Certificate in Wealth & Investment Management (CISI)

Joined the group 2010
Appointed 2020

9 Nolan Angermund
Head – Internal Audit

Qualifications Certified Internal Auditor (CIA), Master in Internal Audit (MPHILL Internal Audit), BCom (Hons) Internal Audit

Joined the group 2015
Appointed 2017

10 Jules Baruani
Head – Information Technology (Acting)

Qualifications BSc Computer Science and Mathematics (UNAM), MSc Computer Science (Stellenbosch) Post-grad diploma in Mathematical Sciences (UNAM)

Joined the group 2012

11 Roxzaan Witbooi
Head – Compliance

Qualifications BJuris (UNAM), LLB (UNAM)

Joined the group 2012
Appointed 2014

12 Sigrid Tjijorokisa
Head – Legal and Governance and Company Secretary

Qualifications LLB (UWC), MDP (Damelin College), Advanced Diploma in Banking Law and Practice (UP), Diploma in Compliance Risk Management (UP), IODSA and the Compliance Institute of South Africa

Joined the group 2012
Appointed 2012

13 Titus Ndove
Head – Public Sector and Market Intelligence,

Qualifications BEcon (UNAM) MSc in Financial Economics (University of London) Macro Economics and Financial Management Institute of Southern and East Africa's Graduate Fellow, specialising in Domestic Debt Markets

Joined the group 2018
Appointed 2018

14 Magreth Mengo
Head – Marketing Communications and CSI

Qualifications BCom (International Financial Management, Amsterdam School of Business)

Joined the group 2015
Appointed 2019

15 Jacque Marais
Head – Operations (Acting)

Qualifications MDP(USB), SMDP(USB)

Joined the group 1993

16 Ndina Modino
Head – Human Capital (Acting)

Qualifications Namibia university of science and technology: Masters degree in leadership and change in progress, Polytechnic of Namibia: Bachelor of technology degree human resources, Polytechnic of Namibia: Management development program, Polytechnic of Namibia: Diploma in human resources

Joined the group 2011


ANNUAL
FINANCIAL
STATEMENTS

DIRECTORS' RESPONSIBILITY AND APPROVAL

In accordance with the Companies Act of Namibia (Companies Act), the directors are responsible for the preparation of the annual financial statements.

These annual financial statements conform to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the Institute of Chartered Accountants' of Namibia (ICAN) Financial Reporting Guides as issued by the Accounting Practices Committee, the Namibian Stock Exchange (NSX) Listings Requirements and the Johannesburg Stock Exchange (JSE) Listing requirements. Financial Pronouncements as issued by the Reporting Standards Council, the requirements of the Namibian Companies Act and fairly present the affairs of the company as at 31 December 2020, and the net income and cash flows for the year then ended.

The directors are ultimately responsible for the internal controls of the company. Management enables the directors to meet these responsibilities. Standards and systems of internal controls are designed, implemented and monitored by management to provide reasonable assurance of the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for shareholder investments and company assets. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. It is the responsibility of the independent auditor to report on the fair presentation of the financial statements.

Based on the information and explanations provided by management and the company's internal auditor, the directors are of the opinion that the internal financial controls are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and to maintain accountability for the company's assets and liabilities. Nothing has come to the attention of the directors to indicate that a breakdown in the functioning of these controls, resulting in material loss to the company, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the company will have adequate resources to continue in operational existence and as a going concern in the financial year ahead. The 2020 annual financial statements, which appear on pages 17 to 127, were approved by the board on 24 March 2021 and signed on its behalf by:

Mr H Maier
Chairman

Mr VJ Mungunda
Chief executive

REPORT OF THE INDEPENDENT AUDITOR

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 2020, 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 21 to 127 comprise:

- the directors' report for the year ended 31 December 2020;
- the statement of financial position as at 31 December 2020;
- 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.

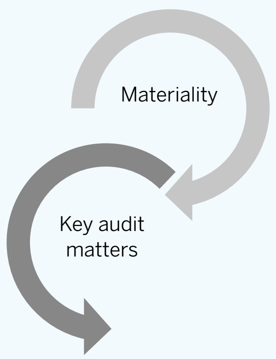
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standard)* (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

- N$33.4 Million, which represents 5% of the average profit before direct tax for the last three years.

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$33.4 million.
How we determined it	5% of the average profit before direct tax for the last three years.
Rationale for the materiality benchmark applied	We chose profit before direct 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. Due to the volatility of the results in the current year as a result of economic downturn in the local market and the decrease in repo rates by the Bank of Namibia, and to reflect normalised profitability levels, we used a three-year average profit before direct tax. 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 judgement, 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

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, and the impairment section in the detailed accounting policies in the 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 resulted in this matter being considered 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) 9 - 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 per customer. 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") taking into account the estimated impact of COVID-19;
- Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement;
- Input assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the ECL measurement; and
- Incorporation of the estimated impact of COVID-19 on the key inputs into the ECL pertaining to forward-looking information.

Evaluation of SICR taking into account the impact of COVID-19

For CIB exposures, SICR is largely driven through the movement in credit ratings assigned to counterparties on origination and reporting date, based on the Company's 25-point master rating scale to quantify credit risk for each exposure.

With regard to COVID-19 related qualifying exposures the credit risk grade is assessed at the time of relief and subsequent monthly reviews are performed.

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.

How our audit addressed the key audit matter

Our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on CIB loans and advances as follows:

We assessed the accounting policies applied to the CIB segment against the requirements of IFRS noting no material inconsistencies.

Making use of our actuarial expertise, we assessed the Company's ECL methodology applied in determining the ECL recognised on CIB loans and advances against the requirements of IFRS 9, and noted no material inconsistencies.

Making use of our actuarial expertise, we also independently recalculated the ECL on CIB loans and advances by independently calculating parameters and comparing the results against the ECL calculated by the Company and noted no material differences in this regard.

Evaluation of SICR taking into account the impact of COVID-19

Through inquiry of management and inspection of underlying documentation we obtained an understanding of and tested relevant controls relating to the approval of credit facilities, subsequent monitoring and remediation of exposures, key system reconciliations and collateral management.

We selected a sample of counterparties and assessed the appropriateness of their assigned credit rating by:

- Testing the inputs into the credit rating system against the financial information relating to the exposure and the Company's 25-point rating scale noting no material exceptions; and
- Making use of our actuarial expertise, we assessed the reasonableness of management's assumptions made during the credit risk rating process, by performing the following procedures:
  - Through inquiry of management we obtained an understanding of the process for assigning credit ratings based on the exposure type and industry factors; and
  - Performing an independent assessment of the credit risk rating assigned to the exposure by assessing the quantitative and qualitative factors, including the impact of COVID-19 pandemic, assigned by management against our independent expectation.

  Based on the results of our work performed, we accepted management's assumptions.

For a sample of stage 1 and stage 2 exposures we assessed whether the stage classification of these exposures was appropriate in terms of the Company's accounting policy for SICR based on the change in credit risk at reporting date since the origination date of these exposures. Our procedures included the inspection of the credit risk ratings at reporting date relative to origination date to assess whether the Company's SICR policy has been applied consistently. No material exceptions were noted.

Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement

We selected a sample of exposures and assessed the reasonableness of the forward-looking information incorporated into their assigned credit risk ratings. Through inquiry with management,we obtained an understanding of the forward-looking information that was incorporated into the assigned credit rating for the exposure and evaluated the reasonableness of the forward-looking information against management's expectations and other industry factors for the SICR assessment and ECL measurement. Based on our work performed, we accepted the forward-looking information incorporated into the model.

Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement

Making use of our internal actuarial expertise, we assessed the reasonableness of the input assumptions applied within the PD, EAD and LGD models for compliance with the requirements of IFRS 9 by performing an independent recalculation of PD, EAD and LGD. In addition, our procedures included assessing the appropriateness of the statistical models by way of reperformance and validation procedures. We did not note any material variances.

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, and 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 resulted in this matter being considered a matter of most significance in the audit of the financial statements.

ECLs on PBB loans and advances are based 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 taking into account the estimated impact of COVID-19;
- 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;
- Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement;and
- Incorporation of the estimated impact of COVID-19 on the key inputs into the ECL pertaining to forward-looking information.

Evaluation of SICR taking into account the impact of COVID-19

The Company determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due (DPD) to stage 2. This transfer rate is such that the proportion of the 0-29 DPD book transferred into stage 2 is no less than the observed 12-month roll rate of 0-29 day accounts into 30 or more days in arrears. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to consequently facilitate appropriate impairment coverage.

As a result of Bank of Namibia's response to the economic and financial stability challenges posed by the COVID-19 pandemic, where a restructure is considered by the counterparty as a result of COVID-19, the Company applies judgement in determining the following:

- determining whether the exposure is expected to remain in 'an not overdue status' subsequent to the relief period, and
- assessing whether the restructure can be classified as a temporary or permanent distress.

Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement

Forward-looking expectations are included in the ECL for PBB loans and advances 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.

In the determination of the forward- looking impact, the Company applied judgement in assessing the impact of the COVID-19 pandemic on forward-looking information.

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

A lifetime ECL is calculated on stage 3 exposures that are assessed to be credit impaired due to evidence of default, significant financial difficulty of the borrower and/or modification, probability of bankruptcy or financial reorganisation or disappearance of an active market due to financial difficulties. 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.

How our audit addressed the key audit matter

Our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on PBB loans and advances as follows:

We assessed the accounting policies applied to the PBB segment against the requirements of IFRS 9 noting no material inconsistencies.

Making use of our actuarial expertise, we assessed the Company's ECL methodology applied in determining the ECL recognised on PBB loans and advances against the requirements of IFRS 9, and noted no material inconsistencies.

Making use of our actuarial expertise, we also independently recalculated the ECL on PBB loans and advances by independently calculating parameters and comparing the results against the ECL calculated by the Company and noted no material differences.

Evaluation of SICR taking into account the impact of COVID-19

Making use of our actuarial expertise,we reperformed the calculation of the significant deterioration roll rates per product category and compared these rates per product category to those used by management and noted no material differences.

For a sample of exposures which were manually transferred by management we assessed if these transfers were appropriate through discussions with management and inspection of underlying documentation. No material exceptions were noted.

For a sample of stage 1, 2 and 3 exposures, we evaluated if the exposures are appropriately classified by recalculating the days in arrears. For exposures that were more than 30 days past due, we confirmed that these were appropriately classified. No material exceptions were noted.

For a sample of exposures classified as COVID-19 related restructures we assessed the reasonableness of the staging and classification assigned to these exposures by assessing the payment history before and after the relief term. We found no material exceptions in the staging and classification of these exposures.

Incorporation of macro-economic inputs and forward looking information into SICR assessment and ECL measurement

Making use of our actuarial expertise, we evaluated the appropriateness of forward-looking economic expectations included in the ECL model which included the impact of COVID-19 by comparing the forward-looking expectations to independently sourced industry data and noted no material inconsistencies.

Application of out-of-model adjustments into the ECL measurement

For a sample of out-of-model adjustments we evaluated the reasonableness of the 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

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. No material differences were noted.

For collateral held in respect of the sample of stage 3 exposures referred to above, we inspected legal agreements and other documentation to assess the existence and legal right to collateral. No material exceptions were noted.

We assessed the collateral valuation techniques applied by management against the Company's valuation guidelines. Making use of our valuation expertise we performed an independent reasonability test on the valuation of collateral. Although our independent internal reasonability tests differed from external valuations in some instances, no material adjustments to the ECLs on PBB loans and advances were considered necessary.

Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement

Making use of our actuarial 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 did not note any material differences on the assumptions applied in the calculation of the ECL at year end.

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 2020".* 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, actions taken to eliminate threats or safeguards applied.

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

344 Independence Avenue
PO Box 1571
Windhoek
Date: 24 March 2021

DIRECTORS' REPORT

for the year ended 31 December 2020

Review of activities

Main business and operations

Standard Bank Namibia Limited (Standard Bank Namibia or the company) is a Namibian registered commercial bank and its operations are confined to Namibia, where it has offices in all main centres and a 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 JSE and NSX, with representation throughout Africa.

These annual 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$362 million (2019: N$559 million), after deducting taxation of N$184 million (2019: N$258 million).

Events after the reporting period

There were no events after the reporting date to report.

Authorised and issued share capital

The company's authorised share capital consisted of 6 000 000 ordinary shares of N$1 each, of which 2 000 000 have been issued. The authorised and issued 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 is disclosed in note 9 to the annual financial statements.

Dividends

A dividend of N$138 million (6 900 cents per share) in respect of the year ended 31 December 2019 was declared and paid in April 2020.

On 4 March 2021, the directors have recommended that a final dividend of N$67.5 million (in respect of profits earned in the year ended 31 December 2019 3 374 cents per share) be declared in respect of profits earned in the year ended 31 December 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 SBG.

Directors

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

Name	Nationality
Executive directors	
Mr VJ Mungunda	Namibian
Mrs L du Plessis[1]	Namibian
Non-executive directors	
Mr H Maier (Chairperson)	Namibian
Adv N Bassingthwaighte	Namibian
Mrs MS Dax	Namibian
Mr AN Mangale[2]	South African
Mr JL Muadinohamba	Namibian
Ms PM Nyandoro	Zimbabwean
Mrs B Rossouw	Namibian
Mr P Schlebusch	South African
Mr IH Tjombonde	Namibian

1 Appointed 10 February 2020.
2 Appointed 9 November 2020.

Company secretary

S Tjijorokisa, based at 1 Chasie Street, Kleine Kuppe, Windhoek, Namibia

Debt officer

Y Fourie, based at 1 Chasie Street, Kleine Kuppe, Windhoek, Namibia

Interest in subsidiary

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

Refer to Annexure A for further information on interest in subsidiary.

Compliance with BID-2

The company's annual financial statements comply with the Bank of Namibia's (BoN) Determination on Asset Classification, Suspension of Interest and Provisioning (BID-2) except for paragraph 10.(e) regarding when an asset must be classified as a 'loss'. The guidance received from BoN indicated that if an asset which is overdue for 360 days is well secured, legal action has commenced but it takes more than one year after judgement to realise the collateral then the asset must be classified as a loss and must be written-off within 90 days after being classified as such. IFRS 9.5.4.4 states that an entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectation of recovering a financial asset or contractual cash flows in its entirety or a portion thereof. The BID-2 requirement to write off an asset is if it takes more than one year after judgement to realise the collateral even though the asset is well secured, is not aligned with IFRS 9 which requires an entity to only write off if there is no reasonable expectation of recovery. Given the fact that the asset is well secured and there is reasonable expectation of recovery in terms of IFRS 9 it cannot be written off.

Covid-19

The company has a three-phase approach to respond to the effects of the Covid-19 pandemic.

The first phase was implemented to manage the immediate threat to the company's human element by putting response strategies in place to protect the health, safety and livelihoods of staff and their families and to promote a positive societal impact. During this phase, the company also placed focus on risk, capital and liquidity management in order to safeguard all stakeholders' interests which resulted in all capital and liquidity requirements remaining above the regulatory levels during the year. The company regularly engaged with BoN which resulted in a coordinated approach in dealing with the risks which Covid-19 has brought to the country's economy and banking system.

The second phase encompasses the facilitation of the return to growth which requires the company's continued support to the real economy through its clients and surrounding communities whilst mitigating against an economic fallout. This phase involves providing support to clients to revive their business without causing heightened credit risk to the company in the future.

Phase three is about the company working towards adapting to the current circumstances. The effects of the continued strain on the economy through trade restrictions are dynamically being evaluated by and addressed within the company through the identification of new business opportunities, cost-saving initiatives and the acceleration of the digital transformation and deliver the future-ready bank.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Note(s)	2020 N$'000	2019 Restated[1] N$'000	1 January 2019 Restated[1] N$'000
Assets				
Cash and balances with the central bank	1	**1 024 338**	1 512 374	1 546 355
Derivative assets	2	**372 288**	149 910	33 237
Trading assets	3	**383 240**	268 177	134 812
Pledged assets	4	**520 956**	580 098	
Financial investments	5	**4 218 834**	3 982 837	4 386 995
Current tax asset		**104 356**	84 075	58 180
Loans and advances	6	**24 931 346**	26 262 826	23 955 416
Other assets	7	**280 129**	1 186 198	666 886
Interest in subsidiary and joint venture	8		15 435	11 506
Property, equipment and right-of-use assets[1]	9	**727 611**	516 072	495 242
Intangible assets[1]	10	**451 787**	451 853	372 058
Deferred tax asset	14	**294 624**	224 971	17 468
Total assets		**33 309 509**	35 234 826	31 678 155
Equity and liabilities				
Equity		**3 720 928**	3 560 236	2 883 370
Ordinary share capital	11	**2 000**	2 000	2 000
Ordinary share premium	12	**591 230**	591 230	591 230
Reserves		**3 127 698**	2 967 006	2 290 140
Liabilities		**29 588 581**	31 674 590	28 794 785
Derivative liabilities	2	**362 123**	142 511	25 714
Trading liabilities	13	**230**	14 881	980
Deposits and current accounts	15	**26 420 850**	28 335 969	25 686 867
Debt securities issued	16	**1 620 305**	1 591 344	1 792 115
Provisions and other liabilities	17	**887 761**	1 399 194	1 289 109
Deferred tax liability	14	**297 312**	190 691	
Total equity and liabilities		**33 309 509**	35 234 826	31 678 155

1 Refer to page 30 for information regarding the correction of the classification of property, equipment and right-of-use assets and intangible assets.

