



STANDARD BANK NAMIBIA LIMITED

# ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2023

Standard Bank Namibia Limited

Annual financial statements for the year ended 31 December 2023



[www.standardbank.com.na](http://www.standardbank.com.na)

Namibia  
Rock Arch

# NAMIBIA IS OUR HOME, WE DRIVE HER GROWTH

We are purpose-led and deliberate in executing our strategy to create value for our stakeholders over the long term.

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## REPORTING SUITE

To meet the information needs of our diverse stakeholders, we produce a suite of reports.



### The annual report

Our primary report to stakeholders provides an assessment of our ability to create value over time, and information relevant to our shareholders, including our annual financial statements.


### Environmental, social and governance report

Our ESG report provides an overview of the processes and governance structures that relate to social and environmental matters, together with an assessment of our social, economic and environmental (SEE) impacts.

## NAVIGATING THIS REPORT

-  Refers readers to further information within this report
-  Refers readers to additional information in our suite of reports

**Additional reports and other financial information can be found online on our website at:**

-  <https://www.standardbank.com.na/namibia/personal/about-us/investor-relations>

## OVERSIGHT

The board audit subcommittee is responsible for providing oversight of the financial reporting process.

The committee recommended the annual report to the SBN Holdings Limited (the group or SBN Holdings) board of directors (the board) for approval.

The board approved the report on 12 March 2024.

## FEEDBACK

We welcome the views of our stakeholders on the reports in our reporting suite.

Please contact us at:  
[InvestorR@standardbank.com.na](mailto:InvestorR@standardbank.com.na)

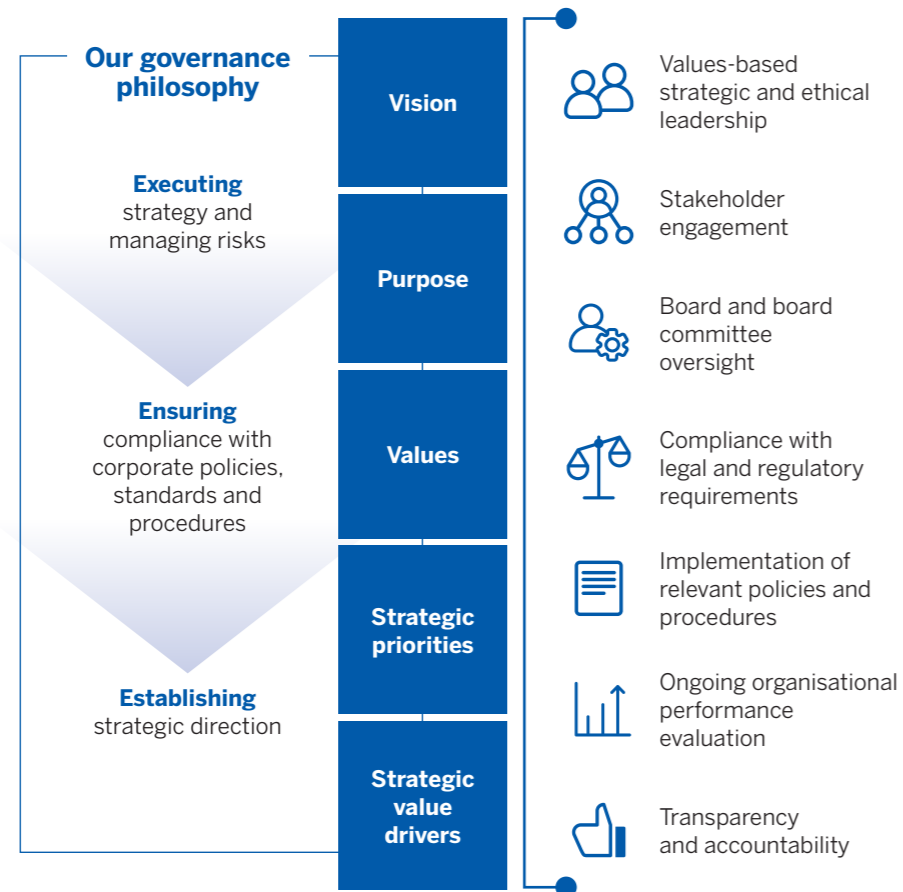
# CORPORATE GOVERNANCE REPORT

## Overview

The board believes that sound governance practices are fundamental to earning and keeping the trust of stakeholders and is fundamental to sustaining performance and preserving shareholder value.

## Our governance philosophy

Our board-approved governance framework is designed to provide clear direction for responsive decision-making and to support responsible behaviour. It enables the board to balance its role of providing risk oversight and strategic directives and advice and ensuring adherence to regulatory requirements and risk tolerance. The board is committed to upholding the fundamental tenets of governance, which include integrity, 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 and King IV inform the governance framework and practices of the group and its subsidiaries.

## Governance framework

The governance framework ensures the orderly execution of strategy and appropriate delegation of responsibility, while holding directors and employees accountable for their actions.

### Our corporate governance approach rests on the following clear commitments:

- 
**Promoting** transparency, accountability and empathy in managing our stakeholder relationships
- 
**Delivering** a positive impact on society, the economy and the environment through our business activities
- 
**Adhering** to applicable regulatory and governance standards
- 
**Instilling** an ethical and risk conscious culture that recognises that the trust our stakeholders have in us is the foundation of our legitimacy and the basis on which we are able to compete, collaborate and change.

This is achieved through the following mechanisms:

- Internal controls** Adherence to frameworks, standards, mandates and policies, and the articles of association, which cover all aspects of the group's activities.
- External regulations** Compliance with all applicable regulatory requirements.

## Ethics and organisational integrity

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

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

### Entrenching an ethical culture

The chief executive and the People and Culture function are the formal custodians of the group code of ethics and supporting policies, and ultimately responsible for its implementation.

### Ethics governance structures

Ethics incidents are reported via the ethics and fraud hotline, people and culture department, risk department, financial crime control department and 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 (BAC).

Ethical practices and adherence to the code of ethics are underpinned by the following interventions:

- Training and awareness on the internal policies and processes, consequence management, and other measures to embed ethical practices. This includes awareness raising on the whistleblowing policy and its application and internal processes applicable to all employees.

### Conflicts of interest and obligations of directors

The board is committed to acting in the best interests of the group, in good faith and without undue personal conflicts of interest. The group conflicts of interest policy aims to ensure that the group and all employees comply with the applicable statutory and regulatory obligations by ensuring that all reasonable steps have been taken to prevent or fairly manage potential conflicts of interest and mitigate the effect that these may have on the group.

All board members declare any conflicts of interest in respect of matters on the agenda at each meeting and, where conflicts have been identified, directors recuse themselves from the meeting when the board considers any matters in which they may be conflicted. A register of directors interests is maintained and any changes are submitted to the board as and when they occur.

### Codes, regulations and compliance


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

### Combating financial crime

A zero-tolerance approach is taken to financial crime, including money laundering, corruption and bribery. The group implements programmes to combat financial crime, which are designed and managed by the compliance department.

All employees, board members and contractors are required to undertake mandatory compliance training to ensure awareness of our anti-financial crime policies and processes.

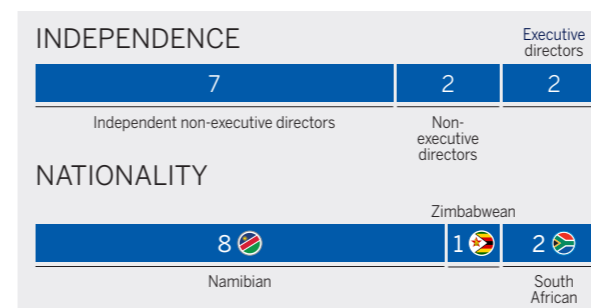
### Ethics initiatives for 2023 and future focus areas for the board

 Read more in the [ESG report](#).

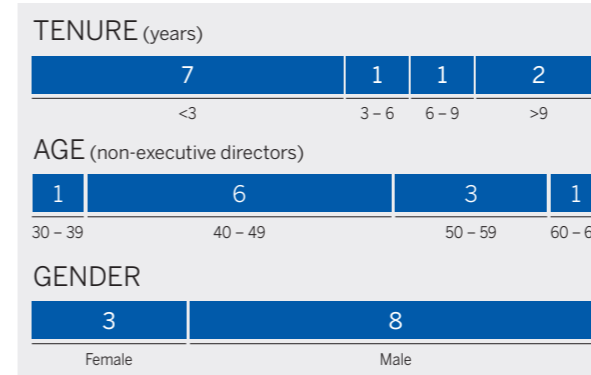
## Board of directors

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

### Board composition



Overall board meeting attendance **94%**



### Non-executive directors

**Herbert Maier** <sup>62</sup>  
Chairman and independent non-executive director  
Nationality: Namibian

 APPOINTED 2010



**TENURE**  
13 years

**QUALIFICATIONS**  
BCom (UCT), RSA (UCT), CTA, CA (SA), CA (Nam), Digital Savvy Board Certificate (MIT Sloan, USA)

**EXPERIENCE BROUGHT TO THE BOARD**  
Finance, leadership, strategy, responsible business, corporate advisory, governance, and stewardship.

**OTHER LISTED DIRECTORSHIPS**  
None

Committee membership 

### Executive directors

**Erwin Tjipuka** <sup>48</sup>  
Chief executive  
Nationality: Namibian

 APPOINTED 2023



**TENURE**  
6 months

**QUALIFICATIONS**  
MBA (Maastricht School of Management), CA (Nam), Post-graduate Diploma in Accounting (University of Cape Town), Bachelor of Commerce (UNAM)

**EXPERIENCE BROUGHT TO THE BOARD**  
Financial management, external audit, corporate finance, management consulting, leadership and strategy

**OTHER LISTED DIRECTORSHIPS**  
None

**Arlington Matenda** <sup>41</sup>  
Incoming Chief finance officer  
Outgoing Chief risk officer  
Nationality: Zimbabwean

 APPOINTED 2024



**TENURE**  
1 month

**QUALIFICATIONS**  
BAcc (Hons) (UZ), BCompt Honours (UNISA), CA (Z), CA (Nam), Leadership Development Programme (GIBS Business School)

**EXPERIENCE BROUGHT TO THE BOARD**  
Finance, leadership, audit and consulting, strategy, credit, restructuring, risk management, governance and people management.

**OTHER LISTED DIRECTORSHIPS**  
None

COMMITTEE MEMBERSHIPS ● BCC ● BIT ● BRC ● BAC ● SEE ● DAC ○ Committee chairman

COMMITTEE MEMBERSHIPS ● BCC ● BIT ● BRC ● BAC ● SEE ● DAC ○ Committee chairman

## Board of directors continued\*

### Non-executive directors continued



**Adv Natasha Bassingthwaighte** <sup>46</sup>  
*Independent non-executive director*  
Nationality: Namibian

APPOINTED 2011

**TENURE**  
12 years

**QUALIFICATIONS**  
BJuris, LLB (UNAM)

**EXPERIENCE BROUGHT TO THE BOARD**  
Leadership, strategy, responsible business, legal, compliance, risk management, governance

**OTHER LISTED DIRECTORSHIPS**  
None

Committee membership ● ● ● ● ● ● ● ● ● ●



**Isac Tjombonde** <sup>59</sup>  
*Independent non-executive director and incoming chairman*  
Nationality: Namibian

APPOINTED 2015

**TENURE**  
8 years

**QUALIFICATIONS**  
Msc Information Systems (The American University of Washington, DC, USA), Bachelor of Business Administration (BBA) Computer & Information Sciences (Temple University, Philadelphia, PA, USA), Certificate in Corporate Governance, University of Johannesburg, RSA), Executive Development Programme (University of Stellenbosch, RSA), Digital Savvy Board Certificate (MIT Sloan, USA)

**EXPERIENCE BROUGHT TO THE BOARD**  
Public sector, leadership, strategy, responsible business, ICT

**OTHER LISTED DIRECTORSHIPS**  
None

Committee membership ● ● ● ● ● ● ● ● ● ●



**Peter Schlebusch** <sup>57</sup>  
*Non-executive director*  
Nationality: South African

APPOINTED 2019

**TENURE**  
4 years

**QUALIFICATIONS**  
BCom (Wits), BCom (Hons), Accounting (Wits), CA(SA), Dip Banking Law (RAU), HDIP Tax Law (RAU), Senior Executive Program (Stanford University, USA)

**EXPERIENCE BROUGHT TO THE BOARD**  
Finance, leadership, risk, strategy, responsible business, operations, financial services, information technology, governance

**OTHER LISTED DIRECTORSHIPS**  
None

Committee membership ● ● ● ● ● ● ● ● ● ●



**Gerald Riedel** <sup>48</sup>  
*Independent non-executive director*  
Nationality: Namibian

APPOINTED 2023

**TENURE**  
1 year

**QUALIFICATIONS**  
BCom (Stellenbosch), BAcc(Hons) (UNISA), CA (Nam), Adv. Cert. VAT (UNISA)

**EXPERIENCE BROUGHT TO THE BOARD**  
Finance, leadership, risk, strategy, responsible business, operations, financial services, information technology, governance

**OTHER LISTED DIRECTORSHIPS**  
None

Committee membership ● ● ● ● ● ● ● ● ● ●



**Silke Hornung** <sup>47</sup>  
*Independent non-executive director*  
Nationality: Namibian

APPOINTED 2022

**TENURE**  
2 years

**QUALIFICATIONS**  
BCom Hons Accounting Sciences; CA (Nam); Chartered Management Accountant FCMA CGMA; Admin of estates Diploma

**EXPERIENCE BROUGHT TO THE BOARD**  
Finance, leadership, audit and risk, strategy, responsible business, governance and stewardship

**OTHER LISTED DIRECTORSHIPS**  
None

Committee membership ● ● ● ● ● ● ● ● ● ●



**Josephat Mwatotele** <sup>52</sup>  
*Independent non-executive director*  
Nationality: Namibian

APPOINTED 2023

**TENURE**  
1 year

**QUALIFICATIONS**  
BA (Economics), Dana College, USA, MA (International Relations and Strategic Studies) Lancaster University, UK

**EXPERIENCE BROUGHT TO THE BOARD**  
Economics, leadership, risk, strategy, responsible business, business reorganisation, governance, investment management and corporate finance

**OTHER LISTED DIRECTORSHIPS**  
None

Committee membership ● ● ● ● ● ● ● ● ● ●



**Ashley Nangosora Tjipitua** <sup>37</sup>  
*Independent non-executive director*  
Nationality: Namibian

APPOINTED 2023

**TENURE**  
1 year

**QUALIFICATIONS**  
MBA (University of Stellenbosch) LLB (UNAM), BJuris (UNAM)

**EXPERIENCE BROUGHT TO THE BOARD**  
Legal, risk and compliance, leadership, strategy, organisational management, operations, financial services, regulation and governance.

**OTHER LISTED DIRECTORSHIPS**  
None

Committee membership ● ● ● ● ● ● ● ● ● ●



**Siphwe Themba Bruce Madonsela** <sup>47</sup>  
*Non-executive director*  
Nationality: South African

APPOINTED 2024

**TENURE**  
1 month

**QUALIFICATIONS**  
B Com (Acc) – University of KwaZulu Natal, B Com (Hons) – University of Johannesburg, CA (SA) SAICA, International Executive Development Programme, Gordon Institute of Business Science

**EXPERIENCE BROUGHT TO THE BOARD**  
Business Strategy, Financial Management & Accounting, External Audit, Corporate Finance, Banking and Financial Risk Management.

**OTHER LISTED DIRECTORSHIPS**  
None

Committee membership ● ● ● ● ● ● ● ● ● ●

\* At publication.

\* At publication.

None of the directors have been involved in the disclosures pertaining to section 4.10(b)(ii) – (xii) of the JSE debt listing requirements.