INCOME STATEMENT

for the year ended 31 December 2020

	Note(s)	2020 N$'000	2019 N$'000
Net interest income		**1 208 660**	1 366 637
Interest income	24	**2 228 705**	2 876 281
Interest expense	25	**(1 020 045)**	(1 509 644)
Non-interest revenue		**1 062 224**	1 134 216
Net fee and commission revenue		**827 147**	864 941
Fee and commission revenue	26	**1 006 726**	1 034 932
Fee and commission expense	27	**(179 579)**	(169 991)
Trading revenue	28	**99 561**	117 597
Other revenue	29	**1 755**	10 029
Other gains on financial instruments	30	**133 761**	141 649
Total income		**2 270 884**	2 500 853
Credit impairment charges	31	**(253 910)**	(239 165)
Income before operating expenses		**2 016 974**	2 261 688
Operating expenses	32	**(1 469 491)**	(1 448 950)
Net income before capital items and equity accounted earnings		**547 483**	812 738
Loss on derecognition of joint venture	8	**(1 604)**	
Share of post-tax profit from joint venture	8		3 929
Net income before indirect taxation		**545 879**	816 667
Indirect taxation	33	**(30 299)**	(31 270)
Profit before direct taxation		**515 580**	785 397
Direct taxation	33	**(153 698)**	(226 725)
Profit for the year		**361 882**	558 672

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	2020 N$'000	2019 N$'000
Profit for the year	**361 882**	558 672
Other comprehensive income – net of taxation[1]	**20 041**	3 644
Items that may be subsequently reclassified to profit or loss		
Net change in fair value of debt financial assets measured at fair value through other comprehensive income (FVOCI)	**4 655**	3 644
Net change in expected credit loss (ECL)	**1 133**	706
Net change in fair value	**3 522**	2 938
Items that may not be subsequently reclassified to profit or loss		
Fair value movement on post-employment benefit (note 35)	**15 386**	
Total comprehensive income for the year	**381 923**	562 316

[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 2020

	Ordinary share capital and premium N$'000	Share-based payment reserve N$'000	Fair value adjustments on FVOCI financial assets[1] N$'000	Capital reserve N$'000	Post-employment benefit reserve N$'000	Statutory risk reserve N$'000	Retained earnings N$'000	Total equity N$'000
Balance at 1 January 2019	593 230	37 286	(613)		19 643		2 233 824	2 883 370
Total comprehensive income for the year			3 644				558 672	562 316
Profit for the year							558 672	558 672
Other comprehensive income after tax for the year			3 644					3 644
Transactions with the shareholder, recorded directly in equity		1 050		200 000			(86 500)	114 550
Equity-settled share-based payment transactions		1 050						1 050
Contribution from owners				200 000				200 000
Dividends paid							(86 500)	(86 500)
Balance at 1 January 2020	**593 230**	**38 336**	**3 031**	**200 000**	**19 643**		**2 705 996**	**3 560 236**
Total comprehensive income for the year			**4 655**		**15 386**		**361 882**	**381 923**
Profit for the year							**361 882**	**361 882**
Other comprehensive income after tax for the year			**4 655**		**15 386**			**20 041**
Transactions with the shareholder, recorded directly in equity		**(38 336)**				**58 510**	**(241 405)**	**(221 231)**
Transfer of vested equity options		**(38 336)**					**38 336**	
Transfer to reserve						**58 510**	**(58 510)**	
Dividends paid							**(221 231)**	**(221 231)**
Balance at 31 December 2020	**593 230**		**7 686**	**200 000**	**35 029**	**58 510**	**2 826 473**	**3 720 928**

1 The fair value through OCI reserve comprises of the FVOCI reserve for debt financial investments.

Accounting policies regarding reserves are detailed in annexure E.

All balances are stated net of tax where applicable.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Note(s)	2020 N$'000	2019 Restated[1] N$'000
Net cash flow (used in)/from operating activities		**(128 979)**	240 945
Net income before capital items and equity accounted earnings		**547 483**	812 738
Adjusted for non-cash items and other adjustments included in the income statement	34.1	**(783 094)**	(1 011 383)
Decrease/(increase) in income earning assets	34.2	**1 443 765**	(3 491 087)
(Decrease)/increase in deposits and other liabilities	34.3	**(2 354 370)**	2 860 084
Interest received		**2 248 371**	2 869 062
Dividends received		**1 940**	3 804
Interest paid		**(1 086 809)**	(1 531 458)
Direct taxation paid	34.4	**(146 265)**	(270 815)
Net cash flows used in investing activities		**(125 312)**	(165 628)
Capital expenditure on property and equipment		**(89 762)**	(67 038)
Proceeds from sale of property and equipment	34.5	**1 257**	10 475
Capital expenditure on intangible assets		**(37 203)**	(109 065)
Proceeds from sale of intangible assets	34.6	**396**	
Net cash flows used in financing activities		**(234 982)**	(109 606)
Subordinated debt redeemed			(100 000)
Contributions from owners			200 000
Senior debt redeemed		**(263 300)**	(100 000)
Senior debt issued		**300 000**	
Lease payments – principal elements	17.1	**(50 451)**	(23 106)
Dividends paid	34.7	**(221 231)**	(86 500)
Net decrease in cash and cash equivalents		**(489 273)**	(34 289)
Cash and cash equivalents at the beginning of the year	1	**1 512 374**	1 546 355
Effects of exchange rate changes on cash and balances with central banks		**1 237**	308
Cash and cash equivalents at the end of the year	1	**1 024 338**	1 512 374

1 In the current year, the company aligned the presentation of the statements of cash flows with that of SBG. The company also corrected certain errors. Details of the effect of the restatements are presented on page 30.

ACCOUNTING POLICY ELECTIONS AND RESTATEMENTS

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 IFRS as issued by the IASB, its interpretations adopted by the IASB and the Companies Act. 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 as FVOCI financial assets and liabilities classified as fair value through profit or loss (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/depreciation 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 dollars, which is the presentation currency of the company and the functional and presentation currency of the company. All amounts are stated in thousands of dollars (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 year

- IFRS 3 *Business Combinations (amendment)* (IFRS 3), the amendment clarifies 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 will be applied prospectively.
- *IFRS 7 Financial Instruments: Disclosures (IFRS 7)*, IFRS 9 *Financial Instruments (amendments)* (IFRS 9) and IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). 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 year 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. The amendment will be applied retrospectively.
- *Conceptual Framework for Financial Reporting (revised)* (Conceptual Framework), the revised Conceptual Framework includes a comprehensive set of concepts for financial reporting, replacing the previous version of the Conceptual Framework. These concepts are used by the IASB as the framework for setting IFRS standards.

Early adoption of revised standards:

- IFRS 3 *Business Combinations (amendments)*. This standard requires an entity to refer to the Conceptual Framework in determining what constitutes an asset or a liability. The amendments update the reference from the previous version of the Conceptual Framework that existed up to the version issued in March 2018 and adds an exception for some types of liabilities and contingent liabilities to refer to IAS 37 instead of the Conceptual Framework. The amendments will be applied prospectively.
- IAS 16 *Property, Plant and Equipment (amendments)* (IAS 16). Narrow-scope amendments to IAS 16 for the accounting of amounts received when selling items produced while an entity is preparing an asset for its intended use. The amendments clarify the accounting requirements in prohibiting the entity from deducting such amount from the cost of property, plant and equipment and instead recognising such sales proceeds and related cost in profit or loss. The amendments will be applied retrospectively.
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets (amendments)* (IAS 37). Narrow-scope amendments to IAS 37 in determining which costs to include in estimating the cost of fulfilling a contract for the purposes of assessing whether that contract is onerous. The amendments clarify that the cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling contracts. The amendments will be applied retrospectively. Adjusting prior years is not required, but rather adjusting the opening retained earnings with the cumulative effect of the amendments on transition date.

The adoption of the above new and amended standards on 1 January 2020 did not affect the company's previously reported financial results, disclosures or accounting policies and did not impact the company's results upon transition. Accounting policies have been amended as relevant.

Refer to annexure E – detailed accounting policies.

Restatements

Correction of the classification of property, equipment and right-of-use assets and intangible assets

During 2020, it was identified that computer software costs were incorrectly capitalised to IT equipment and included in property, equipment and right-of-use assets instead of intangible assets. The error has been corrected by restating comparatives.

The restatement has no impact on total assets, profit for the year, earnings per share, headline earnings or net cash flows used in investing activities.

The correction of this error resulted in a reclassification between two line items in the statement of financial position as indicated below:

	2019			1 January 2019		
	Previously reported N$'000	Restatement N$'000	Restated N$'000	Previously reported N$'000	Restatement N$'000	Restated N$'000
Assets						
Property, equipment and right-of-use assets	566 470	(50 398)	516 072	568 340	(73 098)	495 242
Intangible assets	401 455	50 398	451 853	298 960	73 098	372 058
	967 925		967 925	867 300		867 300

Change in presentation and correction of errors

In the current year the company aligned the presentation of the statements of cash flows with that of SBG, which is considered to be more correct. In addition, the correction of the classification of property, equipment and right-of-use assets and intangibles disclosed above affected certain line items within investing activities.

Non-cash adjustment errors relating to various items that were identified have been corrected.

	2019		
	Previously reported N$'000	Restatement N$'000	Restated N$'000
Net cash flows from operating activities	178 924	62 021	240 945
Net income before capital items and equity accounted earnings	816 667	(3 929)	812 738
Adjusted for non-cash items and other adjustments included in the income statements	(1 002 487)	(8 896)	(1 011 383)
Decrease /(increase) in income earning assets	(3 639 287)	148 200	(3 491 087)
(Decrease)/increase in deposits and other liabilities	2 930 022	(69 938)	2 860 084
Interest paid	(1 528 042)	(3 416)	(1 531 458)
Net cash flows from other operating activities	2 602 051		2 602 051
Net cash flows (used in) investing activities	(99 883)	(65 745)	(165 628)
Capital expenditure on property and equipment	(4 318)	(62 721)	(67 039)
Capital expenditure on intangible assets	(106 040)	(3 024)	(109 064)
Net cash flows from other investing activities	10 475		10 475
Net cash flows (used in) financing activities	(113 022)	3 416	(109 606)
Principal element of lease payments	(26 522)	3 416	(23 106)
Net cash flows from other financing activities	(86 500)		(86 500)
Total (decrease) in cash and balances with central banks for the year	(33 981)	(308)	(34 289)
Cash and balances with central banks at beginning of the year	1 546 355		1 546 355
Effects of exchange rate changes on cash and cash equivalents		308	308
Total cash and balances with central banks at end of the year	1 512 374		1 512 374

KEY MANAGEMENT ASSUMPTIONS

In preparing the annual 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. The estimates and judgements below have remained unchanged unless otherwise stated. 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

Covid-19 placed considerable strain on our operations specifically retail, business and corporate clients, however the group's risk appetite remained unchanged. As such the below significant increase in credit risk (SICR) and default assumptions, thresholds and/or triggers were not amended.

For the purpose of determining the ECL:

- The Personal & Business Banking (PBB) portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The impairment provision calculation excludes post-write off recoveries (PWOR) from the loss given default (LGD) in calculating the ECL. These LGD parameters are aligned to market practice.
- Corporate & Investment Banking (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).
- 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 and low credit risk

PBB

All exposures are assessed to determine whether there has been significant increase in credit risk (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. Behaviour scorecards are based on a combination of factors which include the information relating to customers, transactions and delinquency behaviour (including the backstop when contractual payments are more than 30 days past due) to provide a quantitative assessment (score), and more specifically, a ranking of customer creditworthiness. The creditworthiness of a customer is summarised by a score, with high scores corresponding to low-risk customers, and conversely, low scores corresponding to high-risk customers. These scores are often taken into account in determining the probability of default (PD) including relative changes in PD. Credit risk has increased since initial recognition when these criterion are met.

The company determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due (DPD) to stage 2. This transfer rate is such that the proportion of the 0 – 29 DPD book transferred into stage 2 is no less than the observed 12-month roll rate of 0 – 29 days accounts into 30 or more days in arrears. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to 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, the 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.

In accordance with BoN's policy directives in response to economic and financial stability challenges, following the fallout of the Covid-19 pandemic where a restructure is considered due to Covid-19 related factors, the company determines whether the exposure is expected to remain in a not overdue status subsequent to the relief period. These restructured exposures are classified as Covid-19 related restructures and the determination of temporary or permanent distress is assessed on a regular basis. Temporary distressed accounts are classified as stage 1 or stage 2 based on the risk profile and permanently distressed accounts are classified as stage 3.

The determination of temporary or permanently distressed is made by assessing various customer, transactional and delinquency variables (included but not limited to customers that were up to date at 29 February 2020 were deemed to be temporary in nature if it was expected that the customer would remain up to date post the relief period and customers experiencing financial distress and in arrears prior to 29 February 2020 were deemed to be permanent in nature) to estimate a probability of default (PD).

Risk profile	N'000
Stage 1 and 2 – temporary	**1 646 647**
Stage 3 – permanent	**40 414**
Total	**1 687 061**

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 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 group'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 customer. 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 on the next page.

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

From a Namibian perspective, for Covid-19 related qualifying exposures the SICR methodology remains unchanged (comparing the credit risk grading) to determine whether these exposures are classified within stage 1 or stage 2. The credit risk grade is assessed at the time of the relief, and subsequently monthly reviews of the status of the request and client's performance are conducted.

Incorporation of forward-looking information (FLI) in ECL measurement

The company determines the macroeconomic outlook, over a planning horizon of at least three years.

For PBB these forward-looking economic expectations are included in the ECL where adjustments are made based on the company's macroeconomic outlook, using models that correlate these parameters with macroeconomic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the company's macroeconomic outlook expectations. In addition to forward-looking macroeconomic information, other types of FLI, such as specific event risks and industry data, 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 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. While 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 the 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 (i.e. no reasonable expectation of recovery).

This assessment considers both qualitative and quantitative information, such as past performance, behaviour and recoveries. The company assesses whether there is a reasonable expectation of recovery at an exposure level. As such once the below criteria are met at an exposure level, the exposure is written off.

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. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the company is able to receive any further economic benefit from the impaired loan. The period defined for unsecured PBB products are determined with reference to post-default payment behaviour such as cumulative delinquency, as well as an analysis of post write off recoveries which includes an assessment of the factors resulting in post write off recoveries. Factors that are within the company's control are assessed and considered in the determination of the period defined for each product. The post-default payment period is generally once the rehabilitation probability (repayment of arrear instalments) is considered low to zero, and a period of 180 days in arrears; and
- at the point of write off, the financial asset is fully impaired (i.e. 100% ECL allowance) with no reasonable expectation 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 exposure 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.
- CIB products, write off are assessed on a case-by-case basis, and approved by CIB credit governance committee based on the individual facts and circumstances.

For unsecured exposures, post write off collection and enforcement activities include outsourcing to external debt collection agents as well as, collection/settlement arrangements to assist clients to settle their outstanding debt. The company continuously monitors and reviews when exposures are written off, the levels post write of recoveries as well as the key factors causing post write off recoveries. This ensures that the company's point of write off remains appropriate and that post write off recoveries are within acceptable levels after time.

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 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 ECL model) back to stage 1 (12-month ECL 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 30 November 2020, for inclusion in the company's forward-looking process and ECL calculation.

Namibia economic expectation

Base scenario

- Due to the negative impact of the Covid-19 outbreak both globally and domestically in 2020, Namibia's economic prospects have weakened substantially.
- In this scenario, real gross domestic product (GDP) is expected to contract by around 8.0% in 2020. Local lockdowns for six months and border closures, resulted in most tourist accommodation establishments closing down, which significantly hampered the tourism sector. Additionally, under the lockdown there was limited activity in the mining, transport and storage, manufacturing and wholesale and retail trade sectors, which ultimately negatively impacted growth prospects.
- Continued investments in the health and ICT sectors, coupled with recoveries in agriculture (as a result of above average rainfall), manufacturing and mining and quarrying, should lead to a slight economic recovery in 2021, with a growth estimated at 2.1%. Growth is expected to average above 2% by the end 2024.

Bear scenario

- Material risks of a more bearish scenario do exist and a largely predicated on failure to contain the outbreak of the Covid-19 pandemic, 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 South Africa would carry over into the Namibian economy and likely weigh negatively on growth.
- Downside risks to the domestic economic outlook are dominated by the persistence of the pandemic, a potential slow vaccine rollout as well as pre-existing structural constraints. Furthermore, debt sustainability concerns, which may require fiscal consolidation, which, if prematurely implemented will likely further dampen economic recovery and growth efforts.
- In this scenario, the recession would continue and deepen as domestic demand remains subdued, partly owing to larger permanent destruction of businesses and jobs in key sectors of the economy.

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 broader economic reform implementation in South Africa, this in turn would attract portfolio inflows, leading to the exchange rate strengthening as global growth and commodity prices pick up. In addition, Namibia would also fast track implementation of the envisaged structural reforms and some key identified projects.
- In this scenario, domestic GDP growth would pick up significantly (easily around 3.5% 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 ECL provision on financial assets. For each scenario the average values of the factors over the next 12 months, and over the remaining forecast period, are presented.

	Base scenario[1]		Bearish scenario[1]		Bullish scenario[1]	
Macroeconomic factors	Next 12 months	Remaining forecast period[2]	Next 12 months	Remaining forecast period[2]	Next 12 months	Remaining forecast period[2]
2020						
Namibia						
Inflation (%)	**2.20**	**3.80**	**2.90**	**3.84**	**3.50**	**4.20**
Real GDP (%)	**(8.00)**	**2.10**	**(12.00)**	**2.60**	**0.30**	**(3.50)**
Exchange rate (USD/NAD)	**17.02**	**15.82**	**17.36**	**17.85**	**16.22**	**15.04**
Prime (%)	**8.20**	**8.15**	**8.25**	**9.48**	**8.20**	**7.72**
2019						
Inflation (%)	4.30	4.80	4.80	5.50	4.10	4.20
Real GDP (%)	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

1 In 2020, the scenario weighing is: Base at 55%, Bull at 15% and Bear at 30%.In 2019, the scenario weighting is: Base at 60%, Bull at 20% and Bear at 20%. The scenario weighting has been revised from 2019 to 2020 due to the changes in the macroeconomic factors including the impact of Covid-19.

2 The remaining forecast period is 2021 to 2024.

Sensitivity analysis of CIB forward-looking impact on the total ECL provision on all financial instruments

Management assessed and considered the sensitivity of the 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 FLI. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting provision for the individual client. Therefore, the impact of forward-looking economic conditions is embedded into the total provision for each CIB client and cannot be stressed or separated out of the overall CIB provision. Thus, a sensitivity analysis of the total CIB provision of N$38 million, including off balance sheet ECL, as at 31 December 2020 was performed. This analysis entailed recalculating the total provision, using a 100% weighting of each scenario. The impact of each scenario is N$54 million (41% increase in the total provision) for the Base scenario, N$57 million (48% increase in total provision) for the Bear scenario and N$52 million (35% increase in total provision) for the Bull scenario. The income statement impact of N$8 million for 2020 was assessed by applying the same sensitivity analysis principles mentioned above. The impact for each scenarios is N$24 million (increase of N$16 million) for the Base scenario, N$27 million (increase of N$19 million) for the Bear scenario and N$22 million (increase of N$14 million) for the Bull scenario.

Sensitivity analysis of PBB forward-looking impact on ECL provision

The following table shows a comparison of the forward-looking impact on the provision as at 31 December 2020, based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighting of the above factors.

	2020		2019	
	N$'000	% change of total PBB ECL provision on loans and advances	N$'000	% change of total PBB ECL provision on loans and advances
Forward-looking impact on IFRS 9 provision	**84 979**		35 360	
Scenarios				
Base	**72 302**	**(15)**	32 596	(8)
Bearish	**214 284**	**152**	114 840	225
Bullish	**1 022**	**(99)**	15 512	(56)

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 in annexure C for the company's assessment of the risk arising out of the failure of counterparties to meet their financial or contractual obligations when due.

The income statement impact of N$49 million for 2020 was assessed by applying the same sensitivity analysis principles mentioned above. The impact for each scenario is N$72 million (decrease of N$13 million) for the Base scenario, N$214 million (increase of N$129 million) for the Bear scenario and N$1 million (decrease of N$84 million) for the Bull scenario.

Post-model adjustments

Covid-19 has had a profound impact globally and there remains much uncertainty as to the future economic path and recovery. As mentioned in the sections above in determining the forward-looking impact, from an IFRS 9 perspective, the company has forecasted three possible future macroeconomic scenarios, being the Base, Bear and Bull scenarios and attributed weightings to these three scenarios. The outcome of the Covid-19 pandemic is unpredictable and this makes determining these scenarios and the assumptions underlying them complex. Given this uncertainty, the forward-looking scenario ratios have been changed from base case (60%), bullish (20%) and bearish (20%) to base case (55%), bullish (15%) and bearish (30%). The current period ECL charge has increased from N$239 million to N$254 million which is a 6% increase. Adjusting for the large provision raised in 2019, our provision increased by N$83 million (48.9%) reflective of the impact of Covid-19 on credit impairments compared with the prior period. Gross loans and advances decreased from N$26.2 billion at 31 December 2019 to N25.1 billion as at 31 December 2020 and the related ECL allowance increased from N$599 million to N$801 million.

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 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 company. The company's derivative instruments are governed by International Swaps and Derivatives Association (ISDA) 2006 definitions. ISDA is currently reviewing its definitions in light of IBOR reform and the company expects it to issue standardised amendments to all impacted derivative contracts at a future date. No derivative instruments have been modified as at the reporting date. 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 2020, the company has applied the amendments to IAS 39 and the existing hedge relationships referencing IBORs continue to qualify for hedge accounting. The company will continue to apply the amendments to IAS 39 until the uncertainty arising form the interest rate benchmark reforms in respect of the timing and amount of the underlying cash flows that the company is exposed to, ends. The company has assumed that this uncertainty will not end until the company's contracts referencing IBOR's are amended to specify the implementation date of the alternative benchmark and cash flows. Management is monitoring market and accounting developments in this regard. The company has established a committee and within treasury and capital management to manage the transition to alternative rates. The objectives of the committee working group would include evaluating the extent to which loans advanced and liabilities reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee and working group are working closely with business teams across the group to establish pricing for new lending products indexed to the ARR in impacted jurisdictions.

Fair value

Financial instruments

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, 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.

Valuation process

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 makes 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. Changes in these assumptions may 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 applies 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 or loss provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- prepayment rates
- limiting exposure to such risk drivers and analysing 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. 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.

Refer to note 19 for assets and liabilities at fair value disclosures.

Consolidation of entities

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.

Computer software intangible assets

The company reviews its 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, significant changes in macroeconomic circumstances or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amount.

The recoverable amount is determined as the higher of an asset's fair value less cost of disposal 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.

The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

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 recognise provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred tax provisions, disclosed in note 33 and note 14, respectively, in the period in which such determination is made. Uncertain tax positions are provided for in accordance with the criteria defined within IAS 12 *Income Taxes* and IFRIC 23. 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, 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 that arising after the reporting date up to the date of the approval of the financial results.

Refer to note 17 for provisions and other liabilities disclosures.

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.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Cash and balances with the central bank

	2020 N$'000	2019 N$'000
Coins and bank notes	**405 897**	456 542
Balances with the Bank of Namibia[1, 2]	**618 441**	1 055 832
Total	**1 024 338**	1 512 374

[1] 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] Coins and bank notes and the reserve balance with the BoN are classified as FVTPL while temporary excess balance with the BoN is classified at amortised cost.

2. Derivative instruments

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

	Fair value of assets		Fair value of liabilities	
	2020 N$'000	2019 N$'000	2020 N$'000	2019 N$'000
Held-for-trading	**366 163**	145 793	**(362 123)**	(142 511)
Held-for-hedging	**6 125**	4 117		
Total	**372 288**	149 910	**(362 123)**	(142 511)

2.1 Use and measurement of derivative 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.

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

2.2 Derivatives held-for-trading

The company transacts derivative contracts to address client demand, both as a market maker in the wholesale markets and in structuring tailored derivatives for clients. The company also take proprietary positions for its own account. Trading derivative products include the following:

	Fair value of assets		Fair value of liabilities		Notional amount[1]	
	2020 N$'000	2019 N$'000	2020 N$'000	2019 N$'000	2020 N$'000	2019[1] N$'000
Foreign exchange derivatives	**355 536**	140 281	**(362 123)**	(136 964)	**369 918**	650 739
Interest rate derivatives[2]	**10 627**	5 512		(5 547)	**(79 256)**	147 693
Total	**366 163**	145 793	**(362 123)**	(142 511)	**290 662**	798 432

[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] This line has been updated for comparatives to include the notional amount for 2019.

2.3 Derivatives 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 as fair value hedges. 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			Maturity				
	Assets N$'000	Liabilities N$'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[1] N$'000	Fair value gain/ (loss) N$'000
2020								
Interest rate risk fair value hedging relationships								
Interest rate swaps	6 125		6 125		6 125		(79 256)	(2 008)
Total	6 125		6 125		6 125		(79 256)	(2 008)
2019								
Interest rate risk fair value hedging relationships								
Interest rate swaps	4 117		4 117	538	3 579		147 693	447
Total	4 117		4 117	538	3 579		147 693	447

1 The notional amount is the sum of the absolute value 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. The notional amount is directly impacted by the JIBAR interest rate benchmark reform.

2.3.2 Hedged items classified as fair value hedges

	Fair value				
	Assets N$'000	Liabilities N$'000	Accumulated fair value gain/(loss) at 31 December N$'000	Fair value (loss)/gain used to test hedge ineffectiveness N$'000	Accumulated fair value hedge adjustments N$'000
2020					
Interest rate risk fair value hedging relationships					
Deposits and debt funding		(85 442)	2 135	2 135	2 135
Total		(85 442)	2 135	2 135	2 135
2019					
Interest rate risk fair value hedging relationships					
Deposits and debt funding		(151 744)	(395)	(395)	(395)
Total		(151 744)	(395)	(395)	(395)

2.3.3 Hedge ineffectiveness recognised in profit or loss

	Net interest income	
	2020 N$'000	2019 N$'000
Fair value hedges		
Interest rate risk fair value hedging relationships	127	842

3. Trading assets

	2020 N$'000	2019 N$'000
Government, municipality and utility bonds		9 149
Treasury bills	383 240	248 680
Reverse repurchase and other collateralised agreements		10 348
Total	383 240	268 177

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 or which were partially derecognised, 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
2020					
Treasury bills	520 956	(515 153)	520 956	(515 153)	5 803
Pledged assets (as recognised on the statement of financial position)[1]	520 956	(515 153)	520 956	(515 153)	5 803
2019					
Treasury bills	580 098	(579 837)	580 098	(579 837)	261
Pledged assets (as recognised on the statement of financial position)[1]	580 098	(579 837)	580 098	(579 837)	261

1 Total amount of financial assets that the company has pledged as collateral for liabilities.

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.

5. Financial investments

	2020 N$'000	2019 N$'000
Government bonds and treasury bills	1 783 053	2 130 278
Mutual funds and unit-linked investments	2 435 781	1 852 559
Total	4 218 834	3 982 837
IFRS 9 classification:		
Net debt financial investments measured at amortised cost	54 732	54 754
Gross debt financial investments measured at amortised cost	54 732	54 756
Less: ECL for debt financial investments measured at amortised cost[1]		(2)
Financial investments measured at FVTPL	2 435 781	1 852 559
Debt financial investments measured at fair value through OCI	1 728 321	2 075 524
Total	4 218 834	3 982 837

1 Refer to the credit impairment charges note 31 for the current year credit impairment charge of N$1,1 million (2019: N$708 thousand) charge on debt financial investments measured at amortised cost.

6. Loans and advances

6.1 Classification

	2020 N$'000	2019 N$'000
Net loans and advances measured at amortised cost	24 931 346	26 262 826
Gross loans and advances measured at amortised cost	25 733 026	26 861 425
Mortgage loans[2]	12 733 701	12 939 977
Vehicle and asset finance (note 6.2)	2 800 832	2 904 936
Card debtors	158 960	175 900
Corporate lending	4 155 265	2 474 949
Sovereign lending	805 245	1 726 283
Banks	2 238 428	2 836 905
Other loans and advances[2]	2 840 595	3 802 475
Credit impairments on loans and advances (note 6.3)[1]	(801 680)	(598 599)
Net loans and advances	24 931 346	26 262 826

1 The overall higher expected credit losses is mainly attributable to constrained collections and further protraction in the legal environment stemming from the national Covid-19 lockdown, increased forward-looking provisioning on the back off the weakened economic outlook (refer to the key management assumptions for further information in this regard), and changes from stage 1 to stage 2 and 3 based on risk profile assessments and stress caused by the impact of Covid-19.
2 The comparatives for this line has been updated to reclassify a commercial property loan from other loans and advances to mortgage loans.

6.2 Vehicle and asset finance

	2020 N$'000	2019 N$'000
Gross investment in vehicle and asset finance	3 172 611	3 420 623
Receivable within one year	314 763	353 335
Receivable after one year but within five years	2 590 797	3 067 288
Receivable after five years	267 051	
Unearned finance charges deducted	(371 779)	(515 687)
Net investment in vehicle and asset finance	2 800 832	2 904 936
Receivable within one year	305 694	279 045
Receivable after one year but within five years	2 283 465	2 625 891
Receivable after five years	211 673	

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. The decrease in the net investment in vehicles and asset finance during the year was due to repayments from customers.

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 2019	88 338	157 707	220 690	466 735
Transfers between stages[1]	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[2]	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[3]			(125 775)	(125 775)
Exchange and other movements[4]	3 199		(19 424)	(16 225)
Closing ECL 31 December 2019	88 408	141 833	368 358	598 599
Opening ECL 1 January 2020	88 408	141 833	368 358	598 599
Transfers between stages[1]	29 488	(15 433)	(14 055)	
Transfers to/(from) stage 1		(10 579)	(18 909)	(29 488)
Transfers to/(from) stage 2	10 579		4 854	15 433
Transfers to/(from) stage 3	18 909	(4 854)		14 055
Net ECL (released)/raised	(24 833)	40 340	268 884	284 391
ECL on new exposures raised[2]	28 365	12 110	2 413	42 888
Subsequent changes in ECL	(39 629)	29 826	266 471	256 668
Change in ECL due to derecognition	(13 569)	(1 596)		(15 165)
Impaired accounts written off[3]			(115 899)	(115 899)
Exchange and other movements[4]	494	109	33 986	34 589
Closing ECL 31 December 2020	93 557	166 849	541 274	801 680

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.
2 The ECL recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the line 'ECL on new exposures raised' ECL stage as at the end of the reporting period.
3 The contractual amount outstanding on loans and advances that were written off during the reporting year that are still subject to enforcement activities is N$101 million.
4 Exchange and other movements includes the time value of money (TVM) unwind and net interest in suspense (IIS) raised and released.

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 2020 N$'000	Transfer Stage 1 (to)/from	Transfer Stage 2 (to)/from	Transfer Stage 3 (to)/from	Total transfers between stages N$'000	Net ECL raised/(released) N$'000	Impaired accounts written off N$'000	Exchange and other movements N$'000	Closing ECL 31 December 2020 N$'000
Mortgage loans[1]	277 185	(10 535)	7 477	3 058		95 479	(15 821)	40 966	397 809
Stage 1	18 382		5 951	4 584	10 535	(3 305)		(2 508)	23 104
Stage 2	38 461	(5 951)		(1 526)	(7 477)	23 905		(3 267)	51 622
Stage 3 (including IIS)	220 342	(4 584)	1 526		(3 058)	74 879	(15 821)	46 741	323 083
Vehicle and asset finance	100 582	(15 763)	3 876	11 887		38 824	(22 559)	(1)	116 846
Stage 1	9 424		2 922	12 841	15 763	(15 640)		(1)	9 546
Stage 2	38 703	(2 922)		(954)	(3 876)	15 482			50 309
Stage 3 (including IIS)	52 455	(12 841)	954		(11 887)	38 982	(22 559)		56 991
Card debtors	10 842	(583)	530	53		16 220	(8 463)		18 599
Stage 1	1 457		401	182	583	(398)			1 642
Stage 2	6 343	(401)		(129)	(530)	(1 870)			3 943
Stage 3 (including IIS)	3 042	(182)	129		(53)	18 488	(8 463)		13 014
Corporate	22 155	602	(602)			9 358		270	31 783
Stage 1	22 198		(602)		(602)	(3 773)		(3 560)	14 263
Stage 2	(177)	602			602	10 765		3 830	15 020
Stage 3 (including IIS)	134					2 366			2 500
Sovereign						19			19
Stage 1						3			3
Stage 2						16			16
Stage 3 (including IIS)									
Bank	(696)					(1 512)		6 040	3 832
Stage 1	(695)					(2 042)		6 493	3 756
Stage 2	(1)					530		(453)	76
Stage 3 (including IIS)									
Other loans and advances[2]	188 531	(3 209)	4 152	(943)		126 003	(69 056)	(12 686)	232 792
Stage 1	37 642		1 907	1 302	3 209	322		70	41 243
Stage 2	58 504	(1 907)		(2 245)	(4 152)	(8 488)			45 864
Stage 3 (including IIS)	92 385	(1 302)	2 245		943	134 169	(69 056)	(12 756)	145 685
Total[3]	598 599	(29 488)	15 433	14 055		284 391	(115 899)	34 589	801 680

1 Comprises residential and commercial property loans.
2 Comprises personal unsecured lending and business and other lending.
3 "Corporate", "Sovereign" and "Bank" categories relate to ECL on CIB loans and advances, while the remaining categories relate to ECL on PBB loans and advances.