## Board focus areas

Key matters considered by the board during the year included:

OUR VALUE DRIVERS	CLIENT FOCUS	EMPLOYEE ENGAGEMENT	RISK AND CONDUCT	OPERATIONAL EXCELLENCE	FINANCIAL OUTCOME	SEE IMPACT (BRAND AND SEE)
<b>2023 priorities</b>	<ul style="list-style-type: none"> <li>Client obsession – NPS &gt;16 and brand warmth &gt;7</li> <li>Client growth and creating client value – increased platform adoption</li> <li>Client engagement – growth in market share</li> <li>Revenue growth in chosen ecosystems</li> <li>Facilitating trade through digital solutions</li> </ul>	<ul style="list-style-type: none"> <li>Employee engagement eNPS &gt;0</li> <li>Future-ready talent and leadership transformation</li> <li>Culture for future readiness</li> <li>Succession management</li> <li>Employee experience redefined</li> </ul>	<ul style="list-style-type: none"> <li>The right business the right way – pro active risk culture, zero repeat findings</li> <li>Financial and non-financial risk management – operational losses &lt; 1 %</li> <li>Conduct risk – no regulatory breaches</li> <li>Delivery of signature projects</li> </ul>	<ul style="list-style-type: none"> <li>Always on, Always Secure systems</li> <li>Simplification of processes and automation</li> <li>IT costs reduction</li> <li>Productivity enhancement and decommissioning of legacy platforms</li> </ul>	<ul style="list-style-type: none"> <li>Headline earnings growth of 21%, ROE of 17%, JAWS of 5%; CTI ratio of 58%<sup>1</sup></li> <li>NPL ratio &lt;6%<sup>2</sup></li> <li>Loans and advances: N\$23 billion</li> <li>Deposits and current accounts: N\$31 billion</li> </ul>	<ul style="list-style-type: none"> <li>Strategic partnerships in impact areas</li> <li>Position SBN as a differentiated platform</li> <li>Increase Buy-a-Brick footprint</li> <li>Brand activism and brand ambassadorship through a culture of changemakers</li> <li>Grow our share of Heart – make the world a better place</li> </ul>
<b>Looking forward</b>	<ul style="list-style-type: none"> <li>Client obsession – NPS &gt;16 and brand warmth &gt;7</li> <li>Client growth and creating client value – increased platform adoption</li> <li>Client engagement – growth in market share</li> <li>Revenue growth in chosen ecosystems</li> <li>Facilitating trade through digital solutions</li> </ul>	<ul style="list-style-type: none"> <li>Employee engagement eNPS &gt;0</li> <li>Future-ready talent and leadership transformation</li> <li>Culture for future readiness</li> <li>Succession management</li> <li>Employee experience redefined</li> </ul>	<ul style="list-style-type: none"> <li>The right business the right way – pro active risk culture, zero repeat findings</li> <li>Financial and non-financial risk management – operational losses &lt; 1 %</li> <li>Conduct risk – no regulatory breaches</li> <li>Delivery of signature projects</li> </ul>	<ul style="list-style-type: none"> <li>Always on, Always Secure systems</li> <li>Simplification of processes and automation</li> <li>IT costs reduction</li> <li>Productivity enhancement and decommissioning of legacy platforms</li> <li>Positive impact on client experience</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing review of progress against set financial targets</li> <li>Dividend payout ratio 60%</li> <li>Basel III compliant</li> <li>100% green bond utilisation – renewable energy</li> <li>Shareholder value increase</li> <li>Increase in market share and market presence</li> </ul>	<ul style="list-style-type: none"> <li>Strategic partnerships in impact areas</li> <li>Position SBN as a differentiated platform</li> <li>Increase Buy-a-Brick footprint</li> <li>Brand activism and brand ambassadorship through a culture of changemakers</li> <li>Grow our share of Heart – make the world a better place</li> </ul>

CTI: cost-to-income. NPL: non-performing loans.

### Specific governance matters considered by the board and its committees

- Ensuring full compliance with local legislation, inclusive of implementation of the revised Banking Institutions Determination 1 (BID-1) amendments as well as the new Banking Institutions Act provisions.

### Strategy

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

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

### Board meetings

The board meets once per quarter. Ad hoc meetings were necessitated as a result of executive transitions to manage oversight during transition.

#### BOARD ATTENDANCE 2023

Composition	3			11						22						01		
	Mar Q1	17 Mar	22 Mar	12 Apr	17 Apr	26 Apr	24 May	12 Jun	10 Jul	11 Jul Q2	25 Jul	10 Aug	15 Aug	22 Aug Q3	28 Aug	15 Sept	22 Sept	Dec Q4
H Maier (chairperson)	✓	✓	a	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
I Tjombonde	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
P Schlebusch	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
N Bassingthwaighte	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
S Hornung	✓	✓	✓	✓	✓	✓	a	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
NA Tjipitua	-	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
B Rossouw	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	a	✓	a	-
JS Mwatotele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JG Riedel	-	-	-	-	-	-	-	-	-	-	-	✓	✓	✓	a	✓	a	✓
M Shivute Dax*	✓	a	✓	✓	✓	✓	-	-	-	-	-	-	-	-	-	-	-	-
L Du Plessis*	✓	✓	✓	✓	✓	-	-	-	-	-	-	-	-	-	-	-	-	-
M Geises*	✓	✓	✓	✓	✓	-	-	-	-	-	-	-	-	-	-	-	-	-
S Brugman*	✓	✓	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
E Tjipuka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	✓

Key: ✓ Attended a Apologies - Not available \* Please refer to the changes to the board section on page 12 for more detail.

### How the board functions

#### Board responsibilities

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

- approval of the strategic plan and the annual business plan, the setting of objectives and the review of key risks and performance areas
- monitoring the implementation of board plans and strategies against a background of economic, environmental and social issues relevant to the group and international political and economic conditions, as well as the mitigation of risks by management

- appointment of the chief executive and maintenance of a succession plan
- appointment of directors, subject to election by the members in general meeting
- determination of overall policies and processes to ensure the integrity of the group’s management of risk and internal control.

The board has satisfied its responsibilities during the year under review.

The organisation has complied with the debt listing requirements of the JSE Limited (JSE) and in particular paragraph 7 (g).

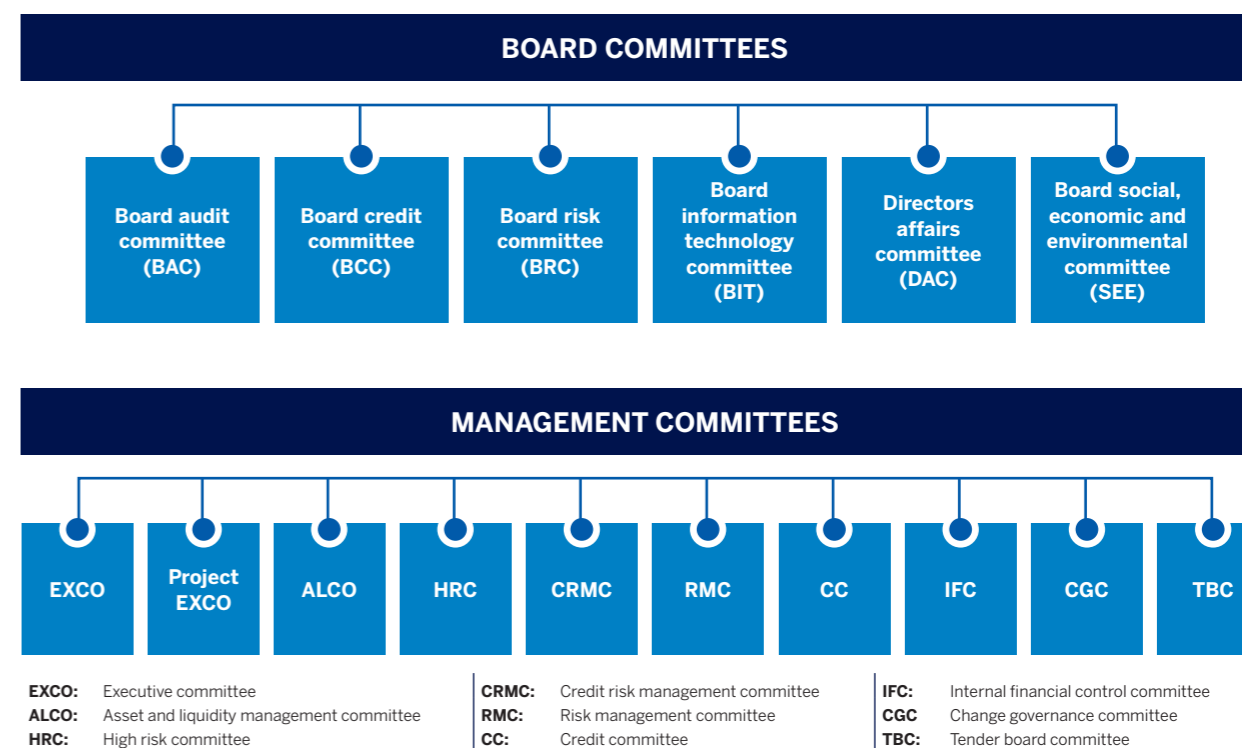
### Delegation of authority

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

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

### Committees and reporting lines

#### SBN Holdings board



### Board governance practices

#### Board and committee agendas

The group secretary prepares the board and committee agendas, including routine items, in line with the board annual planning cycle and in consultation with the chairman and chief executive (CE). Care is taken to ensure that the board has sufficient time to consider all matters on the agenda, including compliance and governance matters.

#### Access to information and resources

Directors have unrestricted access to management and company information, as well as the resources to carry out their roles and responsibilities. This includes external legal advice at the group’s expense.

#### Composition, tenure and skills

Our board comprises of nine non-executive directors and two executive directors, with the necessary qualifications, collective skills and expertise required to lead the group ethically and effectively.

### Independence

The board reviews and confirms the classification of non-executive directors as independent annually. The criteria used is contained in the Subsidiary Governance Framework and also the principles set out in the Namcode and King IV. Seven non-executive directors are independent.

#### Skills, knowledge, experience and attributes of directors

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

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

**Changes to the board**

During the year, the following changes to the composition of the board occurred:

Board member	Date	Nature of change	Impact on committees
Ms NA Tjipitua	10 March 2023	Appointed as independent non-executive director	Appointed to DAC, BAC and BRC
Mrs M Shivute Dax	24 April 2023	Retired as independent non-executive director	Retired DAC and SEE
Mrs L du Plessis	24 April 2023	Resigned as executive director	None
Mrs S Brugman	10 July 2023	Resigned as non-executive director	None
Mr JS Mwatotele	20 July 2023	Appointed as independent non-executive director	Appointed BCC, DAC and SEE
Mr JG Riedel	20 July 2023	Appointed as independent non-executive director	Appointed BIT, BAC and SEE
Mrs M Geises	31 July 2023	Resigned as executive director	None
Mrs B Rossouw	30 September 2023	Retired as non-executive director	Retired from BAC, BRC, BIT
Mr E Tjipuka	1 October 2023	Appointed as executive director	None
Adv N Bassingthwaighe	31 December 2023	Retired as independent non-executive director	Retired BCC, BRC, BAC and DAC
Mr STB Madonsela	2 February 2024	Appointed as non-executive director	
Mr AT Matenda	2 February 2024	Appointed as executive director	

**Succession planning**

Succession planning is a key focus, and the board considers its composition and that of its committees on an ongoing basis. The group aims to retain 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 group 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 group is building capability on core areas to enable business strategy and ensure regulatory compliance. The board is further pleased to note that the employee value proposition (EVP) has now been implemented.

Board retirement process is set out in the articles of association as well as the provisions contained in BID 1 and the Subsidiary Governance Framework that has been adopted by the board.

**Separation of roles and responsibilities**

The role of the chairman is separate from that of the chief executive. There is a clear division of responsibilities. Care is taken to ensure that not single director has unfettered powers in the decision-making process.

**CHAIRMAN**

- Sets the ethical tone for the board and group
- Leads the board and ensures its effective functioning
- Sets the board's annual work plan and agendas
- Builds and maintains stakeholder trust and confidence
- Conveys feedback in a balanced and accurate manner between the board and management
- Monitors the effectiveness of the board and assesses individual performance of directors.

**CHIEF EXECUTIVE**

- Develops and implements the board-approved strategy
- Establishes an organisational structure for the group that is appropriate for the execution of the strategy
- Appoints and ensures proper succession planning of the executive team and assesses their performance
- Reports to the board on the performance of the group, in line with approved risk appetite and its compliance with applicable laws and corporate governance principles.
- Is the face of the company and engages with material stakeholders on an ongoing basis.

**COMPANY SECRETARY**

- Provides professional and independent guidance to the board on corporate governance, ethics and the board's legal and compliance duties
- Supports and co-ordinates the functioning of the board and its committees
- Is not a board member and maintains an arm's length relationship with the board and its members
- Reports to the board via the chairman on all statutory duties and functions.

**Company secretary**

The role of the company secretary is to ensure the board remains cognisant of its duties. In addition to guiding the board on discharging its responsibilities, she keeps the board abreast of relevant changes in legislation and governance best practices.

The company secretary also oversees the induction of new directors, including directors of subsidiary companies, as well as the ongoing education of directors. To enable the board to function effectively, all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments which may affect the group and its operations. All directors have access to the services of the company secretary.

**Board effectiveness and evaluation**

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

**Education and induction**

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

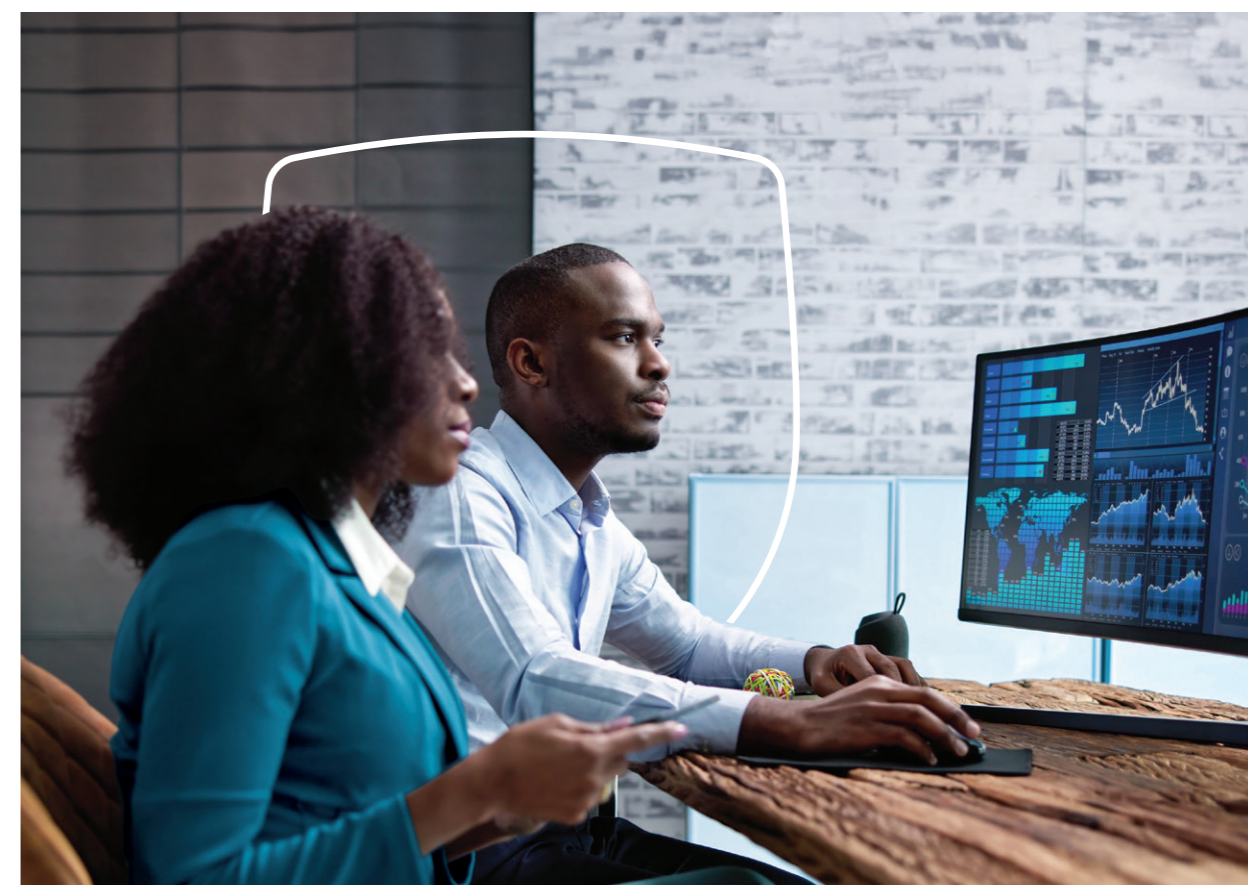
**Our stakeholders**

**Relationship with our stakeholders**

Regular, pertinent communication with stakeholders is part of the group's fundamental responsibility to create shareholder value and improve stakeholder relationships.