6. Loans and advances continued

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

	Opening ECL 1 January 2019 N$'000	Transfer Stage 1 (to)/from	Transfer Stage 2 (to)/from	Transfer Stage 3 (to)/from	Total transfers between stages N$'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[1]	179 665	(12 266)	4 045	8 221		148 550	(8 012)	(43 018)	277 185
Stage 1	16 929		4 848	7 418	12 266	(10 813)			18 382
Stage 2	51 712	(4 848)		803	(4 045)	(9 207)		1	38 461
Stage 3 (including IIS)	111 024	(7 418)	(803)		(8 221)	168 570	(8 012)	(43 019)	220 342
Vehicle and asset finance	95 765	(11 157)	6 368	4 789		38 859	(34 042)		100 582
Stage 1	10 838		5 429	5 728	11 157	(12 571)			9 424
Stage 2	37 355	(5 429)		(939)	(6 368)	7 716			38 703
Stage 3 (including IIS)	47 572	(5 728)	939		(4 789)	43 714	(34 042)		52 455
Card debtors	12 971	(2 612)	1 363	1 249		3 987	(6 116)		10 842
Stage 1	1 735		1 522	1 090	2 612	(2 890)			1 457
Stage 2	7 433	(1 522)		159	(1 363)	273			6 343
Stage 3 (including IIS)	3 803	(1 090)	(159)		(1 249)	6 604	(6 116)		3 042
Corporate	20 795	174	(18)	(156)		(1 839)		3 199	22 155
Stage 1	16 506		(174)		(174)	2 667		3 199	22 198
Stage 2	3 120	174		(156)	18	(3 315)			(177)
Stage 3 (including IIS)	1 169		156		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[2]	155 942	(15 413)	12 240	3 173		86 600	(77 605)	23 594	188 531
Stage 1	41 247		12 149	3 264	15 413	(19 018)			37 642
Stage 2	57 572	(12 149)		(91)	(12 240)	13 172			58 504
Stage 3 (including IIS)	57 123	(3 264)	91		(3 173)	92 446	(77 605)	23 594	92 385
Total[3]	466 735	(41 274)	23 998	17 276		273 864	(125 775)	(16 225)	598 599

1 Comprises residential and commercial property loans.
2 Comprises personal unsecured lending and business and other lending.
3 "Corporate", "Sovereign" and "Bank" categories relate to ECL on CIB loans and advances, while the remaining categories relate to ECL on PBB loans and advances.

6. Loans and advances continued

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$42.9 million (2019: N$23.1 million) primarily relates to the growth in gross carrying amount of:
  - mortgage loans of N$928 million (2019: N$1.3 billion)
  - vehicle and asset finance of N$1.07 billion (2019: N$1.03 billion)
  - other loans and advances of N$379 million (2019: N$1.2 billion).
- The decrease in ECL due to impaired accounts written-off of N$116 million (2019: N$125 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 (primary as a result of Covid-19, however includes positive collection trends and strong performance observed in the latter part of 2020). N$256 million that were in stages 2 and 3 were transferred to stage 1. In the prior year, the significant transfers were mortgage loans with gross carrying amounts N$427 million that were in stage 2 and 3 were transferred to stage 1.

Modifications on loans and advances measured at amortised cost

The gross carrying amount for modifications during the reporting year that resulted in no economic gain or loss (i.e. no net modification gain or loss) is N$2.5 billion (2019: N$761 million).

This includes N$1.6 billion of client relief provided to PBB clients to assist with temporary liquidity constraints as a result of the impact of Covid-19. CIB clients with exposure totalling N$94 million qualified for Covid-19 relief, including increased liquidity facilities, loan restructuring, covenant relaxations and payment holidays.

7. Other assets

	2020 N$'000	2019[2] N$'000
Financial assets[1]	**203 344**	1 126 150
Trading settlement assets	6 485	796 470
Other debtors	196 859	329 680
Non-financial assets	**76 785**	60 048
Prepayments	15 593	11 843
Accrued income	13 139	11 469
Items in the course of collection	34 811	25 677
Properties in possession	13 242	11 059
Total[2]	**280 129**	1 186 198

1 Due to the short-term nature of these assets and historical experience, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

2 The presentation of this note has been updated to show the split between financial assets and non-financial assets and to further show "prepayments", "accrued income" and "properties in possesion" separately on the note. These were previously included as part of "Other debtors". There was no change to total other assets.

8. Interest in subsidiary and joint venture

8.1 Interest in subsidiary company

	2020 N$	2019 N$
Shares at cost	2	2
Total	**2**	2

Further information on the subsidiary is disclosed in annexure A.

8.2 Interest in joint venture

	2020 N$'000	2019 N$'000
Carrying value at the beginning of the year	**15 435**	11 506
Share of profit		3 929
Loss on derecognition	(1 604)	
Amount transferred to interest-bearing loans	(13 831)	
Carrying value at the end of the year		15 435
Comprising:		
Cost of investments		1 154
Share of reserves		14 281
Carrying value at the end of the year		15 435
Amounts recognised in the income statement:		
Share of profit		3 929

On 31 January 2020, Namclear (Proprietary) Limited converted to a non-profit organisation registered under section 21 of the Namibian Companies Act. Accordingly, the company no longer applies the equity method of accounting to the investment.

The carrying amount of the investment was derecognised and N$13.8 million recognised as a loan receivable and has been included in loans and advances. The remaining loss on derecognition of N$1.6 million has been recognised in profit or loss in the current year.

Further information on the joint venture is disclosed in annexure B.

9. Property, equipment and right-of-use assets

	Property		Equipment				Right-of-use asset			
	Freehold N$'000	Leasehold N$'000	IT equipment Restated[1] 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$'000	Total Restated[1] N$'000
Net book value 1 January 2019, as previously reported[1]	102 118	82 279	263 322	6 845	13 829	99 947				568 340
Restatement[1]			(73 098)							(73 098)
Net book value 1 January 2019, restated[1]	102 118	82 279	190 224	6 845	13 829	99 947				495 242
IFRS 16 Transition 1 January 2019							11 055	54 216	474	65 745
Movements	18 753	(21 714)	(36 322)	(2 276)	(1 983)	14 776	(3 660)	(12 212)	(277)	(44 915)
Additions[1]	9 046	423	9 750	647	1 348	45 824	719	8 059		75 816
Disposals		(2 165)	(88)		(460)	(8 353)				(11 066)
Transfers	10 251	(9 932)	2 308		149	(2 776)				
Depreciation	(544)	(10 040)	(48 292)	(2 923)	(3 020)	(19 919)	(4 379)	(20 271)	(277)	(109 665)
Net book value at the beginning of the year[1]	**120 871**	**60 565**	**153 902**	**4 569**	**11 846**	**114 723**	**7 395**	**42 004**	**197**	**516 072**
Cost[1]	**126 735**	**130 265**	**516 281**	**25 617**	**38 530**	**241 934**	**11 774**	**62 275**	**474**	**1 153 885**
Accumulated depreciation	**(5 864)**	**(69 700)**	**(362 379)**	**(21 048)**	**(26 684)**	**(127 211)**	**(4 379)**	**(20 271)**	**(277)**	**(637 813)**
Movements	**47 241**	**(32 903)**	**(10 044)**	**(1 380)**	**(1 253)**	**(3 832)**	**231 348**	**(17 441)**	**(197)**	**211 539**
Additions	**19 189**	**4 537**	**44 692**	**1 283**	**1 579**	**18 482**	**264 098**			**353 860**
Disposals	**(387)**	**(880)**	**(108)**	**(319)**	**(11)**	**(311)**				**(2 016)**
Transfers	**29 533**	**(28 174)**	**(1 181)**			**(178)**				
Depreciation	**(1 094)**	**(8 386)**	**(53 447)**	**(2 344)**	**(2 821)**	**(21 825)**	**(32 750)**	**(17 441)**	**(197)**	**(140 305)**
Net book value 31 December 2020	**168 112**	**27 662**	**143 858**	**3 189**	**10 593**	**110 891**	**238 743**	**24 563**		**727 611**
Cost	**175 055**	**103 029**	**565 551**	**25 054**	**39 946**	**258 420**	**275 872**	**62 275**	**474**	**1 505 676**
Accumulated depreciation	**(6 943)**	**(75 367)**	**(421 693)**	**(21 865)**	**(29 353)**	**(147 529)**	**(37 129)**	**(37 712)**	**(474)**	**(778 065)**

1 Refer to page 30 for information regarding the correction of the classification of property, equipment and right-of-use assets and intangible assets.

10. Intangible assets

	Computer software Restated[1, 2] N$'000
Net book value 1 January 2019, as previously reported[2]	298 960
Restatement[1]	73 098
Net book value 1 January 2019, restated	372 058
Movements	79 795
Additions	109 065
Amortisation	(29 270)
Net book value at the beginning of the year[2]	451 853
Cost	543 322
Accumulated amortisation	(91 469)
Movements	(66)
Additions	37 203
Disposals	(396)
Amortisation	(36 873)
Net book value 31 December 2020	451 787
Cost	580 130
Accumulated amortisation	(128 343)

1 Computer software mainly comprises the company's core banking system, Finacle, with a carrying amount of N$245 million (2019: N$275 million) and a remaining amortisation period of 10 years.
2 Refer to page 30 for information regarding the correction of the classification of property, equipment and right-of-use assets and intangible assets.

11. Ordinary share capital

11.1 Authorised

	2020 N$'000	2019 N$'000
6 000 000 ordinary shares of N$1 each	6 000	6 000

11.2 Issued

	2020 N$'000	2019 N$'000
2 000 000 ordinary shares of N$1 each	2 000	2 000

	Number ordinary shares
Reconciliation of shares issued	
Shares in issue at 1 January 2019	2 000 250
Shares cancelled during the year	(250)
Shares in issue at 31 December 2019	2 000 000
Shares in issue at 31 December 2020	2 000 000

12. Ordinary share premium

	2020 N$'000	2019 N$'000
Share premium on issue of shares	591 230	591 230

13. Trading liabilities

	2020 N$'000	2019 N$'000
Government, municipality and utility bonds	230	14 881
Total	230	14 881

14. Deferred tax

14.1 Deferred tax analysis

	2020 N$'000	2019 N$'000
Property, equipment and intangible assets	(185 847)	(161 346)
Assets on lease	(20 518)	(10 229)
Fair value adjustments of FVOCI financial investments	(2 746)	(733)
Impairment charges on loans and advances	63 313	56 327
Post-employment benefits	34 560	38 047
Provisions and other differences	108 550	112 214
Deferred tax closing balance	(2 688)	34 280
Deferred tax asset	294 624	224 971
Deferred tax liability	(297 312)	(190 691)

14.2 Deferred tax reconciliation

	2020 N$'000	2019 N$'000
Deferred tax opening balance 1 January 2019	34 280	17 468
Originating temporary differences for the year:	(36 968)	16 812
Property, equipment and intangible assets	(24 501)	3 104
Assets on lease	(10 289)	(2 822)
Fair value adjustments of FVOCI financial investments	(2 013)	(1 382)
Impairment charges on loans and advances	6 986	(4 201)
Post-employment benefits	(3 487)	2 007
Provisions and other differences	(3 664)	19 102
Other movements		1 004
Deferred tax balance at the end of the year	(2 688)	34 280
Temporary differences for the year comprise:		
Recognised in profit or loss	(27 714)	18 195
Recognised in OCI (note 33.2)	(9 254)	(1 383)
Total	(36 968)	16 812

15. Deposits and current accounts

	2020 N$'000	2019 N$'000
Deposits from banks	1 909 497	2 328 818
Deposits from customers	24 511 353	26 007 151
Current accounts	6 581 100	7 488 563
Cash management deposits	2 145 470	1 295 658
Card creditors	26 746	29 205
Call deposits	9 026 868	8 620 081
Savings accounts	674 335	603 995
Term deposits	2 051 344	2 311 997
Negotiable certificates of deposit	4 005 490	5 657 652
Total	26 420 850	28 335 969

16. Debt securities issued

	Maturity date	Carrying value[1] 2020 N$'000	Notional value[1] 2020 N$'000	Carrying value[1] 2019 N$'000	Notional value[1] 2019 N$'000
SBKN20	10/25/2020			203 230	200 000
SBKN21[2]	7/31/2021	540 739	536 000	543 629	536 000
SBNA21	7/13/2021	209 402	207 000	238 300	234 000
SBNA22	5/24/2021	466 445	463 500	504 409	499 800
SBNA23	10/26/2023	302 540	300 000		
Subordinated debt	30/04/2025	101 179	100 000	101 776	100 000
		1 620 305	1 606 500	1 591 344	1 569 800

1 The difference the carrying and notional amount value represents transaction costs included in the initial carrying amounts and accrued interest.
2 This debt security is listed on the JSE

17. Provisions and other liabilities

	2020 N$'000	2019[2] N$'000
Financial instruments	268 592	55 398
ECL for off-balance sheet exposures[1]	3 900	4 353
Lease liabilities (note 17.1)	264 692	51 045
Non-financial instruments	619 169	1 343 796
Staff-related accruals	77 065	88 472
Obligation toward post-employment benefits (note 35)	108 000	118 896
Other liabilities and accruals	434 104	1 136 428
Total[2]	887 761	1 399 194

1 Refer to note 31 for the current year credit impairment release of N$453 thousand (2019: N$1.5 million charge) on off-balance sheet exposures.
2 The presentation of this note has been updated to show the split between financial liabilities and non-financial liabilities. There was no change to total provisions and other liabilities.

17.1 Reconciliation of lease liabilities

	Balance at 1 January 2020 N$'000	Additions/ modification N$'000	Interest expense N$'000	Payments[1] N$'000	Balance at 31 December 2020 N$'000
Buildings	7 790	264 098	13 880	(40 719)	245 049
Branches	43 031		1 940	(25 409)	19 562
ATM spacing and other	224		28	(171)	81
Total	51 045	264 098	15 848	(66 299)	264 692

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

1 These amounts include the principal lease payments as disclosed in the statement of cash flows of N$50.5 million (2019: N$23.1 million). The remainder is the interest expense paid during the year.

17. Provisions and other liabilities continued

17.1 Reconciliation of lease liabilities continued

Maturity analysis of discounted lease liabilities:

	Within 1 year N$'000	From 1 to 5 years N$'000	After 5 years N$'000	Total N$'000
2020				
Buildings	31 279	151 992	61 778	245 049
Branches	13 781	5 781		19 562
ATM spacing and other	81			81
Total	45 141	157 773	61 778	264 692

	Within 1 year N$'000	From 1 to 5 years N$'000	After 5 years N$'000	Total N$'000
2019				
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	After 5 years N$'000	Total N$'000
2020				
Buildings	40 974	153 064	151 752	345 790
Branches	14 426	9 136		23 562
ATM spacing and other	213	17		230
Total	55 613	162 217	151 752	369 582

	Within 1 year N$'000	From 1 to 5 years N$'000	After 5 years N$'000	Total N$'000
2019				
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

18. Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

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

		FVTPL				FVOCI						
	Note	Held-for-trading N$'000	Designated at fair value N$'000	FVTPL – default N$'000		Debt instruments N$'000	Equity instruments N$'000	Total fair value N$'000	Amortised cost[1] N$'000	Other non-financial assets/ liabilities N$'000	Total carrying amount N$'000	Fair value[2] N$'000
2020												
Assets												
Cash and balances with the central bank	1			718 860				718 860	305 478		1 024 338	1 024 338
Derivative assets	2	372 288						372 288			372 288	372 288
Trading assets	3	383 240						383 240			383 240	383 240
Pledged assets	4	520 956						520 956			520 956	520 956
Financial investments	5			2 435 781		1 728 321		4 164 102	54 732		4 218 834	4 218 834
Loans and advances	6								24 931 346		24 931 346	24 994 388
Other financial assets[3]									203 344		203 344	
Other non-financial assets										1 655 163	1 655 163	
Total assets		1 276 484		3 154 641		1 728 321		6 159 446	25 494 900	1 655 163	33 309 509	
Liabilities												
Derivative liabilities	2	362 123						362 123			362 123	362 123
Trading liabilities	13	230						230			230	230
Deposits and current accounts with banks	15								1 909 497		1 909 497	1 909 497
Deposits and current accounts with customers	15								24 511 353		24 511 353	24 521 561
Debt securities issued	16								1 620 305		1 620 305	1 657 018
Other financial liabilities[3]									268 592		268 592	
Other non-financial liabilities										916 481	916 481	
Total liabilities		362 353						362 353	28 309 747	916 481	29 588 581	

1 Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedge risks.
2 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.
3 The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature.