**Connecting with our stakeholders**

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



## Executive committee

**Erwin Tjipuka** <sup>48</sup>  
Chief executive




APPOINTED 2023

**QUALIFICATIONS**  
MBA, Maastricht School of Management, CA (Nam), Post-graduate Diploma in Accounting (UCT), BCom (UNAM)

**Joined the group:** 2023

**Arlington Matenda** <sup>41</sup>  
Incoming Chief financial officer  
Outgoing Chief risk officer



APPOINTED 2021

**QUALIFICATIONS**  
BAcc (Hons) (UZ), BCompt Honours (UNISA), CA (Z), CA (Nam), Leadership Development Programme (GIBS)

**Joined the group:** 2021

**Roxzaan Witbooi** <sup>40</sup>  
Head – Compliance



APPOINTED 2014

**QUALIFICATIONS**  
Baccalaureus Juris (UNAM), Bachelor of Laws (UNAM), Certified Anti-Money Laundering Specialist (CAMS)

**Joined the group:** 2012

**Socrates Dias** <sup>38</sup>  
Head – Internal Audit  
Nationality: Namibian



APPOINTED 2023

**QUALIFICATIONS**  
BAcc (UNAM), Post-Graduate Diploma in Accountancy (UNISA), CA (NAM)

**Joined the group:** 2023

**Jules Baruani** <sup>47</sup>  
Head – Technology & Operations



APPOINTED 2021

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

**Joined the group:** 2012

**Rejoice Itembu** <sup>45</sup>  
Head – Insurance & Asset Management




APPOINTED 2021

**QUALIFICATIONS**  
BA Media and Cultural Studies (UNAM), MA Media and Cultural Studies (University of Sussex, UK)

**Joined the group:** 2010

**Johanna Nghililewanga** <sup>41</sup>  
Head – People and Culture (Acting)



APPOINTED 2023

**QUALIFICATIONS**  
Btech: Human Resources Management, Post Grad Diploma: Future Studies University of Stellenbosch, Data Analytics Certificate: University of Cape town

**Joined the group:** 2007

**Elizabeth du Toit** <sup>45</sup>  
Chief financial officer (Acting)  
Nationality: Namibian



APPOINTED 2023

**QUALIFICATIONS**  
BCom (Hons) Management Accounting (University of Stellenbosch), Accredited Chartered Management Accountant (ACMA)

**Joined the group:** 2012

**Nelson Lucas** <sup>41</sup>  
Head – CIB




APPOINTED 2020

**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

**Adv Sigrid Tjijorokisa** <sup>56</sup>  
Head – Legal and governance and Group company secretary



APPOINTED 2012

**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

**Tomas lindji** <sup>44</sup>  
Head BCB (Incoming)  
Nationality: Namibian



APPOINTED 2024

**QUALIFICATIONS**  
MBA (Regent Business School), Advanced Diploma Financial Services (UNISA), Certificate in Economic for Bankers (America Banker's Association), Senior Management Development Programme (University of Stellenbosch)

**Joined the group:** 2024

**Magreth Mengo** <sup>39</sup>  
Head – Marketing communications and CSI



APPOINTED 2019

**QUALIFICATIONS**  
BCom, International Financial Management (Amsterdam School of Business)

**Joined the group:** 2019

**Karen van der Merwe** <sup>54</sup>  
Head – PPB



APPOINTED 2022

**QUALIFICATIONS**  
BA (Hons), Business Management (Lincoln, UK)

**Joined the group:** 2011



# ANNUAL FINANCIAL STATEMENTS

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## 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 IFRS Accounting 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 Listings Requirements of the Namibian Stock Exchange (NSX) and of the JSE Limited (JSE), Financial Pronouncements as issued by the Financial Reporting Standards Council as well as the requirements of the Companies Act and fairly present the affairs of the group and company as at 31 December 2023, and the net income and cash flows for the year then ended. The company is also in conformity with its memorandum of incorporation.

The directors are ultimately responsible for the internal controls of the group and 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 group 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 auditors to report on the fair presentation of the financial statements.

Based on the information and explanations provided by management and the group and company's internal auditors, 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 group and 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 group and company, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the group and company will have adequate resources to continue in operational existence and as a going concern in the financial year ahead. The 2023 annual financial statements, which appear on pages 25 to 149, were approved by the board on 12 March 2024 and signed on its behalf by:

  
**Mr H Maier**  
Chairman

  
**Mr E Tjipuka**  
Chief executive

## REPORT OF THE INDEPENDENT AUDITOR

### To the Members of Standard Bank Namibia Limited

#### Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Standard Bank Namibia Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act of Namibia.

#### What we have audited

Standard Bank Namibia Limited's consolidated and separate financial statements set out on pages 25 to 149 comprise:

- the directors' report for the year ended 31 December 2023;
- the consolidated and separate statements of financial position as at 31 December 2023;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information excluding the sections marked as unaudited in Appendix B page 99 and 118 to 121.

#### Basis for opinion

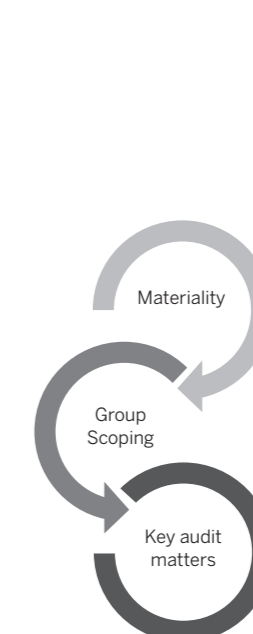
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

#### Independence

We are independent of the Group in accordance with 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

- Overall Group materiality: N\$47 952 850, which represents 5% of consolidated profit before direct taxation.

#### Group audit scope

The Group audit scope, in addition to the audit of Standard Bank Namibia Limited, comprised the following:

- Specified procedures on material balances of Spearmint Investments (Proprietary) Limited, which contributed to the financial statement line items of the Group. Analytical review procedures were performed on the remaining subsidiary, Standard Bank Namibia Nominees (Proprietary) Limited, which was considered to be a financially inconsequential component.

#### Key audit matters

- Expected credit losses (ECL) on loans and advances:
  - Corporate and Investment Banking (CIB); and
  - Business and Commercial Banking (BCB) Consumer and Personal and Private Banking (PPB).

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

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Country Senior Partner: Chantell N Husselmann  
The Firm's principal place of business is at 344 Independence Avenue, Windhoek, Republic of Namibia, Khomas Region, Republic of Namibia  
Partners: Anna EJ Rossouw (Partner in charge: Coast), Gerrit Esterhuysen, Samuel N Ndahangwapo, Hans F Hashagen, Johannes P Nel, Willem A Burger, Nina A Coetzer  
Practice Number 9406, VAT reg no. 00203281-015

**Materiality**

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

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

<b>Overall Group materiality</b>	N\$47 952 850
<b>How we determined it</b>	5% of consolidated profit before direct taxation
<b>Rationale for the materiality benchmark applied</b>	We chose profit before direct taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

**How we tailored our Group audit scope**

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

The consolidated financial statements is a consolidation of the Company and its two subsidiaries (each a "component") for purposes of our Group audit scope. A full-scope audit was performed on the Company based on its financial significance to the Group, in relation to its contribution to the Group's consolidated profit before taxation. Specified procedures have been performed on material balances and transactions of Spearmint Investments (Proprietary) Limited, based on the significance of these balances to the Group's consolidated financial statement line items. Analytical review procedures were performed on Standard Bank Namibia Nominees (Proprietary) Limited which is financially inconsequential to the Group.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group audit team. All work was performed centrally by the Group audit team. By performing the procedures outlined above we obtained sufficient and appropriate audit evidence regarding the financial information of the Group to provide a basis for our opinion on the consolidated financial statements as a whole.

**Key audit matters**

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Expected credit losses on Corporate and Investment Banking (CIB) loans and advances</b></p> <p>Refer to the following notes to the consolidated financial statements for the related disclosures and detail:</p> <ul style="list-style-type: none"> <li>■ Key management assumptions, Expected Credit Loss (ECL), ECL on financial assets – IFRS 9 drivers</li> <li>■ Note 5, Loans and advances;</li> <li>■ Note 30, Credit impairment charges;</li> <li>■ Annexure B – IFRS Risk and Capital Management, Credit Risk; and</li> <li>■ Annexure D, Detailed accounting policies, Impairment.</li> </ul> <p>The ECL for CIB loans and advances was considered to be a matter of most significance to our current year audit due to the level of subjective judgement applied by management, the effect that the ECL has on the Group's credit risk management processes and operations, and the magnitude of the ECL recognised in the consolidated financial statements.</p> <p>The ECL on CIB loans and advances was calculated by applying International Financial Reporting Standard (IFRS) Financial Instruments (IFRS 9), as described in the notes to the financial statements.</p> <p>ECLs on CIB exposures are calculated separately based on rating models per customer. In calculating the ECL on CIB loans and advances, the key areas of significant management judgement and estimation included:</p> <ul style="list-style-type: none"> <li>■ Evaluation of Significant Increase in Credit Risk ("SICR");</li> <li>■ Incorporation of macro-economic inputs and forward looking information; and</li> <li>■ Input assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the ECL calculation.</li> </ul>	<p>We assessed the accounting policies applied to the CIB loans and advances with reference to the requirements of IFRS 9.</p> <p>Making use of our actuarial expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on CIB loans and advances, as follows below:</p> <p>We assessed the ECL methodology applied in determining the ECL recognised on CIB loans and advances with reference to the requirements of IFRS 9.</p> <p>We recalculated the ECL using management's models, inputs and assumptions, for mathematical accuracy.</p> <p>We evaluated the appropriateness of the credit rating allocated specifically to the CIB clients. In this evaluation, quantitative information was evaluated such as:</p> <ul style="list-style-type: none"> <li>■ Financial ratios</li> <li>■ Asset quality</li> <li>■ Operations and profitability ratios</li> <li>■ Liquidity and funding ratios</li> </ul> <p>We also evaluated quantitative factors to evaluate the CIB ratings such as:</p> <ul style="list-style-type: none"> <li>■ Client specific outlooks</li> <li>■ Operating environment status.</li> </ul> <p>We tested the inputs into the CIB ECL calculation. This included the inputs which determine the credit risk score of each client.</p> <p>We inspected the collateral which drives the LGD. We inspected loan origination documentation and approvals for existence.</p>

Key audit matter	How our audit addressed the key audit matter
<p><b>Evaluation of SICR</b></p> <p>For CIB exposures, SICR is largely driven through the movement in credit ratings assigned to counterparties on origination and reporting date, based on the Group's 25-point master rating scale to quantify credit risk for each exposure.</p> <p><b>Macro-economic inputs and forward-looking information</b></p> <p>Macroeconomic expectations are incorporated in CIB's client ratings to reflect the Group's expectation of future economic and business conditions. In the determination of the forward-looking impact, the Group applied judgement in assessing the impact of the Group's macroeconomic outlook expectations on forward-looking information.</p> <p><b>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement</b></p> <p>Input assumptions applied to estimate the PD, EAD and LGD as inputs into the ECL measurement are subject to management judgement and are determined at an exposure level.</p> <p><b>Expected credit losses on Business and Commercial Banking (BCB) Consumer and Personal and Private Banking (PPB) loans and advances</b></p> <p>Refer to the following notes to the consolidated financial statements for the related disclosures and detail:</p> <ul style="list-style-type: none"> <li>■ Key management assumptions, Expected Credit Loss (ECL), ECL on financial assets – IFRS 9 drivers;</li> <li>■ Note 5, Loans and advances;</li> <li>■ Note 30, Credit impairment charges;</li> <li>■ Annexure B – Risk and Capital Management, Credit Risk; and</li> <li>■ Annexure D, Detailed accounting policies, Impairment.</li> </ul> <p>The ECL for PPB and BCB loans and advances was considered to be a matter of most significance to our current year audit due to the level of subjective judgement applied by management, the effect that the ECL has on the Group's credit risk management processes and operations, and the magnitude of the ECL recognised in the consolidated financial statements.</p> <p>ECL on PPB and BCB 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:</p> <ul style="list-style-type: none"> <li>■ Evaluation of SICR;</li> <li>■ Incorporation of macro-economic inputs and forward looking information;</li> <li>■ Application of out-of-model adjustments into the ECL calculation;</li> <li>■ Assessment of ECL raised for individual exposures; and</li> <li>■ Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement.</li> </ul>	<p><b>Evaluation of SICR</b></p> <p>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, manual transfer of exposures between the various stages, key system reconciliations and collateral management.</p> <p>We selected a sample of counterparties and assessed the appropriateness of their assigned credit rating by:</p> <ul style="list-style-type: none"> <li>■ Agreeing the inputs into the credit rating system, to the financial information relating to the exposure of the relevant customer, as well as to management's 25-point rating scale; and</li> <li>■ Assessing the reasonableness of management's assumptions made during the credit risk rating process, by obtaining an understanding of the process for assigning credit ratings based on the exposure type and industry factors; and performing a review of the counterparty and comparing the results to those used by management.</li> </ul> <p><b>Macro-economic inputs and forward-looking information</b></p> <p>We selected a sample of counterparties and assessed the incorporation of macro-economic inputs and forward-looking information into their assigned credit risk rating by obtaining an understanding of the forward-looking information which was considered for the counterparties.</p> <p><b>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement</b></p> <p>Utilising our actuarial expertise, we assessed the reasonableness of the input assumptions applied within the PD, EAD and LGD models with reference to the requirements of IFRS 9 by performing an independent recalculation of PD, EAD and LGD.</p> <p>We assessed the accounting policies applied to the PPB and BCB loans and advances with reference to the requirements of IFRS 9.</p> <p>Utilising our actuarial expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on PPB and BCB loans and advances, as follows below:</p> <p>We assessed the ECL methodology applied in determining the ECL recognised on PPB and BCB loans and advances with reference to the requirements of IFRS 9.</p> <p>We recalculated the ECL using management's models, inputs and assumptions, for mathematical accuracy.</p> <p>We also assessed the reasonability of the inputs and assumptions applied by management in their ECL calculation.</p>

Key audit matter	How our audit addressed the key audit matter
<p><b>Evaluation of SICR</b></p> <p>The Group determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due (DPD) to stage 2. 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.</p> <p><b>Macro-economic inputs and forward looking information</b></p> <p>Forward-looking expectations are included in the ECL for PPB and BCB loans and advances based on the Group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on judgement to predict the outcome based on the Group's macro-economic outlook expectations.</p> <p>The Group's forward-looking economic expectations were applied in the determination of the ECL at the reporting date.</p> <p><b>Application of out-of-model adjustments into the ECL measurement</b></p> <p>Management may identify that due to modelling complexity, certain aspects of the ECL may not be fully reflected by the underlying model and forward looking information 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.</p> <p><b>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement</b></p> <p>Input assumptions applied to estimate the PD, EAD and LGD as inputs into the ECL measurement are subject to management judgement and are determined at an exposure level.</p> <p><b>Assessment of ECL raised for individual exposures</b></p> <p>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</p>	<p><b>Evaluation of SICR</b></p> <p>Making use of our actuarial expertise, we re-performed the calculation of the significant deterioration roll rates per product category and compared these rates per product category to those used by management.</p> <p>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, manual transfer of exposures between the various stages, key system reconciliations and collateral management.</p> <p>We tested the overrides that are done before the SICR transfers mainly due to technical arrears.</p> <p>For a sample of stage 1, 2 and 3 exposures, we evaluated if the exposures are appropriately classified by recalculating the days in arrears.</p> <p><b>Macro-economic inputs and forward looking information</b></p> <p>We evaluated the appropriateness of forward-looking economic expectations included in the ECL model, by comparing the forward-looking expectations to independently sourced industry data.</p> <p><b>Application of out-of-model adjustments into the ECL measurement</b></p> <p>Through inquiries with management we have obtained an understanding of the out-of-model adjustments, and evaluated the reasonableness of the adjustments by assessing the key assumptions, judgements and methodology applied to the out of model adjustments.</p> <p><b>Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement</b></p> <p>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 with reference to the requirements of IFRS 9. In addition, our procedures included assessing the appropriateness of the statistical models by way of reperformance and validation procedures.</p> <p><b>Assessment of ECL raised for individual exposures</b></p> <p>Regarding Stage 3 exposures, we independently recalculated the ECL based on our assessment of the expected cash flows and the recoverability of collateral at an individual exposure level.</p> <p>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.</p> <p>We assessed the collateral valuation techniques applied by management against the Group's valuation guidelines. Making use of our valuation methodology, we performed an independent reasonability test to evaluate the valuation of collateral for a sample of loans in stage 3.</p>

### 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 for the year ended 31 December 2023". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

### Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*PricewaterhouseCoopers*

### PricewaterhouseCoopers Registered Accountants and Auditors

Chartered Accountants (Namibia)  
Per: Hans Hashagen  
Partner  
Windhoek, Namibia  
Date: 12 March 2024

## DIRECTORS' REPORT

for the year ending 31 December 2023

### 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 with the head office in Windhoek.

The following business activities are conducted through the company's subsidiaries:

- Safe custodianship through its 100%-owned subsidiary company Standard Bank Namibia Nominees (Proprietary) Limited.
- Property investment through its 100%-owned subsidiary company, Spearmint Investments (Proprietary) Limited (Spearmint), and its subsidiaries as listed in Annexure A.