18. Classification of assets and liabilities continued

Accounting classifications and fair values of assets and liabilities continued

		FVTPL			FVOCI						
	Note	Held-for-trading N$'000	Designated at fair value N$'000	FVTPL – default N$'000	Debt instruments N$'000	Equity instruments N$'000	Total fair value N$'000	Amortised cost[1] N$'000	Other non-financial assets/ liabilities N$'000	Total carrying amount N$'000	Fair value[2] N$'000
2019											
Assets											
Cash and balances with the central bank	1			787 698			787 698	724 676		1 512 374	1 512 374
Derivative assets	2	149 910					149 910			149 910	149 910
Trading assets	3	268 177					268 177			268 177	268 177
Pledged assets	4	580 098					580 098			580 098	580 098
Financial investments	5			1 852 559	2 075 524		3 928 083	54 754		3 982 837	3 982 837
Loans and advances	6							26 262 826		26 262 826	27 174 075
Other financial assets[3, 4]								1 126 150		1 126 150	
Other non-financial assets[4]									1 352 454	1 352 454	
Total assets		998 185		2 640 257	2 075 524		5 713 966	28 168 406	1 352 454	35 234 826	
Liabilities											
Derivative liabilities	2	142 511					142 511			142 511	142 511
Trading liabilities	13	14 881					14 881			14 881	14 881
Deposits and current accounts with banks	15							2 328 818		2 328 818	2 328 818
Deposits and current accounts with customers	15							26 007 151		26 007 151	26 071 317
Debt securities issued	16							1 591 344		1 591 344	1 052 916
Other financial liabilities[3, 5]								55 398		55 398	
Other non-financial liabilities[5]									1 534 487	1 534 487	
Total liabilities		157 392					157 392	29 982 711	1 534 487	31 674 590	

1 Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in the fair value due to designed hedge risks.
2 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.
3 The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature.
4 This line has been updated to exclude other non-financial assets as per note 7 which were incorrectly inlcuded as part of other financial assets on the classification of assets and liabilities table. These are now included as part of other non-financial assets. There was no change to total assets.
5 This line has been updated to exclude other non-financial liabilities as per note 17 which were incorrectly inlcuded as part of other financial liabilities on the classification of assets and liabilities table. These are now included as part of other non-financial liabilities. There was no change to total liabilities.

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.

	2020				2019			
	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	**718 860**			**718 860**	787 698			787 698
Derivative assets		**372 288**		**372 288**		149 910		149 910
Trading assets	**383 240**			**383 240**	268 177			268 177
Pledged assets	**520 956**			**520 956**	580 098			580 098
Financial investments	**1 728 321**	**2 435 781**		**4 164 102**	2 075 524	1 852 559		3 928 083
Total	**3 351 377**	**2 808 069**		**6 159 446**	3 711 497	2 002 469		5 713 966
Liabilities								
Derivative liabilities		**362 123**		**362 123**		142 511		142 511
Trading liabilities	**230**			**230**	14 881			14 881
Total	**230**	**362 123**		**362 353**	14 881	142 511		157 392

19. Assets and liabilities at fair value continued

19.1 Financial assets and liabilities measured at fair value continued

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 (2019: N$nil).

		Valuation technique	Observable input		Valuation and level	
Derivatives	Options	Black-Scholes model and discounted cash flow model or combination of both	Market discount rate and curves	Spot prices of underlying transactions 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 rates and curves	Spot prices of underlying transactions	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 rates and curves	Spot prices of underlying transactions	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 rates 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 rates and curves	JIBAR rate and spread	Future cash flows are discounted using a market-related interest rate	Level 2
Liabilities	NCDs	Discounted cash flow model	Market discount rates and curves	JIBAR rate and spread	Future cash flows are discounted using a market-related interest rate	Level 2
	Promissory notes	Discounted cash flow model	Market discount rates and curves	JIBAR rate and spread	Future cash flows are discounted using a market-related interest rate	Level 2

19. Assets and liabilities at fair value continued

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

19.2.1 Fair value hierarchy of items for which fair value is disclosed

	2020				2019[1]			
	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	305 478			305 478	724 676			724 676
Financial investments	54 732			54 732	54 754			54 754
Loans and advances			24 994 388	24 994 388			27 174 075	27 174 075
Total	360 210		24 994 388	25 354 598	779 430		27 174 075	27 953 505
Liabilities								
Deposits from banks		1 909 497		1 909 497		2 328 818		2 328 818
Deposits from customers		24 521 561		24 521 561		26 071 317		26 071 317
Debt securities issued		1 657 018		1 657 018		1 052 916		1 052 916
Total		28 088 076		28 088 076		29 453 051		29 453 051

1 The fair value hierarchy of deposits from banks and customers and debt securities issued for 2019 comparatives have been updated to level 2 which is deemed to be the appropriate fair value hierarchy level of these instruments.

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 as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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$'000	Financial liabilities set off in the statement of financial position[2] N$'000	Net amount of financial assets subject to netting agreements[3] N$'000	Collateral received[4] N$'000	Net amount N$'000
2020					
Assets					
Derivative assets	372 288		372 288	(372 288)	
Loans and advances[5]	24 931 346	(2 145 470)	22 785 876	(18 578 205)	4 207 671
Total	25 303 634	(2 145 470)	23 158 164	(18 950 493)	4 207 671

	Gross amount of recognised financial liabilities[1] N$'000	Financial assets set off in the statement of financial position[2] N$'000	Net amounts of financial liabilities subject to netting agreements[3] N$'000	Collateral pledged[6] N$'000	Net amount N$'000
2020					
Liabilities					
Derivative liabilities	(362 123)		(362 123)	362 123	
Deposits and current accounts[5]	(26 420 850)	(2 145 470)	(28 566 320)		(28 566 320)
Total	(26 782 973)	(2 145 470)	(28 928 443)	362 123	(28 566 320)

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. The offsetting has not been applied.
3 Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement.
4 This is the total collateral value held for loans and adavnaces. 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 company 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.
6 In most instances, the counterparty may not sell or repledge collateral pledged by the company.

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

	Gross amount of recognised financial assets[1] N$'000	Financial liabilities set off in the statement of financial position[2] N$'000	Net amount of financial assets subject to netting agreements[3] N$'000	Collateral received[4,7] N$'000	Net amount[7] 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	(21 092 195)	3 874 974
Total	26 412 737	(1 295 658)	25 117 079	(21 242 105)	3 874 974

	Gross amount of recognised financial liabilities[1] N$'000	Financial assets set off in the statement of financial position[2] Rm	Net amounts of financial liabilities subject to netting agreements[3] Rm	Collateral pledged[6] Rm	Net amount Rm
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. The offsetting has not been applied.
3 Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement.
4 This is the total collateral value held for loans and advances. 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 company 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.
6 In most instances, the counterparty may not sell or repledge collateral pledged by the company.
7 2019 Collateral received for loans and advances has been updated to exclude collateral relocated to off balance sheet items. As a result, the net amount has also been updated.

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 financial assets on a contractual discounted basis.

21.1 Financial assets

	Note	Redeemable on demand N$'000	Maturing within 1 year N$'000	Maturing within 1 to 5 years N$'000	Maturing after 5 years N$'000	Total N$'000
2020						
Cash and balances with the central bank[1]	1	**1 024 338**				**1 024 338**
Derivative assets	2		**337 941**	**34 347**		**372 288**
Trading assets	3		**383 240**			**383 240**
Pledged assets	4		**520 956**			**520 956**
Financial investments	5	**2 435 779**	**1 735 127**	**44 015**	**3 913**	**4 218 834**
Loans and advances	6	**3 280 895**	**2 987 413**	**4 821 351**	**14 643 367**	**25 733 026**
Other financial assets		**203 344**				**203 344**
		6 944 356	**5 964 677**	**4 899 713**	**14 647 280**	**32 456 026**
2019						
Cash and balances with central bank[1]	1	1 512 374				1 512 374
Derivative assets	2		138 990	10 920		149 910
Trading assets	3		258 884	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[2]	6	3 774 639	2 814 721	2 498 764	17 773 301	26 861 425
Other financial assets[3]		1 126 150				1 126 150
		8 265 672	4 695 435	3 699 654	17 820 160	34 480 971

1 On demand cash and balances with the central bank includes notes and coins.
2 This line has been updated to age loans and advances on a gross basis (before ECL) and not on a net basis as previously presented.
3 This line has been updated to exclude non-financial assets from this table and include them as part of note 21.2.

21.2 Non-financial assets

The following table discloses the maturity analysis for the company's non-financial 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
2020				
Current tax asset		*	*	**104 356**
Property and equipment and right-of-use assets	9		**727 611**	**727 611**
Goodwill and other intangible assets	10		**451 787**	**451 787**
Deferred tax asset	14	*	*	**294 624**
Other assets	7	**76 785**		**76 785**
		76 785	**1 179 398**	**1 655 163**
2019[1]				
Current tax asset		*	*	84 075
Interest in joint venture and subsidiaries	8		15 435	15 435
Property and equipment and right-of-use assets	9		516 072	516 072
Goodwill and other intangible assets	10		451 853	451 853
Deferred tax asset	14	*	*	224 971
Other assets	7	60 048		60 048
		60 048	983 360	1 352 454

* Undated.
1 Table has been updated to include non-financial assets as per note 7.

22. Maturity analysis of liabilities

22.1 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
2020							
Derivative liabilities	2				333 901	28 222	362 123
Trading liabilities	13		230				230
Deposits and current accounts	15	16 155 256	848 961	1 797 117	5 873 125	1 746 391	26 420 850
Debt securities issued	16					1 620 305	1 620 305
Lease liabilities	17		4 787	23 907	16 447	219 551	264 692
Other financial liabilities			1 968			1 932	3 900
		16 155 256	855 946	1 821 024	6 223 473	3 616 401	28 672 100
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
Other financial[1] liabilities			2 422			1 931	4 353
		16 681 499	547 098	3 824 053	4 350 096	4 737 357	30 140 103

1 This line has been updated to exclude non-financial liabilities from this line and include them as part of note 22.2.

Refer to page 95 for funding and liquidity risk information in Annexure C.

22.2 Non-financial liabilities

	Note	Less than 12 months after reporting period N$'000	More than 12 months after reporting period N$'000	Total N$'000
2020				
Provisions and other liabilities	17	511 169	108 000	619 169
Deferred tax liability	14	*	*	297 312
		511 169	108 000	916 481
2019[1]				
Provisions and other liabilities	17	1 224 901	118 896	1 343 797
Deferred tax liability	14	*	*	190 691
		1 224 901	118 896	1 534 488

* Undated.
1 This table has been updated to include non-financial liabilities as per note 17.

23. Contingent liabilities and commitments

23.1 Contingent liabilities

	2020 N$'000	2019 N$'000
Letters of credit	25 432	62 451
Guarantees	1 767 877	2 086 955
Unutilised borrowing facilities	4 683 065	4 329 351
Total	6 476 374	6 478 757

23.2 Capital commitments

	2020 N$'000	2019 N$'000
Contractual capital expenditures	30 702	42 418
Total	30 702	42 418

The expenditure will be funded from internal resources.

23.3 Lease commitments

23.3.1 The future minimum payments under non-cancellable operating leases are as follows:

	2020 N$'000	2019 N$'000
Low value assets and short term leases (IFRS 16)		
Within one year	5 306	5 762
After one year but within five years	2 788	4 074
Total	8 094	9 836

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

	2020 N$'000	2019 N$'000
Effective interest rate income on:		
Financial investments	163 324	204 121
Loans and advances	1 985 418	2 581 169
Interest income on credit impaired financial assets	79 963	90 991
Total	2 228 705	2 876 281
Comprising:		
Interest income on items measured at amortised cost	2 065 381	2 672 160
Interest income on items measured at FVOCI	163 324	204 121

25. Interest expense

	2020 N$'000	2019 N$'000
Interest on current accounts	**59 877**	62 888
Interest on savings and deposit accounts	**91 937**	115 876
Interest on lease liabilities	**15 848**	3 416
Interest on other interest-bearing liabilities	**852 383**	1 327 464
Total	**1 020 045**	1 509 644
Comprising:		
Interest expense on items measured at amortised cost	**1 020 045**	1 509 644

26. Fee and commission revenue

	2020 N$'000	2019 N$'000
Account transaction fees	**312 522**	348 754
Card-based commission	**197 195**	89 644
Electronic banking fees	**287 176**	376 522
Foreign currency service fees	**21 134**	16 059
Documentation and administration fees	**95 938**	105 824
Custody fees	**32 115**	30 977
Trustees and executors fees	**10 079**	7 472
Arrangement fees	**18 033**	33 524
Guarantees commission	**19 785**	16 973
Other	**12 749**	9 183
Total	**1 006 726**	1 034 932

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

	2020 N$'000	2019 N$'000
Account transaction fees	**13 398**	15 354
Card-based commission	**80 088**	68 959
Documentation and administration fees	**64 998**	74 919
Electronic banking fees	**18 550**	10 759
Other fees	**2 545**	
Total	**179 579**	169 991

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

	2020 N$'000	2019 N$'000
Foreign exchange	**79 536**	95 183
Net fair value adjustments on held-for-trading financial assets	**20 025**	22 414
Total	**99 561**	117 597

29. Other revenue

	2020 N$'000	2019 N$'000
Property-related revenue	**(532)**	1 167
Other non-banking related revenue	**347**	5 058
Dividends on unlisted financial investments	**1 940**	3 804
Total	**1 755**	10 029

30. Other gains on financial instruments

	2020 N$'000	2019 N$'000
Fair value gains on debt financial instruments measured at FVTPL – default	**133 761**	141 649
Total	**133 761**	141 649

31. Credit impairment charges

	2020 N$'000	2019 N$'000
Net ECL raised and released:	**285 069**	276 077
Financial investments (note 5)	**1 131**	708
Loans and advances (note 6.3)	**284 391**	273 864
Letters of credit, bank acceptances and guarantees	**(453)**	1 505
Recoveries on loans and advances previously written off	**(31 159)**	(36 912)
Total	**253 910**	239 165

32. Operating expenses

	2020 N$'000	2019 N$'000
Auditors' remuneration	**9 305**	5 454
Audit fees	**9 233**	5 377
Other services	**72**	77
Amortisation	**36 873**	29 270
Communication expense	**17 252**	21 104
Depreciation	**140 305**	109 665
IT expenses	**182 258**	120 199
Lease rentals on operating lease	**9 407**	30 151
Professional fees	**137 190**	144 907
Loss on sale of property and equipment	**759**	591
Premises costs	**43 821**	56 083
Staff costs	**779 163**	845 331
Salaries and allowances	**697 493**	735 953
Equity-settled share-based payments[1]		34 385
Post-employment benefits – pension – defined contribution plan	**65 852**	64 993
Post-employment benefits – medical expenses	**15 818**	10 000
Other expenses[2]	**113 158**	86 195
Total	**1 469 491**	1 448 950

1 Equity-settled share-based payments in the prior year relate to the Purros Trust share scheme. All rights attached to this scheme vested on 31 December 2019.
2 Other expenses mainly comprise marketing and advertising expenses, operational risk losses, security expenses and travel and entertainment expenses.

33. Taxation

33.1 Indirect taxation

	2020 N$'000	2019 N$'000
Value added tax	20 604	23 111
Duties and other	9 695	8 159
Total	30 299	31 270

33.2 Direct taxation

	2020 N$'000	2019 N$'000
Normal taxation	125 984	244 920
Deferred taxation	27 714	(18 195)
Total	153 698	226 725

Income tax recognised in OCI

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

	Before tax N$'000	Tax charge (no credits) N$'000	After tax N$'000
2020			
Change in fair value of post-employment benefit obligations	22 627	(7 241)	15 386
Change in fair value of FVOCI debt financial assets – IFRS 9	6 668	(2 013)	4 655
	29 295	(9 254)	20 041
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

Namibian tax rate reconciliation

	2020 %	2019 %
The total tax charge for the year as a percentage of net income before indirect tax	33.6	31.6
Indirect taxation	(5.3)	(3.8)
Direct taxation charge for the year as a percentage of profit before indirect taxation	28.3	27.8
The charge for the year has been reduced as a consequence of:		
Dividends received	3.7	2.5
Other non-taxable income		0.2
Other non-deductible expenses	(0.4)	(0.3)
Other permanent differences	1.1	1.2
Prior year over-provision reversal	(0.7)	0.6
Standard rate of Namibian tax	32.0	32.0

34. Statement of cash flows notes

34.1 Non-cash items and other adjustments included in the income statement[1]

	2020 N$'000	2019 N$'000
Depreciation of property, equipment and right-of-use assets (note 9)	140 305	109 665
Amortisation of intangible assets (note 10)	36 873	29 270
ECL raised and released (note 31)	285 069	276 077
Interest income (note 24)	(2 228 705)	(2 876 281)
Interest expense (note 25)	1 020 045	1 509 644
Equity-linked transactions		40 604
Fair value adjustments	(5 201)	(65 879)
Indirect taxation (note 33.1)	(30 299)	(31 270)
Loss on disposal of property and equipment (note 34.5)	759	591
Dividend income (note 29)	(1 940)	(3 804)
Total	(783 094)	(1 011 383)

[1] In the current year, the company aligned the presentation of the statements of cash flows with that of SBG. The company also corrected certain errors. Details of the effect of the restatements are presented on page 30.

34.2 Decrease/(increase) in income-earning assets[1]

	2020 N$'000	2019 N$'000
Financial investments	(245 284)	395 980
Pledged assets	59 142	(580 098)
Trading assets	(96 113)	(109 622)
Loans and advances	1 042 329	(2 561 362)
Derivative assets	(222 378)	(116 673)
Other assets	906 069	(519 312)
Total	1 443 765	(3 491 087)

[1] In the current year, the company aligned the presentation of the statements of cash flows with that of SBG. The company also corrected certain errors. Details of the effect of the restatements are presented on page 30.

34.3 (Decrease)/increase in deposits and other liabilities[1]

	2020 N$'000	2019 N$'000
Deposit and current accounts	(1 840 246)	2 664 222
Trading liabilities	(14 651)	13 901
Derivative liabilities	219 612	116 797
Other liabilities	(719 085)	65 164
Total	(2 354 370)	2 860 084

[1] In the current year, the company aligned the presentation of the statements of cash flows with that of SBG. The company also corrected certain errors. Details of the effect of the restatements are presented on page 30.

34. Statement of cash flows notes continued

34.4 Direct taxation paid

	2020 N$'000	2019 N$'000
Current tax at beginning of the year	84 075	58 180
Recognised in profit or loss and other comprehensive income	(125 984)	(244 920)
Current tax at end of the year	(104 356)	(84 075)
Total	(146 265)	(270 815)

34.5 Proceeds from the sale of property and equipment

	2020 N$'000	2019 N$'000
Net book value of disposals	2 016	11 066
Loss on disposal	(759)	(591)
Total	1 257	10 475

34.6 Proceeds from the sale of intangibles

	2020 N$'000	2019 N$'000
Net book value of disposals	396	
Total	396	

34.7 Dividends paid

	2020 N$'000	2019 N$'000
Dividend paid during the year	(221 231)	(86 500)
Total	(221 231)	(86 500)

35. Post-employment benefits

	2020 N$'000	2019 N$'000
Amounts recognised as liabilities in the statement of financial position		
Post-employment healthcare benefit medical aid	108 000	118 896
Amounts recognised as expenses in profit and loss for the year		
Retirement fund	65 852	64 993
Post-employment healthcare benefit medical aid	15 818	10 000
Total	81 670	74 993

35.1 Retirement fund

	2020 N$'000	2019 N$'000
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 30 June 2020 and the actuary certified the fund as being financially sound as at that date. Members of the fund comprise 99% of the full-time staff. The contribution to the pension fund is based on a percentage of pensionable earnings and charged to income as incurred.		
Employer's contribution for the year	65 852	64 993

35. Post-employment benefits continued

35.2 Post-employment healthcare benefits

	2020 N$'000	2019 N$'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 30 June 2020.		
Movement in the present value of defined medical scheme benefit obligation:		
Balance at beginning of the year	118 896	112 624
Current service cost	3 027	2 394
Interest cost	12 791	7 606
Remeasurement of post-employment benefit obligations relating to change in actuarial assumptions	(22 627)	
Change in financial assumptions	(24 522)	
Change in demographic assumptions	4 913	
Change in other assumptions	(3 018)	
Contributions by employer	(4 087)	(3 728)
Balance at end of the year	108 000	118 896
Consisting of:		
Present value of unfunded obligations	108 000	118 896
Obligation recognised in the statement of financial position	108 000	118 896
The amounts recognised in profit or loss are determined as follows:		
Current service cost	3 027	2 394
Interest cost	12 791	7 606
Included in staff costs	15 818	10 000
The amounts recognised in statements of other comprehensive income		
Remeasurement of post-employment benefit obligations relating to change in financial and demographic assumptions	15 386	
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	14.10%	10.75%
Medical inflation	10.35%	8.57%
Remaining life of employees post employment	18.0 – 22.5 years	17.7 years
Mortality rates used:		
During employment: SA85-90 (Light) ultimate table		
Post-employment: PA (90) ultimate table		
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	307	310
Average age	43.9 years	43.1 years
Current pensioner members		
Details of the current pensioner members belonging to the medical aid fund are as follows:		
Number of employees	98	91
Average age	67.1 years	67.2 years

35. Post-employment benefits continued

35.2 Post-employment healthcare benefits continued

Sensitivity analysis

Assumption	Change in assumption	% change in obligation 2020	% change in obligation 2019
Healthcare cost inflation:	1% increase	**15.30**	17.40
	1% decrease	**(12.50)**	(14.00)
Mortality rate	PA (90)-1	**2.80**	3.20
Discount rate	1% increase	**(12.00)**	(17.10)
	1% decrease	**14.00**	13.60

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 Subsidiary and joint venture

Refer to note 8.1 and Annexure A for further disclosure on investment in subsidiary. 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 companies 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.

	2020 N$'000	2019 N$'000
Key management compensation		
Salaries and other short-term benefits	**41 716**	45 429
Post-employment benefits	**156**	3 262
IFRS 2 value of share options and rights expensed	**5 879**	7 332
	47 751	56 023
The transactions below are entered into in the normal course of business.		
Loans and advances		
Loans outstanding at beginning of the year	**27 330**	33 533
Change in key management structures	**(1 331)**	(1 829)
Net loans granted/(repaid) during the year	**4 121**	(4 374)
Loans outstanding at end of the year	**30 119**	27 330
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	**4 878**	2 165
Change in key management structures	**(1 553)**	(144)
Net deposits (withdrawn)/received during the year	**(832)**	2 857
Deposits outstanding at end of the year	**2 493**	4 878

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

Deposits include current and savings accounts.

36. Related party transactions

36.4 Purchase/(rendering) of services

	Relationship	Type	2020 N$'000	2019 N$'000
The Standard Bank of South Africa (SBSA)	Fellow subsidiary	Royalty fees	**70 137**	79 083
SBSA	Fellow subsidiary	Information technology	**20 885**	20 945
SBSA	Fellow subsidiary	License fees	**34 168**	19 767
SBSA	Fellow subsidiary	Other services	**(1 592)**	1 792
SBSA	Fellow subsidiary	Training	**233**	548
Stanbic Bank Kenya Limited	Fellow subsidiary	Training	**(2)**	
Stanbic Bank Kenya Limited	Fellow subsidiary	Other services	**(56)**	1 314
Stanbic Bank Uganda	Fellow subsidiary	Other services	**(38)**	580
Standard Bank Malawi	Fellow subsidiary	Other services		59
Standard Bank Insurance Brokers	Fellow subsidiary	Other services		(507)
(Namibia) Limited			**(535)**	
Stanfin (Namibia) (Proprietary) Limited	Fellow subsidiary	Other services	**(489)**	(78)
Namclear (Proprietary) Limited	Joint venture	Interbank clearing costs		20 342
Mobicash Payment Solutions			**1 244**	4 311
(Proprietary) Limited	Fellow subsidiary	Payment solution fees		
Arleo Investment Sixteen			**37 938**	
(Proprietary) Limited	Fellow subsidiary	Rent paid		
			161 893	148 156

36.5 Commissions and dividends received/(paid)

	Relationship	Type	2020 N$'000	2019 N$'000
SBSA	Fellow subsidiary	Commission paid	**(10 052)**	(3 061)
SBSA	Fellow subsidiary	Commission received	**865**	429
Stanfin (Namibia) (Proprietary) Limited	Fellow subsidiary	Commission paid	**725**	
Mobicash Payment Solutions (Proprietary) Limited	Fellow subsidiary	Commission received	**2 073**	1 030
SBN Holdings Limited	Parent company	Dividends paid	**(221 231)**	(86 500)
			(227 620)	(88 102)

36.6 Interest income/(expense)

	Relationship	Type	2020 N$'000	2019 N$'000
SBSA	Fellow subsidiary	Interest income	**32 427**	104 324
SBSA	Fellow subsidiary	Interest expense	**(51 602)**	(85 297)
Arleo Investment Sixteen	Fellow subsidiary	Interest income	**50 112**	58 165
			30 937	77 192

36.7 Trading income

	Relationship	Type	2020 N$'000	2019 N$'000
SBSA	Fellow subsidiary	Trading income	**202 958**	22 590
			202 958	22 590

36.8 Contributions to funds

	Relationship	Type	2020 N$'000	2019 N$'000
Standard Bank Namibia Pension Fund	Defined contribution plan	Contributions	**65 852**	64 993
			65 852	64 993

36. Related party transactions continued

36.9 Related party year end balances

	Relationship	Type	2020 N$'000	2019 N$'000
Receivables from related parties				
SBSA	Fellow subsidiary	Trading assets		10 348
SBSA	Fellow subsidiary	Loans and advances	**1 131 591**	1 599 399
Stanbic Bank Botswana Limited	Fellow subsidiary	Loans and advances	**1 282**	487
Stanbic Bank Zambia Limited	Fellow subsidiary	Loans and advances	**342**	
Stanbic Bank Kenya Limited	Fellow subsidiary	Loans and advances	**104**	1 179
Arleo Investments Sixteen (Proprietary) Limited	Fellow subsidiary	Loans and advances	**600 000**	600 000
SBSA	Fellow subsidiary	Derivatives	**307 333**	93 571
SBSA	Fellow subsidiary	Other assets	**20 634**	12 972
Stanbic Bank Zimbabwe Limited	Fellow subsidiary	Other assets	**90**	90
Standard Bank Mauritius	Fellow subsidiary	Other assets	**31**	30
Standard Bank Insurance Brokers (Namibia) (Proprietary) Limited	Fellow subsidiary	Other assets	**347**	334
Stanlib (Namibia) (Proprietary) Limited	Fellow subsidiary	Other assets	**23**	
Stanfin (Namibia) (Proprietary) Limited	Fellow subsidiary	Other assets	**593**	1 445
Arleo Investments Sixteen (Proprietary) Limited	Fellow subsidiary	Other assets	**97 354**	41 380
Purros Investment (Proprietary) Limited	Employee share trust	Other assets	**4 183**	361
SBN Holdings (Proprietary) Limited	Parent	Other assets	**3 253**	202 835
			2 167 160	2 564 431

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	2020 N$'000	2019 N$'000
Payables to related parties				
SBSA	Fellow subsidiary	Deposit and current accounts	**1 057 023**	1 394 362
Stanbic Bank Botswana Limited	Fellow subsidiary	Deposit and current accounts	**26**	26
Standard Bank Angola	Fellow subsidiary	Deposit and current accounts	**53**	118
Stanbic Bank Zambia Limited	Fellow subsidiary	Deposits and current accounts		293
Purros Investment (Proprietary) Limited	Employee share trust	Deposits and current accounts	**900**	
Arleo Investments Sixteen (Proprietary) Limited	Fellow subsidiary	Deposits and current accounts	**229**	
SBSA	Fellow subsidiary	Derivatives	**64 111**	55 470
SBSA	Fellow subsidiary	Other liabilities	**26 902**	64 155
SBN Holdings (Proprietary) Limited	Parent	Other liabilities	**28 778**	16 427
Stanlib (Namibia) (Proprietary) Limited	Fellow subsidiary	Other liabilities		128
Purros Investment (Proprietary) Limited	Employee share trust	Other liabilities		3
Standard Bank Insurance Brokers (Namibia) (Proprietary) Limited	Fellow subsidiary	Other liabilities	**312**	182
Stanfin (Namibia) (Proprietary) Limited	Fellow subsidiary	Other liabilities	**725**	
Arleo Investments Sixteen (Proprietary) Limited	Fellow subsidiary	Other liabilities	**43 628**	
Stanbic Bank Uganda	Fellow subsidiary	Other liabilities		222
Stanbic Bank Zimbabwe Limited	Fellow subsidiary	Other liabilities	**60**	60
SBSA	Fellow subsidiary	Subordinated debt	**101 179**	101 776
			1 323 926	1 633 222

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 SBG and Liberty Holdings Limited shares.

	2020 N$'000	2019 N$'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
Deferred Bonus Scheme 2012 (DBS 2012)	**5 177**	6 219
Total expense recognised in staff costs	**5 177**	40 604
Summary of liabilities recognised in other liabilities:		
EGS	**2 610**	2 516
DBS		617
Performance reward plan	**211**	1 693
	2 821	4 826

37.2 Equity compensation plans

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

37.2.1 Equity-settled share-based payments

GSIS

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

	Option price range (N$)		Number of rights	
	2020	2019	**2020**	2019
Options outstanding at beginning of the year			**6 250**	32 200
Exercised		62.39 – 98.80		(17 200)
Lapsed				(12 500)
Transferred in				3 750
Options outstanding at the end of the year			**6 250**	6 250

No options were exercised during the year. The weighted average share price for the year was ZAR116.16 (2019: ZAR183.51).

37. Equity-linked transactions continued

37.2 Equity compensation plans continued

The following options granted to employees, including executive directors, had not been exercised at 31 December 2020 or 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**

Purros Trust Share Scheme

All rights attached to this scheme vested on 31 December 2019.

The scheme consisted of restricted shares granted to all qualifying employees. The beneficial ownership of the shares resided with the participants, including the voting and dividend rights. No dealing in the shares was permitted before 31 December 2019. Forfeiture was applicable if employee was dismissed.

	Option price range (N$)		Number of rights	
	2020	2019	**2020**	2019
Shares outstanding at beginning of the year				5 092 780
Increase due to subdivision of shares				25 463 900
Shares allocated during the year		29.84		4 078 308
Forfeited				(19 210)
Vested during the year				(34 615 778)
Shares outstanding at the end of the year				

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 is 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 a company entity. The awards are classified as cash-settled awards.

The award units are denominated in employee's host countries' local currency, 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.

			2020 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$152.64**	**2.51**	**42 336**	**29 292**	**(22 085)**	**(7 856)**		**41 687**

			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)	

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 DBS 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.

	Units	
	2020	2019
Reconciliation		
Units outstanding at beginning of the year	**7 826**	33 858
Exercised	**(7 826)**	(23 289)
Lapsed		(2 061)
Transfers		(682)
Units outstanding at end of the year		7 826

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 SBN Holdings Limited'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	
	2020	2019
Movement summary		
Units outstanding at beginning of the year	**38 400**	47 900
Granted	**13 200**	13 170
Exercised	**(16 000)**	(22 670)
Units outstanding at end of the year	**35 600**	38 400
Weighted average fair value at grant date	**N$152.64**	N$182.43
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) **Vehicle and asset finance** • 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** • 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 finance • Structured trade finance and commodity finance • Debt capital markets • Real estate and principal investment management
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 due business units across SBN Holdings, are reflected in the segment report in SBN Holdings annual financial statements.