The company and group also offers an international banking service through its association with Standard Bank Group Limited (SBGL), a company registered in the Republic of South Africa and dual listed on the JSE and NSX, with representation throughout sub-Saharan Africa.

### 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 from continuing operations of the group was N\$673 million (2022: N\$494 million) and of the company was N\$692 million (2022: N\$489 million), after taxation of N\$334 million (2022: N\$279 million) for the group and N\$328 million (2022: N\$276 million) for the company.

### Events after the reporting period

There were no material 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 2 000 150 (2022: 2 000 150) have been issued. The authorised and issued share capital remained unchanged for the year.

### Borrowings

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

### Property, equipment and right-of-use assets

The group's property, equipment and right-of-use assets are disclosed in note 8 to the annual financial statements.

### Dividends

No interim dividend was declared in respect of the 2023 financial year.

On 12 March 2024, the directors have recommended that a dividend of N\$216.0 million (10 798 cents per share) be declared in respect of the year ended 31 December 2023.

### Insurance

The group protects itself against financial loss by maintaining banker's comprehensive crime and professional indemnity cover. The insurance terms and conditions are reviewed annually by the group to ensure they are 'fit-for-purpose' in terms of the group and company's risk exposures.

## Ownership

At 31 December 2023, SBN Holdings Limited owned 99.9% (2022: 99.9%) of the issued share capital and the following directors each hold 100 shares:

Mr H Maier	Mr P Schlebusch
Adv N Bassingthwaighte	Ms NA Tjipitua
Mrs S Hornung	Mr IH Tjombonde
Mr JS Mwatotele	Mr E Tjipuka
Mr JG Riedel	

The directors have no beneficial interest in the ordinary shares which are held on behalf of Standard Bank Namibia Limited. SBN Holdings Ltd is listed on the NSX and is 74.9% (2022: 74.9%) owned by SBGL, its listed major shareholder.

## Directors

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

Name	Nationality
<b>Executive directors</b>	
Mr E Tjipuka <sup>1</sup>	Namibian
Mr AT Matenda <sup>2</sup>	Zimbabwean
Mrs M Geises <sup>3</sup>	Namibian
Mrs L du Plessis <sup>4</sup>	Namibian
<b>Non-executive directors</b>	
Mr H Maier (Chairperson)	Namibian
Adv N Bassingthwaighte <sup>5</sup>	Namibian
Mrs S Brugman <sup>6</sup>	South African
Mrs S Hornung	Namibian
Mr STB Madonsela <sup>7</sup>	South African
Mr JS Mwatotele <sup>8</sup>	Namibian
Mr JG Riedel <sup>9</sup>	Namibian
Mrs B Rossouw <sup>10</sup>	Namibian
Mr P Schlebusch	South African
Mrs M Shivute Dax <sup>11</sup>	Namibian
Ms NA Tjipitua <sup>12</sup>	Namibian
Mr IH Tjombonde	Namibian

<sup>1</sup> Mr E Tjipuka was appointed on 1 October 2023.

<sup>2</sup> Mr AT Matenda was appointed on 2 February 2024.

<sup>3</sup> Mrs M Geises resigned on 31 July 2023.

<sup>4</sup> Mrs L du Plessis resigned on 24 April 2023.

<sup>5</sup> Adv N Bassingthwaighte retired on 31 December 2023.

<sup>6</sup> Mrs S Brugman resigned on 10 July 2023.

<sup>7</sup> Mr STB Madonsela was appointed on 2 February 2024.

<sup>8</sup> Mr JS Mwatotele was appointed on 20 July 2023.

<sup>9</sup> Mr JG Riedel was appointed on 20 July 2023.

<sup>10</sup> Mrs B Rossouw retired on 30 September 2023.

<sup>11</sup> Mrs M Shivute Dax retired on 24 April 2023.

<sup>12</sup> Ms NA Tjipitua was appointed on 10 March 2023.

See Annexure C for details of the directors' remuneration.

## 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 subsidiaries

The company owns 100% of the share capital of Standard Bank Namibia Nominees (Proprietary) Limited and 100% of the share capital of Spearmint and its 72 wholly owned subsidiaries.

Refer to Annexure A for information about interest in subsidiaries.

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2023

	Note	GROUP		COMPANY	
		2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Assets</b>					
Cash and balances with the central bank	1	1 667 955	1 663 378	1 667 955	1 663 378
Derivative assets	2	71 123	138 917	71 123	138 917
Trading assets	3	494 985	474 621	494 985	474 621
Financial investments	4	7 087 994	4 878 165	7 087 994	4 878 165
Normal tax asset		92 228	49 448	91 830	49 447
Properties in possession <sup>1</sup>	40	439 255	491 154	31 268	28 520
Loans and advances	5	27 558 701	26 569 314	27 558 701	26 569 314
Other assets	6	353 469	443 270	353 483	444 844
Interest in subsidiaries	7			411 087	438 177
Property, equipment and right-of-use assets	8	719 024	822 852	719 024	822 852
Intangible assets	9	436 623	468 554	436 623	468 554
Deferred tax asset	13	20 060	14 902	20 060	14 902
<b>Total assets</b>		<b>38 941 417</b>	36 014 575	<b>38 944 133</b>	35 991 692
<b>Equity and liabilities</b>					
<b>Equity</b>					
Ordinary share capital	10	2 000	2 000	2 000	2 000
Ordinary share premium	11	592 100	592 100	592 100	592 100
Reserves		4 202 210	3 723 566	4 216 213	3 718 686
<b>Liabilities</b>		<b>34 145 107</b>	31 696 909	<b>34 133 820</b>	31 678 907
Derivative liabilities	2	69 047	140 763	69 047	140 763
Trading liabilities	12	46 366	36 799	46 366	36 799
Normal tax liability			385		
Deposits and current accounts	14	30 398 377	27 728 528	30 420 851	27 741 685
Debt securities issued	15	2 230 957	2 528 252	2 230 957	2 528 252
Provisions and other liabilities	16	1 373 967	1 236 157	1 366 599	1 231 408
Deferred tax liability	13	26 393	26 025		
<b>Total equity and liabilities</b>		<b>38 941 417</b>	36 014 575	<b>38 944 133</b>	35 991 692

<sup>1</sup> During 2023, the group and company reassessed the order of liquidity within the statement of financial position and moved properties in possession above the loans and advances line on the face of the statements of financial position as these items were found to be more liquid than those that follow them in the above presentation. This had no impact on the associated amounts within these line items. The reorder has also been applied to the prior year and notes where the line items are listed.

## INCOME STATEMENTS

for the year ended 31 December 2023

	Note	GROUP		COMPANY	
		2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Net interest income</b>		<b>1 842 379</b>	1 482 528	<b>1 841 511</b>	1 482 423
Interest income	23	<b>3 413 966</b>	2 458 358	<b>3 413 874</b>	2 458 253
Interest expense	24	<b>(1 571 587)</b>	(975 830)	<b>(1 572 363)</b>	(975 830)
<b>Non-interest revenue</b>		<b>1 270 142</b>	1 134 033	<b>1 216 397</b>	1 108 044
Net fee and commission revenue		<b>907 248</b>	881 615	<b>907 283</b>	881 619
Fee and commission revenue	25	<b>1 202 439</b>	1 155 906	<b>1 202 447</b>	1 155 906
Fee and commission expense	26	<b>(295 191)</b>	(274 291)	<b>(295 164)</b>	(274 287)
Trading revenue	27	<b>198 510</b>	150 178	<b>198 510</b>	150 178
Other revenue	28	<b>62 829</b>	30 156	<b>9 049</b>	4 163
Other gains on financial instruments	29	<b>101 555</b>	72 084	<b>101 555</b>	72 084
<b>Total net income<sup>1</sup></b>		<b>3 112 521</b>	2 616 561	<b>3 057 908</b>	2 590 467
Credit impairment charges	30	<b>(163 413)</b>	(161 213)	<b>(163 413)</b>	(161 213)
<b>Net income before operating expenses</b>		<b>2 949 108</b>	2 455 348	<b>2 894 495</b>	2 429 254
Operating expenses	31	<b>(1 941 443)</b>	(1 682 093)	<b>(1 874 558)</b>	(1 664 095)
<b>Net income before indirect taxation</b>		<b>1 007 665</b>	773 255	<b>1 019 937</b>	765 159
Indirect taxation	32	<b>(48 608)</b>	(28 766)	<b>(48 608)</b>	(28 852)
<b>Profit before direct taxation</b>		<b>959 057</b>	744 489	<b>971 329</b>	736 307
Direct taxation	32	<b>(285 591)</b>	(250 571)	<b>(278 980)</b>	(247 269)
<b>Profit for the year</b>		<b>673 466</b>	493 918	<b>692 349</b>	489 038

<sup>1</sup> Previously referred to as total income. Updated to reflect the nature of the sub-total being a net amount.

## STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Profit for the year</b>	<b>673 466</b>	493 918	<b>692 349</b>	489 038
<b>Other comprehensive (loss)/income – net of taxation<sup>1</sup></b>	<b>(5 368)</b>	3 402	<b>(5 368)</b>	3 402
<b>Items that may be subsequently reclassified to profit or loss</b>				
Net change in fair value of debt financial assets measured at fair value through other comprehensive income (FVOCI)	<b>1 319</b>	(1 913)	<b>1 319</b>	(1 913)
Net change in expected credit loss (ECL)	<b>1 454</b>	307	<b>1 454</b>	307
Net change in fair value	<b>(135)</b>	(2 220)	<b>(135)</b>	(2 220)
<b>Items that may not be subsequently reclassified to profit or loss</b>				
Fair value movement on post-employment benefits (note 34)	<b>(6 687)</b>	5 315	<b>(6 687)</b>	5 315
<b>Total comprehensive income for the year</b>	<b>668 098</b>	497 320	<b>686 981</b>	492 440

<sup>1</sup> Income tax relating to each component of other comprehensive income (OCI) is disclosed in note 32.2.

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2023

Note	Ordinary share capital and premium N\$'000	Fair value through OCI reserve <sup>1</sup> N\$'000	Capital reserve N\$'000	Post-employment benefit reserve <sup>2</sup> N\$'000	Statutory risk reserve N\$'000	Retained earnings N\$'000	Total equity N\$'000
<b>GROUP</b>							
	594 100	(1 187)	200 000	43 947	133 383	2 907 607	3 877 850
		(1 913)		5 315		493 918	497 320
		(1 913)		5 315		493 918	493 918
							3 402
					(24 083)	(33 421)	(57 504)
					(24 083)	24 083	
						(57 504)	(57 504)
	<b>594 100</b>	<b>(3 100)</b>	<b>200 000</b>	<b>49 262</b>	<b>109 300</b>	<b>3 368 104</b>	<b>4 317 666</b>
		<b>1 319</b>		<b>(6 687)</b>		<b>673 466</b>	<b>668 098</b>
		<b>1 319</b>		<b>(6 687)</b>		<b>673 466</b>	<b>673 466</b>
						<b>(5 368)</b>	<b>(5 368)</b>
					100 498	(289 952)	(189 454)
					100 498	(100 498)	
						(189 454)	(189 454)
	<b>594 100</b>	<b>(1 781)</b>	<b>200 000</b>	<b>42 575</b>	<b>209 798</b>	<b>3 751 618</b>	<b>4 796 310</b>
<b>COMPANY</b>							
	594 100	(1 187)	200 000	43 947	133 383	2 907 607	3 877 850
		(1 913)		5 315		489 038	492 440
		(1 913)		5 315		489 038	489 038
							3 402
					(24 083)	(33 421)	(57 504)
					(24 083)	24 083	
						(57 504)	(57 504)
	<b>594 100</b>	<b>(3 100)</b>	<b>200 000</b>	<b>49 262</b>	<b>109 300</b>	<b>3 363 224</b>	<b>4 312 786</b>
		<b>1 319</b>		<b>(6 687)</b>		<b>692 349</b>	<b>686 981</b>
		<b>1 319</b>		<b>(6 687)</b>		<b>692 349</b>	<b>692 349</b>
						<b>(5 368)</b>	<b>(5 368)</b>
					100 498	(289 952)	(189 454)
					100 498	(100 498)	
						(189 454)	(189 454)
	<b>594 100</b>	<b>(1 781)</b>	<b>200 000</b>	<b>42 575</b>	<b>209 798</b>	<b>3 765 621</b>	<b>4 810 313</b>

<sup>1</sup> The fair value through OCI reserve comprises the FVOCI reserve for debt financial investments (note 4).

<sup>2</sup> The post-employment benefit reserve comprises of the remeasurement of post-employment benefit obligations relating to changes in actuarial assumptions (note 34).

All balances are stated net of tax where applicable.

 Details relating to each reserve are provided in the accounting policies detailed in Annexure D.

## STATEMENTS OF CASH FLOWS

for the year ended 31 December 2023

Note	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Net cash flow generated from/(used in) operating activities</b>	<b>2 097 809</b>	(142 138)	<b>2 097 933</b>	(142 138)
<b>Cash flows from operations</b>	<b>1 343 034</b>	1 292 517	<b>1 327 741</b>	1 284 333
Interest and commission receipts <sup>1</sup>	4 698 435	3 648 875	4 698 351	3 648 770
Interest payments	(1 545 794)	(967 405)	(1 546 570)	(967 405)
Recoveries on loans previously written off	37 750	41 244	37 750	41 244
Cash payments to suppliers and employees	(1 847 357)	(1 430 197)	(1 861 790)	(1 438 276)
<b>Net movement in operating assets and liabilities</b>	<b>1 085 111</b>	(1 270 720)	<b>1 093 503</b>	(1 265 454)
Increase in income-earning assets	(1 716 189)	(464 546)	(1 714 629)	(468 292)
Increase in deposits and other liabilities	2 801 300	(806 174)	2 808 132	(797 162)
Direct taxation paid	(330 336)	(163 935)	(323 311)	(161 017)
<b>Net cash flows used in investing activities</b>	<b>(91 711)</b>	(66 717)	<b>(91 711)</b>	(66 717)
Capital expenditure on property and equipment	(66 029)	(48 319)	(66 029)	(48 319)
Proceeds from the sale of property and equipment	2 338	5 141	2 338	5 141
Capital expenditure on intangible assets	(28 020)	(23 539)	(28 020)	(23 539)
<b>Net cash flows (used in)/from financing activities</b>	<b>(569 131)</b>	408 614	<b>(569 264)</b>	408 614
Principal elements of lease payments	(79 677)	(83 882)	(79 810)	(83 882)
Senior debt issued		400 000		400 000
Senior debt redeemed	(300 000)		(300 000)	
Subordinated debt issued		250 000		250 000
Subordinated debt redeemed		(100 000)		(100 000)
Dividends paid	(189 454)	(57 504)	(189 454)	(57 504)
<b>Net increase in cash and cash equivalents</b>	<b>1 436 967</b>	199 759	<b>1 436 958</b>	199 759
Cash and cash equivalents at the beginning of the year	4 773 574	4 721 827	4 773 574	4 721 827
Effects of exchange rate changes on cash and cash equivalents	38 840	(148 012)	38 850	(148 012)
<b>Cash and cash equivalents at the end of the year</b>	<b>6 249 381</b>	4 773 574	<b>6 249 382</b>	4 773 574

<sup>1</sup> Included in group and company interest and commission receipts is an amount of N\$3.5 billion (2022: N\$2.5 billion) that relates to interest received.