	Personal & Business Banking		Corporate & Investment Banking		Other		Total	
	2020 N$'000	2019 N$'000	**2020 N$'000**	2019 N$'000	**2020 N$'000**	2019 N$'000	**2020 N$'000**	2019 N$'000
Net interest income	**1 422 417**	1 801 895	**(197 476)**	(430 606)	**(16 281)**	(4 652)	**1 208 660**	1 366 637
Inter-segment revenue	**(497 768)**	(748 224)	**497 421**	780 641	**347**	(32 417)		
Non-interest revenue	**723 953**	744 882	**346 154**	386 199	**(7 883)**	3 135	**1 062 224**	1 134 216
Total income	**1 648 602**	1 798 553	**646 099**	736 234	**(23 817)**	(33 934)	**2 270 884**	2 500 853
Credit impairment charges	**(245 724)**	(234 324)	**(8 186)**	(4 841)			**(253 910)**	(239 165)
Income after credit impairment charges	**1 402 878**	1 564 229	**637 913**	731 393	**(23 817)**	(33 934)	**2 016 974**	2 261 688
Operating expenses	**(1 126 883)**	(1 131 241)	**(386 542)**	(370 187)	**43 934**	52 478	**(1 469 491)**	(1 448 950)
Net income	**275 995**	432 988	**251 371**	361 206	**20 117**	18 544	**547 483**	812 738
Loss on derecognition of joint venture					**(1 604)**		**(1 604)**	
Share of profits from associates and joint ventures						3 929		3 929
Net income before indirect taxation	**275 995**	432 988	**251 371**	361 206	**18 513**	22 473	**545 879**	816 667
Indirect taxation	**(14 266)**	(15 222)	**(1 995)**	(2 440)	**(14 038)**	(13 608)	**(30 299)**	(31 270)
Profit before direct taxation	**261 729**	417 766	**249 376**	358 766	**4 475**	8 865	**515 580**	785 397
Direct taxation	**(90 795)**	(131 924)	**(60 745)**	(90 063)	**(2 158)**	(4 738)	**(153 698)**	(226 725)
Profit for the year	**170 934**	285 842	**188 631**	268 703	**2 317**	4 127	**361 882**	558 672
Operating information								
Total assets	**18 285 039**	19 035 324	**13 505 534**	14 479 608	**1 518 936**	1 529 203	**33 309 509**	35 044 135
Total liabilities	**16 762 564**	17 249 251	**12 303 001**	13 362 636	**523 017**	872 012	**29 588 582**	31 483 899
Other information								
Investment in joint venture						15 435		15 435
Depreciation	**85 676**	73 114	**7 659**	1 664	**46 970**	34 887	**140 305**	109 665
Amortisation	**9**		**1 276**	359	**35 588**	28 911	**36 873**	29 270

39. Dividends

	COMPANY	
	2020 N$'000	2019 N$'000
Ordinary dividends		
Final dividend declared	**138 000**	86 500
Interim dividend declared	**83 231**	
Total dividends recognised in the statement of changes in equity	**221 231**	86 500

A final dividend 3 374 cents per ordinary share was declared on 4 March 2021, bringing the total dividends declared in respect of 2020 profits earned to 7 536 cents per share (2019: total dividends of 6 900 cents per share).

ANNEXURE A – SUBSIDIARY

	Nature of operation	Issued share capital N$	Effective holding 2020 %	2019 %	Net indebtedness 2020 N$'000	2019 N$'000
Standard Bank Nominees (Proprietary) 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 (Proprietary) Limited 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**

	2020	2019
Effective holding (%)	**0**	25

	N$'000	N$'000
Income statement		
Total income		59 806
Total profit for the year		15 715
Total comprehensive income		15 715
Statement of financial position		
Cash and cash equivalents		40 994
Non-current assets		54 227
Current assets		54 432
Non-current liabilities		(32 007)
Current liabilities		(14 912)
Net asset value		61 740
Proportion of net asset value based on effective holding		15 435
Carrying value		15 435
Share of total comprehensive income from joint venture		3 929

On 31 January 2020, Namclear (Proprietary) Limited converted to a non-profit organisation registered under section 21 of the Namibian Companies Act. Accordingly, the company no longer applies the equity method of accounting to the investment.

The carrying amount of the investment was derecognised and N$13.8 million recognised as a loan receivable and has been included in loans and advances. The remaining loss on derecognition of N$1.6 million has been recognised in profit or loss in the current year.

Namclear (Proprietary) Limited has no quoted market price available for its shares.

In the prior year, there were no contingent liabilities relating to the bank's interest in the joint venture. There were also no significant restrictions on the ability of the joint venture 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 the risk management committee and ALCO.

Covid-19

The group's results for the twelve months ended 31 December 2020 reflect the very difficult operating environment. Covid-19 placed considerable strain on our retail, business and corporate clients , particularly in South Africa. The group's strong capital position, going into the crisis, enabled us to respond quickly and significantly.

Risk management is a cornerstone of the group's response to the Covid-19 crisis, enabling fast, targeted and responsible support of our clients, at the same time protecting our people while preserving the group's financial position.

Prior years' focus on transitioning the company to a digital platform, made it possible to quickly respond to the pandemic. The company implemented a pandemic response plan early March 2020 with its primary objective being the prevention of the spread of the virus in the country, communities and within the bank. The plan was based on four key pillars – employees, clients, facilities and shareholders – preservation being of utmost importance. Some of the immediate actions therefore included the establishment of a Covid-19 steering committee; the suspension of physical meetings in favour of virtual meetings; the suspension of international business travel; the implementation of Covid-19 related safety measures at the company's premises; and the implementation of a work-from-home policy.

In line with the company's commitment to its employees, the majority of employees were permitted to transition between working from the office premises and working from home interchangeably throughout 2020. The company further enhanced its employee support programme through the provision of employee support packages and ongoing executive engagement sessions with all employees.

The company also recognised the need for support to vulnerable communities that were least prepared and hardest hit by the first wave of the pandemic and the company donated water tanks and food packages, amongst other essential supplies. An extensive facilities programme was rolled out, which included a decontamination protocol in the event of any confirmed cases on the company's premises, and the provision of sanitisers to the public making use of the company's facilities such as ATMs and point-of-sale devices. These measures remain in place and are aimed at reassuring employees, clients and the public using the facilities that their health and safety continue to remain the company's foremost priority.

The company has performed more frequent risk appetite, product parameter, industry and client reviews, to ensure that the group remains its clients' financial services partner of choice throughout this unfolding pandemic.

Client relief programmes comprised of assisting clients with temporary liquidity constraints as a result of the impact of Covid-19, in the form of covenant relaxations and payment holidays. These relief programmes resulted in no change in the present value of the estimated future cash flows resulting in no economic gain or loss (i.e. no net modification gain or loss) refer to note 6.3 for further detail in this regard.

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)

	2020 N$'000	2019 N$'000
Tier 1		
Ordinary share capital and premium	593 230	593 230
Ordinary shareholders' reserves	2 626 265	2 347 325
	3 219 495	2 940 555
Less: regulatory adjustments	(512 647)	(318 289)
Intangible assets	(271 073)	(180 741)
Deferred tax asset	(176 774)	(89 989)
Defined benefit pension fund assets and liabilities	(64 800)	(47 559)
Common equity tier 1 capital	2 706 848	2 622 266
Tier II		
Subordinated debt	80 000	100 000
Current unappropriated profits	361 868	558 680
General allowance for credit impairments	274 618	234 696
	716 486	893 376
Total eligible capital (including unappropriated profits)	3 423 334	3 515 642

CAPITAL ADEQUACY RATIOS (UNAUDITED)

	Minimum regulatory requirement %	Target ratio %	Including unappropriated profits 2020 %	Including unappropriated profits 2019 %	Excluding unappropriated profits 2020 %	Excluding unappropriated profits 2019 %
Bank						
Total capital adequacy ratio	10	11 – 12	13.53	14.06	13.53	14.06
Tier I capital adequacy ratio	7	7.7 – 8.2	12.13	12.72	10.70	10.49
Tier I leverage ratio	6	6.6 – 7.2	8.95	7.82	7.89	6.45

BASEL III RISK-WEIGHTED ASSETS (UNAUDITED)

	2020 N$'000	2019 N$'000
Credit risk	21 969 420	21 552 357
Market risk	468 351	413 719
Operational risk	2 868 295	3 036 583
Total risk-weighted assets	25 306 066	25 002 659

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 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 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 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 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, 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.

Use of internal estimates

Our credit risk rating systems and processes differentiate and quantify credit risk across counterparties and asset classes. Internal risk parameters are used extensively in risk management and business processes, including:

- setting risk appetite
- setting concentration and counterparty limits
- credit approval and monitoring

Corporate, sovereign and banking portfolios

Corporate entities include large companies, as well as SMEs that are managed on a relationship basis. Corporate exposures also include specialised lending (project, object and commodity finance, as well as income-producing real estate (IPRE) and public sector entities.

Sovereign and bank borrowers include sovereign government entities, central banks, local and provincial government entities, bank and non-bank financial institutions. The creditworthiness of corporate (excluding specialised lending), sovereign and bank exposures is assessed based on a detailed individual assessment of the financial strength of the borrower. This quantitative analysis, together with expert judgement and external rating agency ratings, leads to an assignment of an internal rating to the entity. Specialised lending's creditworthiness is assessed on a transactional level, rather than on the financial strength of the borrower, in so far as the group relies only on repayment from the cash flows generated by the underlying assets financed. Concentration risk management is performed to ensure that credit exposure concentrations in respect of obligors, countries, sectors and other risk areas are effectively managed. This includes concentrations arising from credit exposure to different entities within an obligor economic group, such as exposure to public sector and other government entities that are related to the same sovereign.

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

	Gross carrying amount N$'000	SB 1 – 12 Stage 1 N$'000	SB 1 – 12 Stage 2 N$'000	SB 13 – 20 Stage 1 N$'000	SB 13 – 20 Stage 2 N$'000	SB 21- 25 Stage 1 N$'000	SB 21- 25 Stage 2 N$'000	Default Stage 3 N$'000	Total gross carrying amount of default exposures N$'000	Securities and expected recoveries on default exposures N$'000	IIS on default exposures N$'000	Balance sheet ECL on default exposures N$'000	Gross default coverage %	Non-performing exposures %
2020														
Loans and advances at amortised cost														
PBB	18 534 089			15 588 435			988 799	1 956 855	1 956 855	1 417 577	63 420	475 858		
Mortgage loans	12 733 701			10 545 802			629 200	1 558 699	1 558 699	1 235 616	37 120	285 963	21	12
Vehicle and asset finance	2 800 832			2 532 636			195 441	72 755	72 755	15 763		56 992	78	3
Card debtors	158 960			140 906			14 040	4 014	4 014	(9 000)		13 014	324	3
Other loans and advances	2 840 596			2 369 091			150 118	321 387	321 387	175 198	26 300	119 889	45	11
Personal unsecured lending	1 521 004			1 432 923			64 372	23 709	23 709	2 810	847	20 052	88	2
Business lending and other	1 319 592			936 168			85 746	297 678	297 678	172 388	25 453	99 837	42	23
CIB	7 198 938	2 806		6 513 925	352 395		324 409	5 403	5 403	2 903		2 500		
Corporate	4 155 265			3 601 468	224 190		324 204	5 403	5 403	2 903		2 500		
Sovereign	805 245	2 806		795 814	6 625									
Bank	2 238 428			2 116 643	121 580		205							
Gross carrying amount	25 733 027	2 806		22 102 360	352 395		1 313 208	1 962 258	1 962 258	1 420 480	63 420	478 358		
Less: total credit impairment on loans and advances	(801 681)													
Net carrying amount of loans and advances measured at amortised cost	24 931 346													
Financial investments measured at amortised cost														
Sovereign	54 732	54 732												
Gross carrying amount	54 732	54 732												
Less: total ECL for financial investments measured at amortised cost														
Net carrying amount of financial investments measured at amortised cost	54 732													
Financial investments at FVOCI														
Sovereign	1 728 321	1 728 321												
Gross carrying amount	1 728 321	1 728 321												
Add: fair value reserve relating to fair value adjustments (before the ECL balance)	(7 686)													
Total financial investment at fair value through OCI	1 720 635													
Off-balance sheet exposures														
Letters of credit and banker's acceptances	25 432	16 613		8 819										
Guarantees	1 767 877	1 339 985		380 067	43 363		4 462							
Irrevocable unutilised facilities	4 683 065	4 405 916		140 192	134 402		2 555							
Total exposure to off-balance sheet credit risk	6 476 374	5 762 514		529 078	177 765		7 017							
ECL for off-balance sheet exposures	(3 900)													
Net carrying amount of off-balance sheet exposures	6 472 474													
Total exposure to credit risk on financial assets subject to an ECL	33 179 187													
Add the following exposures not subject to ECL:														
Cash and balances with the central bank[1]	1 024 338													
Derivative assets	372 288													
Other financial investments	2 435 781													
Trading assets	383 240													
Pledged assets	520 956													
Other financial assets[3]	203 344													
Total exposure to credit risk	38 119 134													

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.

MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY CONTINUED

		SB 1 – 12		SB 13 – 20		SB 21 – 25		Default						
	Gross carrying amount N$'000	Stage 1 N$'000	Stage 2 N$'000	Stage 1 N$'000	Stage 2 N$'000	Stage 1 N$'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	IIS on default exposures N$'000	Balance sheet ECL on default exposures N$'000	Gross default coverage %	Non-performing exposures %
2019														
Loans and advances at amortised cost														
PBB	19 823 288			16 525 545			1 741 302	1 556 441	1 556 441	1 188 315	48 890	319 235		
Mortgage loans[5]	12 939 977			10 381 485			1 227 452	1 331 040	1 331 040	1 080 753	36 834	213 453	19	11
Vehicle and asset finance	2 904 936			2 541 197			300 638	63 101	63 101	10 645		52 456	83	2
Card debtors	175 900			154 195			18 662	3 043	3 043			3 042	100	2
Other loans and advances[5]	3 802 475			3 448 668			194 550	159 257	159 257	96 917	12 056	50 284	39	4
Personal unsecured lending	1 868 728			1 750 622			100 007	18 099	18 099	933	654	16 512	95	1
Business lending and other[5]	1 933 747			1 698 046			94 543	141 158	141 158	95 984	11 402	33 772	32	6
CIB	7 038 137	4 437 207		2 516 681	71 585		12 664			(134)		134		
Corporate	2 474 949	25 397		2 404 803	32 085		12 664			(134)		134		
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		1 753 966	1 556 441	1 556 441	1 188 181	48 890	319 369		
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 ECL for financial investments measured at amortised cost	(2)													
Net carrying amount of financial investments measured at amortised cost	54 754													
Financial investments at FVOCI														
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 FVOCI	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									
Irrevocable unutilised facilities	4 329 351	3 764 710		527 942	36 590	97	12							
Total exposure to off-balance sheet credit risk	6 478 757	5 006 801		1 374 798	97 049	97	12							
ECL 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 ECL	34 864 444													
Add the following exposures not subject to ECL:														
Cash and balances with the central bank – held at fair value[1]	1 512 374													
Derivative assets	149 910													
Other financial investments	1 852 559													
Trading assets	268 177													
Pledged assets	580 098													
Other financial assets[3, 4]	1 126 150													
Total exposure to credit risk	40 353 712													

1 Balances with central banks are not subjected to ECL considerations due to the rigorous regulatory requirements of these transactions and its link to the underlying entities ability to operate as a bank. Amount represents deposits placed in currencies as issued by the central banks with which they are stored.
2 Due to historical experience interests in joint ventures measured at amortised cost are regarded as a low probability of default.
3 Due to the short term nature of these financial assets and historical experience, other amortised cost financial assets are regarded as having a low probability of default.
4 This line has been updated to exclude other non-financial assets as per note 7 which incorrectly included it as part of other financial assets.
4 This line has been updated to reclassify a commercial property loan from other loans and advances to mortgage loans.

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

	2020 N$'000	2019 N$'000
Agriculture	670 202	742 434
Construction	172 162	279 547
Electricity	1 066 959	1 709 557
Finance, real estate and other business services	6 463 584	7 337 965
Individuals	15 118 111	14 878 991
Manufacturing	956 474	648 890
Mining	587 567	295 072
Other services	457 758	497 653
Transport	80 775	289 822
Wholesale	159 434	181 494
Gross loans and advances	25 733 026	26 861 425

All loans are recorded in Namibia.

IFRS: SEGMENTAL ANALYSIS OF STAGE 3 ECL OF LOANS AND ADVANCES

	2020 N$'000	2019 N$'000
Agriculture	(63 476)	(14 657)
Construction	(7 884)	(3 068)
Electricity	(1 762)	(966)
Finance, real estate and other business services	(122 906)	(103 569)
Individuals	(267 905)	(176 338)
Manufacturing	(3 562)	(4 972)
Mining	(77)	(61)
Other services	(8 425)	(12 679)
Transport	(839)	(928)
Wholesale	(2 648)	(1 997)
Total ECL for stage 3 loans and advances, excluding IIS	(479 484)	(319 235)

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:

- 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.

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% (2019: 20%) is unsecured and mainly reflects short-term exposures to individuals.