## ACCOUNTING POLICY ELECTIONS

### Accounting policy elections

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

### Basis of preparation

The group's consolidated and company's separate annual financial statements are prepared in accordance with IFRS as issued by the IASB, its interpretations adopted by the IASB and the Namibian Companies Act. The annual financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- Financial assets classified at 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:

- investments in subsidiaries are accounted for at cost less accumulated impairment losses, where applicable, in the separate financial statements (accounting policy 1).
- 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, equipment and right-of-use assets are accounted for at cost less accumulated amortisation and impairment (accounting policy 6).

### Functional and presentation currency

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

### Changes in accounting policies

The accounting policies are consistent with those reported in the previous year.

IFRS 17 *Insurance Contracts* (IFRS 17) replaced 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. An entity may re-assess its classification and designation of financial instruments under IFRS 9 *Financial Instruments* (IFRS 9), on adoption of IFRS 17. The standard is effective for annual periods starting on or after 1 January 2023 and is required to be retrospectively applied. IFRS 17 did not have an impact on the group's annual financial statements.

- IAS 12 *Income Taxes (narrow scope amendment)*. The amendment introduced a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and targeted disclosure requirements for affected entities. The amendment is effective for annual periods starting on or after 1 January 2023 and did not have a significant impact on the group's annual financial statements.

The group did not early adopt any amended standards during the current reporting period.

### Standards issued not yet adopted or effective

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2023 and have not been applied in preparing these annual financial statements:

- 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  
Background: The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.

- IAS 1 *Presentation of Financial Statements (amendments)*  
Effective date: 1 January 2024

Background: The first amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed at promoting 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. The impact on the annual financial statements has not yet been fully determined, however not expected to have a significant impact on the group.

The second amendment to IAS 1 requires a company to classify debt as non-current only if the company can avoid settling the debt in the 12 months after the reporting date. However, a company's ability to do so is often subject to complying with covenants. For example, a company might have long-term debt that could become repayable within 12 months if the company fails to comply with covenants in that 12-month period.

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements and the aim of the amendments therefore is to improve the information companies provide about long-term debt with covenants. The amendments will be applied retrospectively and are not expected to have a material impact on the group's financial statements.

■ **IFRS 16 Leases (narrow scope amendments)**

*Effective date:* 1 January 2024

*Background:* The amendments add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. IFRS 16 had not previously specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in IFRS 16, thereby supporting the consistent application of the standard. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction. The amendments will be applied retrospectively and are not expected to have a material impact on the company's financial statements.

■ **IAS 21 Exchange Rates (amendments)**

*Effective date:* 1 January 2025

*Background:* The IASB issued 'Lack of Exchangeability' to require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determine the exchange rate to use and the disclosures to provide. These amendments will assist companies and investors by addressing a matter not previously covered in the accounting requirements for the effects of changes in foreign exchange rates. The amendments will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

 [Refer to Annexure D – detailed accounting policies.](#)

### Interest rate benchmarks and reference interest rate reform

The Financial Stability Board initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review sought to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The London interbank offered rate (LIBOR,) which the bank was exposed to has been replaced by Secured Overnight Financing Rate (SOFR).

The bank ceased booking new LIBOR linked exposures from 1 October 2021, and new exposures have been booked using the ARRs. At 31 December 2023 the company did not have any LIBOR linked exposures.

In early November 2023, the South African Reserve Bank (SARB) designated the South African Rand Overnight Index Average (ZARONIA) as the successor rate to replace the Johannesburg interbank rate (JIBAR). The observation period for ZARONIA ended on 3 November 2023 and the SARB has indicated that market participants may use the published ZARONIA as a reference rate in pricing financial contracts going forward. The SARB has indicated that the transition from JIBAR to ZARONIA is a multi-year initiative and has not yet communicated a cessation date for JIBAR.

The ARR transitioning introduces a number of risks to the company including, but not limited to:

**model risk** – risk of the valuation models used within the company not being able to cater for the changes in the intended manner.

**legal risk** – risk of being non-compliant to the agreements previously agreed with clients.

**operational risk** – risk of the company's systems not being able to accommodate for the changes to the interest rates as agreed with the clients.

**financial risk** – risk of not appropriately pricing the deals which will result in a transfer of value between the company and clients.

**compliance/regulatory risk** – risk that the bank is exposed regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.

**reputational risk** – the risk to the bank's reputation from failing to adequately prepare for the transition.

**conduct risk** – risk that arises when transitioning existing contracts linked to IBORs as value-transfer may occur, or clients may be transitioned to inferior rates or on unfair contractual terms, or in circumstances where they do not fully appreciate the impact of the transition or the alternatives available to them.

Once the cessation date is announced, the group and company's treasury and capital management (TCM) team will develop the transition plan, detailing the process for transitioning of the JIBAR-linked exposures, and would comprise of the following work streams: risk management and measurement, legal, communications, accounting and systems. The group and company are ensuring that employees attend relevant training and receive the required updates and communication.

### Financial instruments impacted by the reform which are yet to transition

	JIBAR 2023 N\$'000
<b>Total assets recognised on the balance sheet subject to IBOR reform</b>	<b>801 964</b>
Loans and advances <sup>1</sup>	801 964
<b>Total liabilities recognised on the balance sheet subject to IBOR reform</b>	<b>4 595 305</b>
Deposits and debt funding	4 595 305

<sup>1</sup> Gross carrying amount excluding allowances for ECLs.

In preparing the group and company 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. While models have been enhanced, no material changes to assumptions have occurred during the current year. The following represents the most material key management assumptions applied in preparing these financial statements. The key management assumptions below apply to group and company, unless otherwise stated.

## KEY MANAGEMENT ASSUMPTIONS

### Expected credit loss (ECL)

During the current reporting period models have been enhanced, but, no material changes to assumptions have occurred. The local and global economic climate placed considerable strain on our clients, specifically retail and business 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.

### ECL on financial assets – IFRS 9 drivers

For the purpose of determining the ECL:

- The home services, vehicle and asset finance (VAF), card, personal, business lending and other products 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, sovereign and bank 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 Corporate & Investment Banking (CIB) client 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 use the same approach as on-balance sheet exposures.

### SICR and low credit risk

#### Home services, VAF, card, personal, business and other lending products

All exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are based on behaviour scores, 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 (DPD)) 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.

The group and company determine the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 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 behavioural 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 DPD 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 group 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.

### Corporate, sovereign and bank lending products (including certain business banking exposures)

The group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the group's 25-point master rating scale. Ratings are mapped to 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 group's 25-point master rating scale) are assessed for SICR at each reporting date but are considered to be a low credit risk customer. To determine whether a client's credit risk has increased significantly since origination, the group and company would need to determine the extent of the change in credit risk using the table below.

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

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 subsequent monthly reviews of the status of the request and client's performance are conducted.

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

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

For home services, vehicle and asset finance, card, personal, business and other lending products, these forward-looking economic expectations are included in the ECL where adjustments are made based on the group'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 group'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 risk management committee (CRMC) oversight.

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

### Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the group and 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 aligned to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the group and 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 group and company have not rebutted the 90 DPD 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 group assesses whether there is a reasonable expectation of recovery at an exposure level. As such, once the criteria below 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 group is able to receive any further economic benefit from the impaired loan. The period defined for unsecured Business & Commercial Banking (BCB) and Personal & Private Banking (PPB) 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 group'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 between 180 and 360 days post default with no payments; 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.

An exception to the above requirements is:

- 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.
- for CIB products, write-off are assessed on a case-by-case basis, and approved by the CRMC 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 group continuously monitors and reviews when exposures are written off, the levels of post-write-off recoveries as well as the key factors causing post-write-off recoveries, which ensure that the group'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 group's CRMC (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 group's forward-looking economic expectations were applied in the determination of the ECL at the reporting date

A range of base, bullish and bearish forward-looking economic expectations were determined at 31 December 2023 for inclusion in the group's forward-looking process and ECL calculation.

#### Namibia economic expectation

##### Base scenario

The Namibian economy remained resilient in the face of weaker global growth, tighter financial conditions and rising geopolitical tensions. In the baseline scenario, Namibia's economic performance is expected to continue on a positive trajectory with stable growth expected over the remainder of the forecast period. Growth is expected to be anchored by steady performance in the mining industry. Most of the sectors in secondary and tertiary industries are similarly expected to show positive steady growth during 2024. Structural reforms implemented by the sovereign will continue to aid growth over the mid-term.

The spike in inflation seen towards the end of the year is expected to subside quickly with material inflationary pressure likely to have peaked. Inflation should slow further over the forecast period. A weaker rand and consequently the Namibian dollar as well as global oil prices pose upside risks for the outlook in the short term.

##### Bear scenario

The risks of a bearish scenario materialising are largely predicated on persistent inflationary pressure, which sees policy rates heading higher than assumed under the baseline and global financial conditions tighten further. This scenario assumes adverse climate change-related events such as prolonged drought which will adversely affect key sectors such as agriculture and some mining activities. The sovereign also

#### 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		Bear scenario		Bull scenario	
	Next 12 months <sup>1</sup>	Remaining forecast period <sup>2</sup>	Next 12 months <sup>1</sup>	Remaining forecast period <sup>2</sup>	Next 12 months <sup>1</sup>	Remaining forecast period <sup>2</sup>
<b>2023</b>						
<b>Namibia<sup>3</sup></b>						
Inflation (%)	4.95	4.55	6.10	5.19	4.60	3.88
Real GDP <sup>4</sup> (%)	2.90	2.52	1.48	1.70	3.28	3.01
Exchange rate (USD/NAD)	18.10	17.89	21.49	19.58	17.02	16.93
Prime (%)	10.75	10.75	12.50	12.00	10.75	10.25
<b>2022</b>						
<b>Namibia<sup>3</sup></b>						
Inflation (%)	5.60	4.61	5.99	5.16	4.84	3.96
Real GDP <sup>4</sup> (%)	3.10	2.56	1.54	1.67	3.93	3.31
Exchange rate (USD/NAD)	16.60	15.99	17.58	17.25	15.86	15.01
Prime (%)	11.00	10.54	12.00	11.40	10.75	10.25

<sup>1</sup> Next 12 months following 31 December 2023 is 1 January 2024 to 31 December 2024.

<sup>2</sup> The remaining forecast period is 2025 to 2027 (2022: 2024 to 2026).

<sup>3</sup> The scenario weighing for 2023 and 2022 is: Base at 55%, Bear at 30% and Bull at 15%.

<sup>4</sup> Gross domestic product.

fails to successfully implement the structural and fiscal reforms needed to support sustained medium term growth, leading to a downside revision over the forecast period.

Economic recovery would be more protracted, leading to persistent structural growth constraints. Spill overs from the energy crisis in South Africa affect regional economic performance leading to reduced Southern African Customs Union countries transfers, which have historically accounted for over one third of government revenue. This affects fiscal sustainability leading to increased sovereign risk ratings agencies likely downgrading the outlook to negative in this scenario. Failure to contain inflationary pressure accompanied by a weaker rand (and by extension the Namibian dollar) would force BoN to raise policy rates, further hindering recovery efforts. In this scenario, growth is persistently lower and as domestic demand remains subdued, partly owing to the 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 in which the implementation of fiscal and structural reforms, which had started but continues at a slow pace in the baseline, gains momentum. This scenario assumes global inflation quickly unwinds and recessions are mostly avoided. Policy rates are at peak levels and an unwinding of rate increases can follow. This supports the growth rebound, including fixed investment and employment growth, as well as capital inflows. The scenario also assumes elevated terms of trade due to higher commodity prices.

A recovery in growth over the medium term would boost government revenues and accelerate the fiscal adjustment process leading to an improved fiscal outlook.

Domestic gross domestic product (GDP) growth would pick up significantly, averaging above 3.0% over the remaining forecast period. The turnaround would be supported by a recovery in consumer demand and commodity prices.

### Sensitivity analysis of home services, VAF, card, personal, business and other lending products' forward-looking impact on ECL provision

The following table shows a comparison of the FLI on the provision as at 31 December 2023, 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.

	2023		2022	
	Total ECL provision N\$'000	I/S (release) charge N\$'000	Total ECL provision N\$'000	I/S (release) charge N\$'000
Forward-looking impact on the total ECL provision	142 744	74 492	68 252	(5 636)
<b>Scenarios</b>				
Base	135 705	(7 039)	60 214	(8 038)
Bear	160 207	17 463	157 872	89 620
Bull	133 626	(9 118)	327	(67 925)

Refer to note 5 for the carrying amounts of the loans and advances and the credit risk section of the IFRS risk and capital management disclosures 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\$74 million for 2023 (2022: N\$5.6 million) was assessed by applying the same sensitivity analysis principles mentioned above. The impact on the total ECL provision for each scenario is N\$136 million (decrease of N\$7 million) (2022: N\$60 million, decrease of N\$8 million) for the base scenario, N\$160 million (increase of N\$17 million) (2022: N\$158 million, increase of N\$90 million) for the bear scenario and N\$134 million (decrease of N\$9 million) (2022: N\$0.3 million, decrease of N\$68 million) for the bull scenario.

The company's forward-looking scenarios remain aligned to base case (55%), bull (15%) and bear (30%). The forward-looking impact on the current period ECL provision increased from N\$68 million to N142 million due to the current economic outlook.

The ECL methodology for corporate, sovereign and bank products is based primarily on client-specific risk metrics, as such the forward-looking macroeconomic information is one of the components and/or drivers of the total reported ECL. Rating reviews of each client are performed at least annually, and entail credit analysts completing a credit scorecard and incorporating FLI at a client level. The weighting is reflected in both the determination of SICR as well as the measurement of the resulting expected credit loss for the individual client. Therefore the impact of forward-looking economic conditions is embedded into the total ECL for each client. Therefore the impact of forward-looking economic conditions is embedded into the total ECL for each client and cannot be stressed or separated out of the overall ECL provision.

#### Management judgemental adjustments

Management judgemental adjustments are required in terms of IFRS 9 to take into account factors that do not form part of the normal modelling process. These additional factors may result from model or data limitations, recent events or expert credit judgement and are applied at a segment, industry or client level. These management judgemental adjustments are reviewed as part of the governance process surrounding credit risk and ECL. Management judgemental adjustments incorporated in the calculation of ECL amounted to N\$25.6 million (2022: N\$nil) for the year ended 31 December 2023. These adjustments resulted from additional impairments held for PPB and BCB to incorporate industry and macroeconomic factors, which were not included in the underlying modelling.

The above disclosures, including comparatives, have been included from 2023 to provide a more appropriate analysis of out-of-model adjustments considering the nature and characteristics thereof.

#### Fair value

##### Financial instruments

In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

## Valuation process

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

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

**Valuation techniques:** Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group 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 would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

**Valuation adjustments:** Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to:

- credit spreads on illiquid issuers,
- implied volatilities on thinly traded instruments,
- correlation between risk factors,
- prepayment rates and
- other illiquid risk drivers.


In making appropriate valuation adjustments, the group 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 due to 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 group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models, as well as those developed internally by the group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the group'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 relevant governance forum to ensure that these are reasonable and used consistently across all entities in the group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the market risk and asset and liability committees.


 Refer to note 18 for assets and liabilities at fair value disclosures.

## Consolidation of entities

The group controls and consolidates an entity where the group has power over the entity's relevant activities; is exposed to variable returns from its involvement with the investee; and has the ability to affect the returns through its power over the entity. Determining whether the group controls another entity requires judgement by identifying an entity's relevant activities, being those activities that significantly affect the investee's returns, and whether the group controls those relevant activities by considering the rights attached to both current and potential voting rights, de facto control and other contractual rights, including whether such rights are substantive.

## Post-employment benefits

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

 The principal assumptions used in the determination of the group and company's post-employment benefits obligation are set out in note 34.

## Interest in subsidiaries

As a result of default by a client, Standard Bank Namibia called upon the property-owning entities of which the property were put up as collateral. These entities are presented under interest in subsidiary and initially measured at fair value on date of acquisition, since the cost approximated the fair value. The fair value was determined by reference to property valuation certificates obtained from independent valuers adjusted by Standard Bank management for events or conditions in existence at year end in accordance with the requirements of IFRS. The independent valuers determined the fair values considering, among other factors, whether the property within the property-owning entity is commercial or residential, using the following methods as applicable:

### 1. Direct sales comparisons method

The sales comparison approach consists of comparing the subject property with sales of similar properties that have sold. It is based upon the principle of substitution and implies that a prudent investor will not pay more for an existing property than he will pay for an identical substitute property. Physical characteristics such as zoning, site location, access, land size, shape of earth, topography, drainage, nature of structure, quality and condition, age, features, problems, and orientation are factors that are considered to establish a comparative market value.

### 2. Land residual approach

This approach contains elements of the market and the income capitalisation approaches, as well as a cash flow analysis. It comprises an investor's model based on the concept that the land value is equivalent to the net present value of the difference between the income that will be derived from the sale of the sub-divided erven and the costs that would be incurred in producing that income, taking the development and sales periods into account.

Deducted from the total gross sell-out-value based on comparable sales will be marketing costs, constructions costs, service installation costs, professional fees, municipal costs and any other general costs associated with township development. This sell-out-value less holding costs is discounted over the time period it would take to sell all the serviced erven. The value takes the location and bulk services into consideration as well as the layout.

Specific aspects considered when determining a market value:

- Market conditions in terms of the demand for similar properties.
- The local economic outlook.
- The location of the subject property.
- Size of the land available for development.
- Cost related to the providing of bulk infrastructure services, considering the topography of the terrain.
- As applicable, that no development be allowed in a 50-year flood line and that a proper river crossing be designed by a registered professional engineer to at least be accommodative of a 50-year flood level.

### 3. Income capitalisation rate method

The income capitalisation approach assumes that a purchaser will not pay more for a property with a certain income flow than the amount for which he can obtain a similar income flow with a similar risk elsewhere. The conversion of the net income stream into a present value is known as capitalisation and the rate of conversion is known as the capitalisation rate. The rate of capitalisation is the initial yield obtained from the investment, i.e. the ratio between the net income and the present worth (value) or purchase price, expressed as a percentage on an annual basis. The rates applied for the applicable properties range between 5.2% and 12%.

Conditions in existence at year end that were considered in accordance with the requirements of IFRS include forced sale discounts estimated based on historical discounts which considers the time to sell.

 Refer to note 40 for further details.

## Computer software intangible assets

The group 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.

During 2023, the group's computer software assets' recoverable amounts were determined to be in line with the carrying values and resulted in no impairment (2022: N\$nil).

The review and testing of assets for impairment inherently require 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.

 Refer to note 9 for intangible assets disclosures.

## Current and deferred tax

The group and company are subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The group recognises provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 32 and note 13, 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 (IAS 12) and IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23). Deferred tax assets are only recognised to the extent that sufficient taxable profits will be generated in order to realise the tax benefit. 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 entities in the group in order to utilise the deferred tax assets.

 Refer to note 14 and note 32 for normal and deferred tax disclosures.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 1. Cash and balances with the central bank

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Coins and bank notes <sup>1</sup>	574 458	533 589	574 458	533 589
Balances with the Bank of Namibia <sup>1,2</sup>	1 093 497	1 129 789	1 093 497	1 129 789
<b>Total</b>	<b>1 667 955</b>	<b>1 663 378</b>	<b>1 667 955</b>	<b>1 663 378</b>

<sup>1</sup> Coins and bank notes and the reserve balance with the BoN are classified as FVTPL while temporary excess balances with the BoN are classified at amortised cost.  
<sup>2</sup> These balances primarily comprise reserving requirements levied by the BoN. These balances are available for use by the group and company, subject to certain restrictions and limitations imposed by the BoN. These balances are held at FVTPL.

## 2. Derivative instruments

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

	Fair value of assets		Fair value of liabilities	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>GROUP AND COMPANY</b>				
Held-for-trading	71 123	138 917	(66 803)	(136 263)
Held-for-hedging			(2 244)	(4 500)
<b>Total</b>	<b>71 123</b>	<b>138 917</b>	<b>(69 047)</b>	<b>(140 763)</b>

### 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 group and company enters into a variety of foreign exchange, interest rate, commodity, credit and equity derivative transactions for trading purposes. Derivative instruments used by the group and company in trading activities include swaps, options, forwards, futures and other similar types of instruments.

### 2.2 Derivatives held-for-trading

The group and 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 group and 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 <sup>1</sup>	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>GROUP</b>						
Foreign exchange derivatives	63 185	125 675	(66 803)	(123 021)	682 080	3 885 351
Interest rate derivatives	7 938	13 242	(2 244)	(13 242)	440 000	
<b>Total</b>	<b>71 123</b>	<b>138 917</b>	<b>(69 047)</b>	<b>(136 263)</b>	<b>1 122 080</b>	<b>3 885 351</b>
<b>COMPANY</b>						
Foreign exchange derivatives	63 185	125 675	(66 803)	(123 021)	682 080	3 885 351
Interest rate derivatives	7 938	13 242	(2 244)	(13 242)	440 000	
<b>Total</b>	<b>71 123</b>	<b>138 917</b>	<b>(69 047)</b>	<b>(136 263)</b>	<b>1 122 080</b>	<b>3 885 351</b>

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

## 2. Derivative instruments continued

### 2.3 Financial instruments held-for-hedging

#### Derivatives and other financial instruments held-for-hedging

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

#### 2.3.1 Derivatives designated as hedging instruments in fair value hedging relationships

GROUP AND COMPANY	Fair value		Net fair value N\$'000	Maturity			Contract/ notional amount <sup>1</sup> N\$'000	Fair value gain/ (loss) N\$'000
	Assets N\$'000	Liabilities N\$'000		Less than one year N\$'000	Between one and five years N\$'000	Over five years N\$'000		
<b>2023</b>								
<b>Interest rate risk fair value hedging relationships</b>								
Interest rate swaps <sup>2</sup>		(2 244)	(2 244)		(2 244)		84 607	(2 244)
<b>Total</b>		<b>(2 244)</b>	<b>(2 244)</b>		<b>(2 244)</b>		<b>84 607</b>	<b>(2 244)</b>
<b>2022</b>								
<b>Interest rate risk fair value hedging relationships</b>								
Interest rate swaps <sup>2</sup>		(4 500)	(4 500)		(4 500)		49 300	(4 500)
<b>Total</b>		<b>(4 500)</b>	<b>(4 500)</b>		<b>(4 500)</b>		<b>49 300</b>	<b>(4 500)</b>

<sup>1</sup> 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 group and company's participation in derivative contracts. The notional amount is directly impacted by the JIBAR interest rate benchmark reform.

<sup>2</sup> The interest rate swap matures on 31 May 2027.

#### 2.3.2 Hedged items classified as fair value hedges

GROUP AND COMPANY	Fair value liabilities N\$'000	Accumulated fair value gain/(loss) at 31 December N\$'000	Fair value (loss)/gain used to test hedge ineffectiveness N\$'000	Fair value hedge adjustments for the year N\$'000
<b>2023</b>				
<b>Interest rate risk fair value hedging relationships</b>				
Deposits and current accounts	(77 628)	2 408	277	277
<b>Total</b>	<b>(77 628)</b>	<b>2 408</b>	<b>277</b>	<b>277</b>
<b>2022</b>				
<b>Interest rate risk fair value hedging relationships</b>				
Deposits and current accounts	(47 169)	2 131	2 131	2 131
<b>Total</b>	<b>(47 169)</b>	<b>2 131</b>	<b>2 131</b>	<b>2 131</b>

#### 2.3.3 Hedge ineffectiveness recognised in profit or loss

Hedge ineffectiveness in qualifying hedge relationships arises predominantly due to the presence of costs contained within hedging instruments. This ineffectiveness was recognised in net interest income together with the gains and losses on the underlying hedged item according to the nature of the risk being hedged as follows:

GROUP AND COMPANY	2023 N\$'000	2022 N\$'000
<b>Fair value hedges</b>		
Interest rate risk fair value hedging relationships	(152)	(2 369)

Ineffectiveness relating to highly probable forecast transactions no longer expected to occur during both 2023 and 2022 amounted to N\$nil. There was no material ineffectiveness relating to basis in relation to foreign currency hedging relationships during 2023 and 2022.

### 3. Trading assets

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Treasury bills	494 985	474 621	494 985	474 621
<b>Total</b>	<b>494 985</b>	<b>474 621</b>	<b>494 985</b>	<b>474 621</b>

### 4. Financial investments

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Government bonds and treasury bills	5 312 312	3 742 926	5 312 312	3 742 926
Mutual funds and unit-linked investments	1 775 682	1 135 239	1 775 682	1 135 239
<b>Total</b>	<b>7 087 994</b>	<b>4 878 165</b>	<b>7 087 994</b>	<b>4 878 165</b>
<b>Accounting classification:</b>				
Net debt financial investments measured at amortised cost	432 336	39 415	432 336	39 415
Gross debt financial investments measured at amortised cost	434 276	39 415	434 276	39 415
Less: ECL for debt financial investments measured at amortised cost <sup>1</sup>	(1 940)		(1 940)	
Financial investments measured at FVTPL	1 775 682	1 135 239	1 775 682	1 135 239
Debt financial investments measured at FVOCI (statements of changes in equity)	4 879 976	3 703 511	4 879 976	3 703 511
<b>Total</b>	<b>7 087 994</b>	<b>4 878 165</b>	<b>7 087 994</b>	<b>4 878 165</b>

<sup>1</sup> Amount included in ECL raised on financial investments disclosed in note 30.

### 5. Loans and advances

#### 5.1 Classification

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Net loans and advances measured at amortised cost</b>	<b>27 558 701</b>	<b>26 569 314</b>	<b>27 558 701</b>	<b>26 569 314</b>
<b>Gross loans and advances measured at amortised cost</b>	<b>28 401 111</b>	<b>27 331 097</b>	<b>28 401 111</b>	<b>27 331 097</b>
Home services	11 341 479	11 822 800	11 341 479	11 822 800
Vehicle and asset finance	3 001 340	2 893 913	3 001 340	2 893 913
Card and payments	141 333	140 088	141 333	140 088
Corporate lending	5 738 039	5 465 281	5 738 039	5 465 281
Sovereign lending	61 054	267 375	61 054	267 375
Bank lending <sup>1</sup>	5 430 842	3 714 600	5 430 842	3 714 600
Other loans and advances <sup>2</sup>	2 687 024	3 027 040	2 687 024	3 027 040
Expected credit losses (note 5.2)	(842 410)	(761 783)	(842 410)	(761 783)
<b>Net loans and advances</b>	<b>27 558 701</b>	<b>26 569 314</b>	<b>27 558 701</b>	<b>26 569 314</b>

<sup>1</sup> Included in bank lending is an amount of N\$4.6 billion (2022: N\$3.1 billion) relating to on-demand gross loans and advances to banks that qualifies as cash and cash equivalents (note 33.10).

<sup>2</sup> Comprises personal unsecured lending and business and other lending.

### 5. Loans and advances continued

#### 5.2 Reconciliation of ECL for loans and advances measured at amortised cost

GROUP AND COMPANY	Stage 1 N\$'000	Stage 2 N\$'000	Stage 3 (including IIS) N\$'000	Total <sup>5</sup> N\$'000
<b>Opening ECL 1 January 2022</b>	77 419	174 849	743 562	995 830
<b>Transfers between stages<sup>1</sup></b>	13 606	(2 400)	(11 206)	
<b>Net ECL raised</b>	1 051	40 347	161 700	203 098
ECL on new exposures raised <sup>2</sup>	17 391	33 329	4 377	55 097
Subsequent changes in ECL	(15 305)	13 132	157 309	155 136
Change in ECL due to derecognition	(1 035)	(6 114)	14	(7 135)
Impaired accounts written off <sup>3</sup>			(456 442)	(456 442)
Exchange and other movements <sup>4</sup>	(751)	19	20 029	19 297
<b>Closing ECL 31 December 2022</b>	<b>91 325</b>	<b>212 815</b>	<b>457 643</b>	<b>761 783</b>
<b>Opening ECL 1 January 2023</b>	<b>91 325</b>	<b>212 815</b>	<b>457 643</b>	<b>761 783</b>
<b>Transfers between stages<sup>1</sup></b>	<b>66 811</b>	<b>(60 323)</b>	<b>(6 488)</b>	
<b>Net ECL (released)/raised</b>	<b>(88 294)</b>	<b>93 028</b>	<b>194 427</b>	<b>199 161</b>
ECL on new exposures raised <sup>2</sup>	16 758	8 472	5 584	30 814
Subsequent changes in ECL	(100 607)	95 111	191 132	185 636
Change in ECL due to derecognition	(4 445)	(10 555)	(2 289)	(17 289)
Impaired accounts written off <sup>3</sup>			(170 403)	(170 403)
Exchange and other movements <sup>4</sup>			51 869	51 869
<b>Closing ECL 31 December 2023</b>	<b>69 842</b>	<b>245 520</b>	<b>527 048</b>	<b>842 410</b>

<sup>1</sup> The group'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.

<sup>2</sup> 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 year.

<sup>3</sup> The contractual amount outstanding on loans and advances that were written off during the reporting period that are still subject to enforcement activities is N\$170 million (2022: N\$204 million).

<sup>4</sup> Exchange and other movements include the time value of money (TVM) unwind and net interest in suspense (IIS) raised and released.

<sup>5</sup> The ECL raised is for loans and advances and undrawn facilities.