				Collateral coverage – Total collateral	
	Total exposure N$'000	Unsecured N$'000	Secured N$'000	1 to 50 % N$'000	50 to 100% N$'000
2020					
Corporate	6 774 248	3 555 265	3 218 983	3 218 983	
Sovereign	2 364 482		2 364 482		2 364 482
Bank	2 465 115		2 465 115		2 465 115
Retail	20 605 556	2 970 544	17 635 012		17 635 012
Retail mortgage	13 603 027		13 603 027		13 603 027
Other retail	7 002 529	2 970 544	4 031 985		4 031 985
Total	32 209 401	6 525 809	25 683 592	3 218 983	22 464 609
Add: financial assets not exposed to credit risk	6 764 974				
Less: impairments for loans and advances	(801 681)				
Less: unrecognised off balance sheet items	(6 476 374)				
Total exposure	31 696 320				
Reconciliation to statement of financial position:					
Cash and balances with central banks	1 024 338				
Derivative assets	372 288				
Trading assets	383 240				
Pledged assets	520 956				
Financial investments	4 218 834				
Loans and advances	24 931 346				
Other financial assets	245 318				
Total	31 696 320				

	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[1]					
Corporate	5 306 753	2 474 949	2 831 804		2 831 804
Sovereign	2 219 070		2 219 070		2 219 070
Bank	3 859 216		3 859 216		3 859 216
Retail	21 955 143	3 978 375	17 976 768	4 365 181	13 011 587
Retail mortgage	13 611 587		13 611 587		13 011 587
Other retail	8 343 556	3 978 375	4 365 181	4 365 181	
Total	33 340 182	6 453 324	26 886 858	4 365 181	21 921 677
Add: Financial assets not exposed to credit risk	7 653 917				
Less: Impairments for loans and advances	(598 599)				
Less: Unrecognised off balance sheet items	(6 478 757)				
Total exposure	33 916 743				
Represented by:					
Cash and balances with central banks	1 512 374				
Derivative assets	149 910				
Trading assets	268 177				
Pledged assets	580 098				
Financial investments	3 982 837				
Loans and advances	26 262 826				
Other financial assets[2]	1 160 521				
Total	33 916 743				

1 Certain prior year amounts have been updated for consistency with current year presentation.
2 Other financial assets are included in other assets in the statement of financial position.

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.

We maintain a prudent approach to liquidity management in accordance with the applicable laws and regulations. Appropriate liquidity buffers were held in excess of the minimum prudential liquid asset requirements as prescribed by the regulator.

Proactive liquidity management in line with group liquidity standards ensured that, despite volatile and constrained liquidity environments at the onset of the Covid-19 pandemic, adequate liquidity was maintained to fully support balance sheet strategies. This has been achieved through continuous engagements between treasury and capital management, risk and business units in which the liquidity risk with respect to on- and off-balance sheet positions was carefully monitored. At the same time consideration has been provided to the adequacy of contingent funding, ensuring sufficiency to accommodate unexpected liquidity demands. The group continues to leverage the extensive deposit franchises across the portfolio to ensure that it has the appropriate amount, tenor and diversification of funding to support its current and forecast asset base while minimising cost of funding.

The company manages its liquidity through an internal behavioural profiling of its portfolios. Through this mechanism, the company continuously ensure that it has sufficient marketable assets available in its portfolio to meet the outflow demand in both business as usual as well as stress circumstances.

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.

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

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

	Redeemable on demand N$'000	Maturing within 1 month N$'000	Maturing between 1 – 6 months N$'000	Maturing between 6 – 12 months N$'000	Maturing after 12 months N$'000	Total N$'000
2020						
Liabilities						
Derivative liabilities		401 961	4 177 202	412 427	110 590	5 102 180
Trading liabilities	230					230
Deposit and current accounts	17 176 178	532 107	3 869 251	3 882 457	2 875 979	28 335 972
Debt issued securities		4 946	1 221 650	10 448	458 856	1 695 900
Other financial liabilities	3 900	1 626	8 100	7 188	313 969	334 783
Total	17 180 308	940 640	9 276 203	4 312 520	3 759 394	35 469 065
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances			25 432			25 432
Financial guarantees	215 457	3 489	1 548 931			1 767 877
Unutilised borrowing facilities	4 683 065					4 683 065
Total	4 898 522	3 489	1 574 363			6 476 374
2019						
Liabilities						
Derivative liabilities		235 124	1 988 244	1 514 309	126 261	3 863 938
Trading liabilities					14 881	14 881
Deposits and current accounts	17 176 178	532 107	3 869 251	3 882 457	2 875 979	28 335 972
Debt issued securities		19 400		200 050	1 371 895	1 591 345
Other financial liabilities					616 154	616 154
Total	17 176 178	786 631	5 857 495	5 596 816	5 005 170	34 422 290
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

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 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 relevant legal entity ALCOs.

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

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

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

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.

Trading book portfolio characteristics

VaR for the year under review

Trading book market risk exposures arise mainly from residual exposures from client transactions.

TRADING BOOK NORMAL VAR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum[1] N$'000	Minimum[1] N$'000	Average N$'000	Closing N$'000
2020				
Foreign exchange risk	**478**	**21**	**56**	**73**
Interest rates	**59**	**4**	**25**	**11**
Aggregate[1]	**464**	**19**	**65**	**78**
2019				
Foreign exchange risk	671	17	66	18
Interest rates	164	3	36	44
Aggregate[1]	670	35	83	39

1 The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum.

TRADING BOOK STRESSED VAR ANALYSIS BY MARKET VARIABLE

	Stressed VaR			
	Maximum[1] N$'000	Minimum[1] N$'000	Average N$'000	Closing N$'000
2020				
Foreign exchange risk	**1 558**	**114**	**197**	**215**
Interest rates	**1 408**	**173**	**698**	**631**
Aggregate[1]	**1 559**	**245**	**745**	**684**
2019				
Foreign exchange risk	1 209	104	263	117
Interest rates	2 831	97	735	846
Aggregate[1]	2 704	175	690	755

1 The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different days.

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 (IRRBB) (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.

INTEREST RATE SENSITIVITY ANALYSIS

	NAD	USD	TOTAL
2020			
Increase in basis points	**200**	**100**	
Sensitivity of annual net interest income (N$'000)	**183 120**	**341**	**182 779**
Decrease in basis points	**200**	**100**	
Sensitivity of annual net interest income (N$'000)	**(229 516)**	**(101)**	**(229 617)**
2019			
Increase in basis points	200	100	
Sensitivity of annual net interest income (N$'000)	283 384	5 889	289 273
Decrease in basis points	200	100	
Sensitivity of annual net interest income (N$'000)	(285 078)	(7 116)	(292 194)

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 foreign currency management committee, a subcommittee of the group capital management committee, 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
2020						
Total net long position	N$'000	**3 297**	**1 746**	**122**	**2 730**	
Sensitivity	%	**5**	**5**	**5**	**5**	
Impact on profit or loss	N$'000	**165**	**87**	**6**	**137**	**395**
Total net long position	N$'000	**3 297**	**1 746**	**122**	**2 730**	
Sensitivity	%	**(5)**	**(5)**	**(5)**	**(5)**	
Impact on profit or loss	N$'000	**(165)**	**(87)**	**(6)**	**(137)**	**(395)**
2019						
Total net long position	N$'000	2 455	1 663	76	2 582	
Sensitivity	%	5	5	5	5	
Impact on profit or loss	N$'000	123	83	4	129	339
Total net long position	N$'000	2 455	1 663	76	2 582	
Sensitivity	%	(5)	(5)	(5)	(5)	
Impact on profit or loss	N$'000	(123)	(83)	(4)	(129)	(339)

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 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:

- the company does not have control but has potential to impact on its operations and those of its clients
- the company does have direct control such as waste management and the use of energy and water.

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 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 information 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. 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 company head of governance and assurance 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

Executive directors and prescribed officers' emoluments

	Mr V Mungunda		Mrs L du Plessis[1]		Total	
	2020 N$'000	2019 N$'000	2020 N$'000	2019 N$'000	2020 N$'000	2019 N$'000
Cost to company package	4 120	4 041	2 034	1 030	6 154	5 071
Basic salary	2 397	2 293	1 610	819	4 007	3 112
Retirement contributions paid during the year	431	417	225	114	656	531
Other benefits and allowances	1 292	1 331	199	97	1 491	1 428
Short-term cash incentive	2 190	2 120	1 243		3 433	2 120
Total reward (excluding conditional long-term incentive awards)	6 310	6 161	3 277	1 030	9 587	7 191
DBS vesting cash and notional dividends[2]	1 440	2 583	79		1 519	2 583
PRP vesting cash and notional dividends[2]	1 980	4 764			1 980	4 764
Total reward (including conditional long-term incentive awards)	9 730	13 508	3 356	1 030	13 086	14 538

1 The figures for 2019 are from July to December.
2 Conditional long-term incentive awards are disclosed in note 37.

Non-executive directors[1]

Fixed remuneration

		Services as directors of SBN Holdings N$'000	SBN Holdings Committee fees N$'000	Services as directors of subsidiaries N$'000	Total compensation for the year N$'000
Mr H Maier	2020	458	249		707
	2019	411	296		707
Mrs B Rossouw	2020	229	310	137	676
	2019	206	375	133	714
Mr IH Tjombonde	2020	229	274		503
	2019	206	247		453
Mr JL Muadinohamba	2020	229	123		352
	2019	206	280		486
Adv N Bassingthwaighte	2020	229	332	137	698
	2019	206	267	133	606
Mrs MS Dax	2020	212	83		295
	2019	206	54		260
Mr A Gain[2]	2020				
	2019	35	27		62
Total	**2020**	1 586	1 371	274	3 231
Total	**2019**	1 476	1 546	266	3 288

1 Mr AN Mangale, Ms PM Nyandoro and Mr P Schlebusch have not been included as they are remunerated by Standard Bank Group Limited.
2 Mr A Gain resigned in March 2019.

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 in 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 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 instruments** – 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 company'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 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.
Forward-looking information	Forward-looking information is incorporated into the company's impairment methodology calculations and in the company's assessment of SICR. The company includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macroeconomic 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 order 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.
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 company 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 company is recognised as a separate asset or liability. The company 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 company 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 company 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 company 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

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.

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

The company continues to apply IAS 39 hedge accounting requirements for 2020 and 2019. 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.

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 company applies hedge accounting in respect of the following risk categories.

Foreign currency risk

The company operate internationally and are exposed to foreign exchange risk and translation risk.

Foreign exchange risk arises from recognised assets and liabilities and future highly probable forecast commercial transactions denominated in a currency that is not the functional currency of the company. The risk is evaluated by measuring and monitoring the net foreign monetary asset value and the forecast highly probable foreign currency income and expenditures of the company for each respective currency. Foreign currency risk is hedged with the objective of minimising the earnings volatility associated with assets, liabilities, income and expenditure denominated in a foreign currency.

- Translation risk arises on consolidation from recognised assets and liabilities denominated in a currency that is not the reporting currency of the company. The risk is evaluated by measuring and monitoring the net foreign non-monetary asset value of the company for each respective currency.

The company use a combination of currency forwards, swaps and foreign denominated cash balances to mitigate against the risk of changes in the future cash flows and functional currency value on its foreign-denominated exposures. Under the company's policy, the critical terms of these instruments must align with the foreign currency risk of the hedged item and is hedged on a 1:1 hedge ratio.

The company elect for each foreign currency hedging relationship, using either foreign currency forwards and swaps, to include the currency forward points (basis) contained in the derivative instrument from the hedging relationship.

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. For hedges of foreign currency risk, the company enter hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the company use the hypothetical derivative method to assess effectiveness.

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 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. 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 uses 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 2020 and 2019.

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 company'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 company'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 company's counterparty in the absence of default by the company. 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 recover 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 company'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 company operates a number of defined contribution plans. 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 company 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. 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 company 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 company 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 company 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 company 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 units (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 company 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 (2 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 impairments and reversal of impairments 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. 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 and are included in other assets in the statement of financial position. 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 values of the equity-settled share-based payments 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

Type and description	Statement of financial position	Income statement
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 company) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. The company'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 company, 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 company'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 company 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 company 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 company 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
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 company 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 company 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 company accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the company elected the short-term lease exemption and the lease term is subsequently modified.	
Lessor accounting policies		
Finance leases Leases, where the company transfers substantially all the risk and rewards incidental to ownership, are classified as finance leases	Finance lease receivable, including initial direct costs and fees, are primarily accounted for as financing transaction in backing activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances.	Finance charges earned within interest income are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. The tax benefits arising from investment allowances on assets leased to clients are accounted for within direct taxation.
Operating leases All leases that do not meet the criteria of a financial lease are classified as operating leases.	The asset underlying the lease continues to be recognised and accounted for in terms of the relevant 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.	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 company by way of a penalty is recognised as income/(expense) in the period in which termination takes place.

Type and description	Statement of financial position	Income statement
Lessor lease modifications		
Finance leases	When the company 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 company 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.	
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.	

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 include (when applicable) 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 company 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 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 company and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the company 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 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 company are recognised as part of the dividends paid within equity as dividend tax represents a tax on the shareholder and not the company. Dividends tax withheld by the company 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 company'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 company 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 company's short-term insurance operations and related insurance activities.

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.

Statutory credit risk reserve

The statutory credit risk reserve represents the amount by which Bank of Namibia require in addition to the IFRS impairment provision. Changes in this reserve are accounted for as transfers to and from retained earnings as appropriate.

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 2020 and have not been applied in preparing these annual financial statements.

Title: IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 39 Financial Instruments: Recognition and Measurement (amendments)

Effective date: 1 January 2021

The second phase of Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative benchmark rate instead of derecognising or adjusting the carrying amount of financial instruments for changes required by the reform. An entity will not have to discontinue hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria. In addition, the amendments require companies to provide additional information to investors about new risks arising from the reform and how it manages the transition to alternative benchmark rates. The company will transition to alternative benchmarks as each interest rate benchmark is replaced. The company has established a working group and detailed project plan, identifying key responsibilities and milestones of the project. The company is in the process of determining the estimated impact as none of the interest rate benchmarks it is exposed to has been replaced. The company is also assessing the system design requirements to accommodate the IBOR changes.

Title: IFRS 9 Financial Instruments General hedge accounting (GHA)

Effective date: 1 January 2018, but can be adopted for any financial period prior to the effective date of the Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach (PRA) which is still to be advised

The revised general hedge accounting requirements are better aligned with an entity's risk management activities, provide additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting. The company has decided to adopt the IFRS 9 GHA as at 1 January 2021 in line with some market competitors both locally and globally. The company will transition to IFRS 9's GHA for all current and further micro hedges (hedges that minimises/manages the risk exposure of a single instrument).

Title: IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)

Effective date: deferred the effective date for these amendments indefinitely

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.

Title: IFRS 16 Leases (amendment)

Effective date: 1 June 2020

IFRS 16 requires an entity to account for a change in consideration or term of a lease contract to be accounted for and disclosed as a lease modification. In light of the recent Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits the application of the practical expedient to rent concessions that meet specific Covid-19 related requirements and requires specified disclosures. An entity shall apply the practical expedient as an accounting policy choice and consistently to contracts with similar characteristics and in similar circumstances. The purpose of the amendment is to provide relief to lessees from the complexity arising in applying the requirements of IFRS 16 to Covid-19 related rent concessions. The amendment will be applied retrospectively and is not expected to have a material impact on the company.

Title: IFRS 17 Insurance Contracts

Effective date: 1 January 2023

This standard replaces IFRS 4 Insurance Contracts which provided entities with dispensation to account for insurance contracts (particularly measurement) using local actuarial practice, resulting in a multitude of different approaches. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The standard requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. A general measurement model (GMM) will be applied to long-term insurance contracts and is based on a fulfilment objective (risk-adjusted present value of best estimate future cash flows) and uses current estimates, informed by actual trends and investment markets. IFRS 17 establishes what is called a contractual service margin (CSM) in the initial measurement of the liability which represents the unearned profit on the contract and results in no gain on initial recognition. The CSM is released over the life of the contract, but interest on the CSM is locked in at inception rates. The CSM will be utilised as a "shock absorber" in the event of changes to best estimate cash flows. On loss making (onerous) contracts, no CSM is set up and the full loss is recognised at the point of contract inception. The GMM is modified for contracts which have participation features. An optional simplified premium allocation approach (PAA) is available for all contracts that are less than 12 months at inception. The PAA is similar to the current unearned premium reserve profile over time. The requirement to eliminate all treasury shares has been amended such that treasury shares held for a group of direct participating contracts or investment funds are not required to be eliminated and can be accounted for as financial assets. These requirements will provide transparent reporting about an entities' financial position and risk and will provide metrics that can be used to evaluate the performance of insurers and how that performance changes over time. An entity may re-assess its classification and designation of financial instruments under IFRS 9, on adoption of IFRS 17. The amendment will be applied retrospectively and is not expected to have a material impact on the company.

Title: IAS 1 Presentation of Financial Statements (amendments)

Effective date: 1 January 2023

The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Title: Annual improvements 2018 – 2020 cycle

Effective date: 1 January 2022

The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a significant impact on the company's annual financial statements.

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