## 5. Loans and advances continued

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

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

GROUP AND COMPANY	Opening ECL 1 January 2023 N\$'000	Transfer stage 1 to/ (from) N\$'000	Transfer stage 2 to/ (from) N\$'000	Transfer stage 3 to/ (from) N\$'000	Total transfers between stages N\$'000	Net ECL raised/ (released) N\$'000	Impaired accounts written off N\$'000	Exchange and other movements <sup>5</sup> N\$'000	Closing ECL 31 December 2023 N\$'000
<b>Home services<sup>1</sup></b>	<b>432 526</b>	<b>(22 633)</b>	<b>17 054</b>	<b>5 579</b>		<b>83 945</b>	<b>(81 781)</b>	<b>(32 267)</b>	<b>402 423</b>
Stage 1	21 528		17 519	5 114	22 633	(31 286)			12 875
Stage 2	80 958	(17 519)		465	(17 054)	38 470			102 374
Stage 3 <sup>4</sup>	330 040	(5 114)	(465)		(5 579)	76 761	(81 781)	(32 267)	287 174
<b>Vehicle and asset finance</b>	<b>111 576</b>	<b>(15 983)</b>	<b>15 850</b>	<b>133</b>		<b>5 135</b>	<b>(16 309)</b>		<b>100 402</b>
Stage 1	7 920		14 208	1 775	15 983	(18 470)			5 433
Stage 2	39 675	(14 208)		(1 642)	(15 850)	3 152			26 977
Stage 3 <sup>4</sup>	63 981	(1 775)	1 642		(133)	20 453	(16 309)		67 992
<b>Card and payments</b>	<b>12 059</b>	<b>(3 062)</b>	<b>3 211</b>	<b>(149)</b>		<b>1 539</b>	<b>(5 489)</b>		<b>8 109</b>
Stage 1	2 692		3 039	23	3 062	(4 210)			1 544
Stage 2	7 965	(3 039)		(172)	(3 211)	(215)			4 539
Stage 3 <sup>4</sup>	1 402	(23)	172		149	5 964	(5 489)		2 026
<b>Corporate lending<sup>3</sup></b>	<b>41 176</b>	<b>513</b>	<b>(513)</b>			<b>(8 535)</b>		<b>(1 817)</b>	<b>30 824</b>
Stage 1	15 664		(513)		(513)	164		(150)	15 165
Stage 2	21 251	513			513	(7 202)		(1 667)	12 895
Stage 3 <sup>4</sup>	4 261					(1 497)			2 764
<b>Sovereign lending<sup>3</sup></b>	<b>1 828</b>	<b>(535)</b>	<b>535</b>			<b>(1 440)</b>		<b>1 042</b>	<b>1 430</b>
Stage 1	443		535		535	(379)		150	749
Stage 2	1 385	(535)			(535)	(1 061)		892	681
<b>Bank lending<sup>3</sup></b>	<b>2 056</b>					<b>(1 837)</b>		<b>775</b>	<b>994</b>
Stage 1	511					173			684
Stage 2	1 545					(2 010)		775	310
<b>Other loans and advances<sup>2</sup></b>	<b>160 562</b>	<b>(25 111)</b>	<b>24 186</b>	<b>925</b>		<b>120 354</b>	<b>(66 824)</b>	<b>84 136</b>	<b>298 228</b>
Stage 1	42 567		19 330	5 781	25 111	(34 286)			33 392
Stage 2	60 036	(19 330)		(4 856)	(24 186)	61 894			97 744
Stage 3 <sup>4</sup>	57 959	(5 781)	4 856		(925)	92 746	(66 824)	84 136	167 092
<b>Total</b>	<b>761 783</b>	<b>(66 811)</b>	<b>60 323</b>	<b>6 488</b>		<b>199 161</b>	<b>(170 403)</b>	<b>51 869</b>	<b>842 410</b>

1 Comprises residential and commercial property loans.

2 Comprises personal unsecured lending, business and other lending.

3 'Corporate', 'Sovereign' and 'Bank' categories relate to ECL on CIB client loans and advances, while the remaining categories relate to ECL on BCB and PPB client loans and advances.

4 Includes IIS.

5 Includes IIS and balance sheet reallocations.

## 5. Loans and advances continued

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

GROUP AND COMPANY	Opening ECL 1 January 2022 N\$'000	Transfer stage 1 to/(from) N\$'000	Transfer stage 2 to/(from) N\$'000	Transfer stage 3 to/(from) N\$'000	Total transfers between stages N\$'000	Net ECL raised/ (released) <sup>5</sup> N\$'000	Impaired accounts written off N\$'000	Exchange and other movements <sup>6</sup> N\$'000	Closing ECL 31 December 2022 N\$'000
<b>Home services<sup>1</sup></b>	<b>588 608</b>	<b>(8 402)</b>	<b>(2 076)</b>	<b>10 478</b>		<b>164 496</b>	<b>(251 140)</b>	<b>(69 438)</b>	<b>432 526</b>
Stage 1	19 097		998	7 404	8 402	(5 971)			21 528
Stage 2	51 135	(998)		3 074	2 076	27 747			80 958
Stage 3 <sup>4</sup>	518 376	(7 404)	(3 074)		(10 478)	142 720	(251 140)	(69 438)	330 040
<b>Vehicle and asset finance</b>	<b>103 771</b>	<b>273</b>	<b>(1 782)</b>	<b>1 509</b>		<b>19 334</b>	<b>(11 426)</b>	<b>(103)</b>	<b>111 576</b>
Stage 1	7 651		(163)	(110)	(273)	542			7 920
Stage 2	40 783	163		1 619	1 782	(2 890)			39 675
Stage 3 <sup>4</sup>	55 337	110	(1 619)		(1 509)	21 682	(11 426)	(103)	63 981
<b>Card and payments</b>	<b>17 510</b>	<b>(159)</b>	<b>(137)</b>	<b>296</b>		<b>6 771</b>	<b>(10 705)</b>	<b>(1 517)</b>	<b>12 059</b>
Stage 1	2 442		102	57	159	91			2 692
Stage 2	7 397	(102)		239	137	431			7 965
Stage 3 <sup>4</sup>	7 671	(57)	(239)		(296)	6 249	(10 705)	(1 517)	1 402
<b>Corporate lending<sup>3</sup></b>	<b>39 694</b>	<b>(4 746)</b>	<b>4 746</b>			<b>5 652</b>	<b>(5 649)</b>	<b>1 479</b>	<b>41 176</b>
Stage 1	10 572		4 746		4 746	123		223	15 664
Stage 2	19 324	(4 746)			(4 746)	6 036		637	21 251
Stage 3 <sup>4</sup>	9 798					(507)	(5 649)	619	4 261
<b>Sovereign lending<sup>3</sup></b>	<b>1 665</b>	<b>124</b>	<b>(124)</b>			<b>(583)</b>		<b>746</b>	<b>1 828</b>
Stage 1	1 046		(124)		(124)	(1 225)		746	443
Stage 2	619	124			124	642			1 385
<b>Bank lending<sup>3</sup></b>	<b>4 503</b>	<b>2 142</b>	<b>(2 142)</b>			<b>(109)</b>		<b>(2 338)</b>	<b>2 056</b>
Stage 1	3 882		(2 142)		(2 142)	491		(1 720)	511
Stage 2	621	2 142			2 142	(600)		(618)	1 545
<b>Other loans and advances<sup>2</sup></b>	<b>240 079</b>	<b>(2 838)</b>	<b>3 915</b>	<b>(1 077)</b>		<b>7 537</b>	<b>(177 522)</b>	<b>90 468</b>	<b>160 562</b>
Stage 1	32 729		2 078	760	2 838	7 000			42 567
Stage 2	54 970	(2 078)		(1 837)	(3 915)	8 981			60 036
Stage 3 <sup>4</sup>	152 380	(760)	1 837		1 077	(8 444)	(177 522)	90 468	57 959
<b>Total<sup>5</sup></b>	<b>995 830</b>	<b>(13 606)</b>	<b>2 400</b>	<b>11 206</b>		<b>203 098</b>	<b>(456 442)</b>	<b>19 297</b>	<b>761 783</b>

1 Comprises residential and commercial property loans.

2 Comprises personal unsecured lending, business and other lending.

3 'Corporate', 'Sovereign' and 'Bank' categories relate to ECL on CIB client loans and advances, while the remaining categories relate to ECL on BCB and PPB client loans and advances.

4 Includes IIS.

5 The overall lower ECL is mainly driven by the realisation of management's strategic initiatives, as encompassed in our NPL reduction strategy, that was implemented in 2021 and the improvement in our after-write-off recoveries.

6 Includes IIS and balance sheet reallocations.

## 5. 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\$30.8 million (2022: N\$55.1 million) primarily relates to the movement in the gross carrying amount of:
  - home services of N\$428 million (2022: N\$652 million)
  - vehicle and asset finance of N\$1.1 billion (2022: N\$1.1 billion)
  - other loans and advances of N\$374 million (2022: N\$500 million)
  - corporate lending of N\$5.4 billion (2022: N\$4.5 billion)

The decrease in ECL due to impaired accounts written off of N\$170 million (2022: N\$456 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. For the defaulted property owing entity refer to the key management assumptions section, the write off was determined after fair valuing the collateral.

The group's policy is to transfer between stages using opening ECL balances based on the exposures' ECL stage at the end of the reporting period.

#### 2023

- home services with a gross carrying amount of N\$277 million that was in stage 1 was transferred to stage 2.
- home services with a gross carrying amount of N\$142 million that was in stage 1 was transferred to stage 3.
- home services with a gross carrying amount of N\$85 million that was in stage 2 was transferred to stage 3.
- vehicle and asset finance with a gross carrying amount of N\$159 million that was in stage 2 was transferred to stage 1.
- vehicle and asset finance with a gross carrying amount of N\$15 million that was in stage 1 was transferred to stage 3.
- vehicle and asset finance with a gross carrying amount of N\$29 million that was in stage 2 was transferred to stage 3.
- card and payments with a gross carrying amount of N\$7 million that was in stage 2 was transferred to stage 1.
- card and payments with a gross carrying amount of N\$1 million that was in stage 1 was transferred to stage 3.
- card and payments with a gross carrying amount of N\$0.5 million that was in stage 2 was transferred to stage 3.
- other loans and advances with a gross carrying amount of N\$19 million that was in stage 1 was transferred to stage 2.
- other loans and advances with a gross carrying amount of N\$25 million that was in stage 1 was transferred to stage 3.
- other loans and advances with a gross carrying amount of N\$12 million that was in stage 2 was transferred to stage 3.
- corporate lending with a gross carrying amount of N\$541 million that was in stage 2 was transferred to stage 1.
- sovereign lending with a gross carrying amount of N\$6 million that was in stage 1 was transferred to stage 2.

#### 2022

- home services with a gross carrying amount of N\$879 million that was in stage 1 was transferred to stage 2.
- home services with a gross carrying amount of N\$108 million that was in stage 1 was transferred to stage 3.
- home services with a gross carrying amount of N\$63 million that was in stage 2 was transferred to stage 3.
- vehicle and asset finance with a gross carrying amount of N\$201 million that was in stage 1 was transferred to stage 2.
- vehicle and asset finance with a gross carrying amount of N\$37 million that was in stage 1 was transferred to stage 3.
- vehicle and asset finance with a gross carrying amount of N\$9 million that was in stage 2 was transferred to stage 3.
- card and payments with a gross carrying amount of N\$8 million that was in stage 1 was transferred to stage 2.
- card and payments with a gross carrying amount of N\$1 million that was in stage 1 was transferred to stage 3.
- other loans and advances with a gross carrying amount of N\$89 million that was in stage 1 was transferred to stage 2.
- other loans and advances with a gross carrying amount of N\$37 million that was in stage 1 was transferred to stage 3.
- other loans and advances with a gross carrying amount of N\$20 million that was in stage 2 was transferred to stage 3.
- corporate lending with a gross carrying amount of N\$314 million that was in stage 2 was transferred to stage 1.
- sovereign lending with a gross carrying amount of N\$18 million that was in stage 1 was transferred to stage 2.
- bank lending with a gross carrying amount of N\$600 million that was in stage 1 was transferred to stage 2.

### 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\$3.0 billion (2022: N\$899 million). The increase from the prior year is attributable to technical arrears arising from group schemes, following interest rate changes, causing arrears that was rescheduled. Included in this amount is a total exposure for PPB and BCB clients amounting to N\$3.0 billion and for CIB clients amounting to N\$nil that underwent restructuring and covenant relaxation. Gross carrying amounts for loans and advances restructured in stage 2 is N\$153 million (2022: N\$nil) and gross carrying amounts of loans and advances restructured in stage 3 amounts to N\$9 million (2022: N\$nil). The modification gains and losses on loans and advances in stage 2 and stage 3 have netted off resulting in an insignificant net gain or loss amount.

## 6. Other assets

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Financial assets<sup>1</sup></b>	<b>139 518</b>	247 727	<b>139 532</b>	249 301
Trading settlement assets	23 683	5 174	23 683	5 174
Other debtors <sup>2</sup>	115 835	242 553	115 849	244 127
<b>Non-financial assets</b>	<b>213 951</b>	195 543	<b>213 951</b>	195 543
Prepayments	50 034	27 562	50 034	27 562
Accrued income	18 003	17 959	18 003	17 959
Prepaid staff employee benefit costs	141 547	141 074	141 547	141 074
Items in the course of collection	4 367	8 948	4 367	8 948
<b>Total</b>	<b>353 469</b>	443 270	<b>353 483</b>	444 844

<sup>1</sup> Due to the short-term nature of these assets and historical experience, other assets – bar prepaid staff employee benefit costs – are regarded as having a low PD. Therefore, the ECL has been assessed to be insignificant. Prepaid staff employee benefit costs have a low PD due to the employment relationships and debit order deductions in place.

<sup>2</sup> Other debtors mainly comprise of fees and commissions receivable and sundry debtors.

## 7. Interest in subsidiaries

	COMPANY	
	2023 N\$'000	2022 N\$'000
Investment in Standard Bank Nominees (Proprietary) Limited shares at cost	2	2
Investment in Spearmint shares at cost <sup>1</sup>	411 085	438 175
<b>Total</b>	<b>411 087</b>	438 177

<sup>1</sup> The movement in the investment in Spearmint shares relates to an impairment. Refer to note 40.2 for more details.



Further information about subsidiaries is disclosed in note 40 and Annexure A.

## 8. Property, equipment and right-of-use assets

GROUP AND COMPANY	Property		Equipment				Right-of-use assets <sup>1</sup>			Total N\$'000
	Freehold N\$'000	Leasehold N\$'000	IT equipment N\$'000	Motor vehicles N\$'000	Office equipment N\$'000	Furniture and fittings N\$'000	Buildings N\$'000	Branches N\$'000	ATM spacing and other N\$'000	
<b>Net book value 1 January 2022</b>	152 641	20 428	131 209	720	22 677	97 452	212 894	28 586	639	667 246
Cost	162 640	45 305	606 019	21 797	55 834	268 062	282 608	63 446	1 074	1 506 785
Accumulated depreciation and impairment	(9 999)	(24 877)	(474 810)	(21 077)	(33 157)	(170 610)	(69 714)	(34 860)	(435)	(839 539)
<b>Movements</b>	(3 577)	(8 291)	(23 258)	2 820	(2 344)	(18 463)	212 582	(3 514)	(349)	155 606
Additions	1 196	4 235	33 568	3 686	2 216	3 418		10 574		58 893
Modifications							285 093	2 863		287 956
Disposals/terminations	(1 528)		(1)		(74)					(1 603)
Impairments			(1 767)			(8)				(1 775)
Depreciation	(3 245)	(12 526)	(55 058)	(866)	(4 486)	(21 873)	(72 511)	(16 951)	(349)	(187 865)
<b>Net book value 31 December 2022</b>	<b>149 064</b>	<b>12 137</b>	<b>107 951</b>	<b>3 540</b>	<b>20 333</b>	<b>78 989</b>	<b>425 476</b>	<b>25 072</b>	<b>290</b>	<b>822 852</b>
Cost	162 011	49 540	361 355	23 323	55 103	268 091	497 090	52 685	1 074	1 470 272
Accumulated depreciation and impairment	(12 947)	(37 403)	(253 404)	(19 783)	(34 770)	(189 102)	(71 614)	(27 613)	(784)	(647 420)
<b>Movements</b>	<b>(3 184)</b>	<b>(8 552)</b>	<b>9 613</b>	<b>754</b>	<b>(2 520)</b>	<b>(17 100)</b>	<b>(75 465)</b>	<b>(7 084)</b>	<b>(290)</b>	<b>(103 828)</b>
Additions	405	647	57 785	3 019	1 950	2 223		6 873		72 902
Modifications							(4 960)			(4 960)
Disposals/terminations	(336)			(1 138)		(4)	(87)	(574)		(2 139)
Impairments <sup>2</sup>		(110)			(98)	(467)				(675)
Depreciation	(3 253)	(9 089)	(48 172)	(1 127)	(4 372)	(18 852)	(70 418)	(13 383)	(290)	(168 956)
<b>Net book value 31 December 2023</b>	<b>145 880</b>	<b>3 585</b>	<b>117 564</b>	<b>4 294</b>	<b>17 813</b>	<b>61 889</b>	<b>350 011</b>	<b>17 988</b>		<b>719 024</b>
Cost	161 926	47 201	418 862	24 193	55 467	263 200	421 143	57 416	1 074	1 450 482
Accumulated depreciation and impairment	(16 046)	(43 616)	(301 298)	(19 899)	(37 654)	(201 311)	(71 132)	(39 428)	(1 074)	(731 458)

<sup>1</sup> Right-of-use assets and corresponding liabilities are recognised for all rental contracts that meet the definition of a lease contract. The group and company leases various offices, branch spaces, parking and ATM space. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental contracts are typically made for fixed periods of two to ten years but may have extension periods. Each right-of-use of asset is recognised over the lease term.

<sup>2</sup> During the year, the company vacated some rented premises before the end of the lease term resulting in the writing off of leasehold properties amounting to N\$110 thousand. Impairment losses amounting to N\$98 thousand and N\$467 thousand were recognised for office equipment and furniture and fittings respectively. The losses relate to the carrying amounts of assets that were damaged and could not be repaired for continued use.

 Refer to note 16 for the disclosure of lease liabilities.

## 9. Intangible assets

GROUP AND COMPANY	Computer software <sup>1</sup> N\$'000
<b>Net book value 1 January 2022</b>	497 415
Cost	672 684
Accumulated amortisation	(175 269)
<b>Movements</b>	(28 861)
Additions	23 539
Amortisation	(52 400)
<b>Net book value 1 January 2023</b>	<b>468 554</b>
Cost	<b>696 223</b>
Accumulated amortisation	<b>(227 669)</b>
<b>Movements</b>	<b>(31 931)</b>
Additions	<b>28 020</b>
Amortisation	<b>(59 951)</b>
<b>Net book value 31 December 2023</b>	<b>436 623</b>
Cost	<b>724 243</b>
Accumulated amortisation	<b>(287 620)</b>

<sup>1</sup> Computer software mainly comprises the company's core banking system, Finacle, with a carrying amount of N\$230 million (2022: N\$288 million) and a remaining amortisation period of eight years.

## 10. Ordinary share capital

### 10.1 Authorised

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
6 000 000 ordinary shares of N\$1 each	6 000	6 000	6 000	6 000

### 10.2 Issued

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
2 000 150 ordinary shares of N\$1 each	2 000	2 000	2 000	2 000

	Number of ordinary shares
<b>Reconciliation of shares issued</b>	

Shares in issue at 1 January 2022	2 000 150
Shares in issue 31 December 2022	<b>2 000 150</b>
<b>Shares in issue 31 December 2023</b>	<b>2 000 150</b>

All issued shares are fully paid. The unissued shares are under the control of the directors until the next annual general meeting.

## 11. Ordinary share premium

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Share premium on issue of shares	592 100	592 100	592 100	592 100

## 12. Trading liabilities

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Treasury bills <sup>1</sup>	46 366	36 799	46 366	36 799
<b>Total</b>	<b>46 366</b>	<b>36 799</b>	<b>46 366</b>	<b>36 799</b>

<sup>1</sup> This relates to treasury bills sold to BCB and PPB clients that did not transfer to the clients, as the title of the instrument was not updated to the names of the BCB and PPB clients.

## 13. Deferred tax

### 13.1 Deferred tax analysis

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Deferred tax asset</b>				
Property, equipment and intangible assets	(184 587)	(191 717)	(184 587)	(191 717)
Right-of-use assets <sup>1</sup>	(117 759)	(144 268)	(117 759)	(144 268)
Lease liability <sup>1</sup>	124 538	149 763	124 538	149 763
Assets on lease	(17 124)	(7 477)	(17 124)	(7 477)
Fair value adjustments of FVOCI financial investments	1 667	1 603	1 667	1 603
Impairment charges on loans and advances	128 838	125 471	128 838	125 471
Post-employment benefits	41 435	35 533	41 435	35 533
Provisions and other differences	43 052	45 994	43 052	45 994
<b>Deferred tax asset closing balance</b>	<b>20 060</b>	<b>14 902</b>	<b>20 060</b>	<b>14 902</b>
<b>Deferred tax liability</b>				
Property, equipment and intangible assets	(61 064)	(47 600)		
Assessed loss	34 671	21 575		
<b>Net deferred tax closing balance</b>	<b>(26 393)</b>	<b>(26 025)</b>		
Deferred tax asset	250 790	388 567	250 787	388 567
Deferred tax liability	(257 123)	(399 690)	(230 727)	(373 665)
<b>Net deferred tax liability</b>	<b>(6 333)</b>	<b>(11 123)</b>	<b>20 060</b>	<b>14 902</b>

<sup>1</sup> Right-of-use assets and lease liability balances are disclosed separately. The 2022 disclosure was updated for comparability, but did not have an impact on the total balances.

## 13. Deferred tax continued

## 13.2 Deferred tax reconciliation

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Deferred tax asset opening balance</b>	14 902	(11 820)	14 902	(11 820)
<b>Temporary differences for the year:</b>	5 158	26 722	5 158	26 722
Property, equipment and intangible assets	7 130	9 598	7 130	9 598
Right-of-use assets <sup>1</sup>	26 509	(66 789)	26 509	(66 789)
Lease liability <sup>1</sup>	(25 225)	68 645	(25 225)	68 645
Assets on lease	(9 647)	3 304	(9 647)	3 304
Fair value adjustments of FVOCI financial investments	64	1 208	64	1 208
Impairment charges on loans and advances	3 367	12 553	3 367	12 553
Post-employment benefits	5 902	1 177	5 902	1 177
Provisions and other differences	(2 942)	(2 974)	(2 942)	(2 974)
<b>Deferred tax liability opening balance</b>	(26 025)			
<b>Temporary differences for the year:</b>	(368)	(26 025)		
Property, equipment and intangible assets	(13 464)	(47 600)		
Assessed loss	13 096	21 575		
<b>Net deferred tax balance at the end of the year</b>	(6 333)	(11 123)	20 060	14 902
<b>Temporary differences for the year comprise:</b>				
Recognised in profit or loss	1 579	28 015	1 948	28 015
Recognised in OCI (note 32.2)	3 211	(1 293)	3 210	(1 293)
Recognised on acquisition of subsidiary (note 40)		(26 025)		
<b>Total</b>	4 790	697	5 158	26 722

<sup>1</sup> Right-of-use assets and lease liability balances are disclosed separately. The 2022 disclosure was updated for comparability, but did not have an impact on the total balances.

## 14. Deposits and current accounts

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Deposits from banks</b>	410 665	1 813 588	433 139	1 813 588
<b>Deposits and current accounts from customers</b>	29 987 712	25 914 940	29 987 712	25 928 097
Current accounts	8 597 556	7 752 014	8 597 556	7 765 171
Cash management deposits	1 513 779	1 288 557	1 513 779	1 288 557
Card creditors	28 552	27 037	28 552	27 037
Call deposits	14 369 422	9 940 923	14 369 422	9 940 923
Savings accounts	610 247	603 177	610 247	603 177
Term deposits	2 924 839	3 018 670	2 924 839	3 018 670
Negotiable certificates of deposit	1 943 317	3 284 562	1 943 317	3 284 562
<b>Total</b>	30 398 377	27 728 528	30 420 851	27 741 685

## 15. Debt securities issued

Instrument name	Maturity date	Interest rate <sup>1</sup>	Carrying value <sup>2</sup>	Notional value <sup>2</sup>	Carrying value <sup>2</sup>	Notional value <sup>2</sup>
			2023 N\$'000	2023 N\$'000	2022 N\$'000	2022 N\$'000
<b>GROUP AND COMPANY</b>						
SBKN23	2023/10/26	Three month JIBAR + 88 bps			304 041	300 000
SBNA24	2024/05/24	Three month JIBAR + 115 bps	347 913	344 500	347 304	344 500
SBN02 <sup>3</sup>	2024/08/02	Three month JIBAR + 149 bps	319 083	314 000	318 133	314 000
SBNG25	2025/07/05	Three month JIBAR + 139 bps	204 688	200 000	203 792	200 000
SBNG27	2027/07/05	Three month JIBAR + 169 bps	204 833	200 000	203 937	200 000
SBNA26	2026/05/25	Three month JIBAR + 137 bps	157 035	155 500	156 851	155 500
SBKN26	2026/07/13	Three month JIBAR + 144 bps	302 857	296 500	301 633	296 500
SBN03 <sup>3</sup>	2026/08/03	Three month JIBAR + 176 bps	440 082	433 000	438 804	433 000
Subordinated debt <sup>4</sup>	2032/11/01	Three month JIBAR + 233 bps	254 466	250 000	253 757	250 000
			2 230 957	2 193 500	2 528 252	2 493 500

<sup>1</sup> Interest is paid quarterly.

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

<sup>3</sup> The debt securities are listed on the JSE.

<sup>4</sup> Basel III compliant tier 2 instrument which contain a contractual non-viability write-off feature qualifying as BoN regulatory capital. These liabilities are subordinated to the claims of depositors and other creditors of the issuer in the event of liquidation. The group and company did not have any defaults of principal or interest or other breaches with respect to its subordinated debt during the years ended 31 December 2022 and 2023.

## 16. Provisions and other liabilities

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Financial liabilities</b>	<b>984 175</b>	894 785	<b>980 049</b>	893 077
ECL for off-balance sheet exposures – guarantees and letters of credit	1 438	2 815	1 438	2 816
Lease liabilities (note 16.1)	389 181	468 008	389 181	468 008
Other liabilities and accruals <sup>1</sup>	593 556	423 962	589 430	422 253
<b>Non-financial liabilities</b>	<b>389 792</b>	341 372	<b>386 550</b>	338 331
Obligation toward post-employment benefits (note 34)	129 484	111 073	129 484	111 073
Other liabilities and accruals <sup>2</sup>	160 652	122 018	157 410	118 977
Staff-related accruals	99 656	108 281	99 656	108 281
<b>Total</b>	<b>1 373 967</b>	1 236 157	<b>1 366 599</b>	1 231 408

<sup>1</sup> Mainly comprise of unclaimed balances, accrued expenses and sundry creditors.

<sup>2</sup> Included in other non-financial liabilities are liabilities of a short-term nature such as VAT payable and sundry provisions. The group sundry provisions opening balance is N\$10.6 million (2022: N\$10.8 million) and closing balance is N\$39.8 million (2022: N\$10.6 million), resulting in a net provision raised of N\$29.2 million (2022: N\$0.2 million net release). The company sundry provisions opening balance is N\$10.6 million (2022: N\$10.8 million) and closing balance is N\$34.8 million (2022: N\$10.6 million), resulting in a net provision raised of N\$24.2 million (2022: N\$0.2 million net release).

## 16.1 Reconciliation of lease liabilities

	Balance 1 January 2023 N\$'000	Additions N\$'000	Modifications/ remeasure- ments N\$'000	Terminations/ cancellations N\$'000	Interest expense N\$'000	Payments <sup>1</sup> N\$'000	Balance at 31 December 2023 N\$'000
	<b>GROUP AND COMPANY</b>						
Buildings	443 465		(4 960)	(216)	21 614	(86 932)	372 971
Branches	24 144	6 873		(714)	986	(15 168)	16 121
ATM spacing and other	399				6	(316)	89
<b>Total</b>	<b>468 008</b>	<b>6 873</b>	<b>(4 960)</b>	<b>(930)</b>	<b>22 606</b>	<b>(102 416)</b>	<b>389 181</b>

	Balance at 1 January 2022 N\$'000	Additions N\$'000	Modifications/ remeasure- ments N\$'000	Terminations/ cancellations N\$'000	Interest expense N\$'000	Payments <sup>1</sup> N\$'000	Balance at 31 December 2022 N\$'000
	<b>GROUP AND COMPANY</b>						
Buildings	226 366		285 093		13 521	(81 515)	443 465
Branches	26 397	10 574	2 863		1 120	(16 810)	24 144
ATM spacing and other	730				14	(345)	399
<b>Total</b>	<b>253 493</b>	<b>10 574</b>	<b>287 956</b>		<b>14 655</b>	<b>(98 670)</b>	<b>468 008</b>

<sup>1</sup> These payments include the principal lease payments as disclosed in the statement of cash flows of N\$79.7 million for group and N\$79.8 million for company (2022: N\$83.9 million for group and company). The remainder is the interest expense paid during the year.

## 16. Provisions and other liabilities continued

## 16.2 Maturity analysis of discounted lease liabilities:

GROUP AND COMPANY	Within 1 year N\$'000	From 1 to 5 years N\$'000	After 5 years N\$'000	Total N\$'000
<b>2023</b>				
Buildings	66 805	306 166		372 971
Branches	7 557	8 564		16 121
ATM spacing and other	89			89
<b>Total</b>	<b>74 451</b>	<b>314 730</b>		<b>389 181</b>

GROUP AND COMPANY	Within 1 year N\$'000	From 1 to 5 years N\$'000	After 5 years N\$'000	Total N\$'000
<b>2022</b>				
Buildings	72 117	292 875	78 473	443 465
Branches	9 997	14 147		24 144
ATM spacing and other	399			399
<b>Total</b>	<b>82 513</b>	<b>307 022</b>	<b>78 473</b>	<b>468 008</b>

## Maturity analysis of undiscounted contractual cash flows:

GROUP AND COMPANY	Within 1 year N\$'000	From 1 to 5 years N\$'000	After 5 years N\$'000	Total N\$'000
<b>2023</b>				
Buildings	84 847	338 177		423 024
Branches	10 701	8 940		19 641
ATM spacing and other	88			88
<b>Total</b>	<b>95 636</b>	<b>347 117</b>		<b>442 753</b>

GROUP AND COMPANY	Within 1 year N\$'000	From 1 to 5 years N\$'000	After 5 years N\$'000	Total N\$'000
<b>2022</b>				
Buildings	80 226	319 040	79 684	478 950
Branches	12 505	14 605		27 110
ATM spacing and other	314			314
<b>Total</b>	<b>93 045</b>	<b>333 645</b>	<b>79 684</b>	<b>506 374</b>

The company leases various offices, branch spaces, parking and ATM spaces. Rental contracts are typically made for fixed average periods of between two to ten years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The 2022 modifications relate to the increase in the rent paid to Arleo Investments Sixteen (Proprietary) Limited. The 2023 modifications relate to the annual contractual increase in the rental payments. The additions during 2023 primarily related to new contracts entered for branch spaces that had expired and or early terminated.

 Refer to note 8 for the disclosure of the right-of-use asset and the related depreciation.

## 17. Classification of assets and liabilities

## Accounting classifications and fair values of assets and liabilities

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

Notes	FVTPL			FVOCI		Total fair value N\$'000	Amortised cost N\$'000	Other non-financial assets/ liabilities N\$'000	Total carrying amount N\$'000	Fair value <sup>1</sup> N\$'000
	Held-for-trading N\$'000	Designated at fair value N\$'000	Default N\$'000	Debt instruments N\$'000	Equity instruments N\$'000					
<b>GROUP</b>										
<b>2023</b>										
<b>Assets</b>										
Cash and balances with the central bank	1		914 637			914 637	753 318		1 667 955	1 667 955
Derivative assets	2	71 123				71 123			71 123	71 123
Trading assets	3	494 985				494 985			494 985	494 985
Financial investments	4		1 775 682	4 879 976		6 655 658	432 336		7 087 994	7 087 994
Loans and advances	5						27 558 701		27 558 701	27 496 345
Other financial assets <sup>2</sup>	6						139 518		139 518	
Other non-financial assets								1 921 141	1 921 141	
<b>Total assets</b>		<b>566 108</b>	<b>2 690 319</b>		<b>4 879 976</b>	<b>8 136 403</b>	<b>28 883 873</b>	<b>1 921 141</b>	<b>38 941 417</b>	
<b>Liabilities</b>										
Derivative liabilities	2	69 047				69 047			69 047	69 047
Trading liabilities	12	46 366				46 366			46 366	46 366
Deposits from banks	14						410 665		410 665	410 665
Deposits and current accounts from customers	14						29 987 712		29 987 712	29 959 454
Debt securities issued	15						2 230 957		2 230 957	2 228 865
Other financial liabilities <sup>2</sup>	16						984 175		984 175	
Other non-financial liabilities								416 185	416 185	
<b>Total liabilities</b>		<b>115 413</b>				<b>115 413</b>	<b>33 613 509</b>	<b>416 185</b>	<b>34 145 107</b>	
<b>COMPANY</b>										
<b>2023</b>										
<b>Assets</b>										
Cash and balances with the central bank	1		914 637			914 637	753 318		1 667 955	1 667 955
Derivative assets	2	71 123				71 123			71 123	71 123
Trading assets	3	494 985				494 985			494 985	494 985
Financial investments	4		1 775 682	4 879 976		6 655 658	432 336		7 087 994	7 087 994
Loans and advances	5						27 558 701		27 558 701	27 496 345
Other financial assets <sup>2</sup>	6						139 532		139 532	
Other non-financial assets								1 923 843	1 923 843	
<b>Total assets</b>		<b>566 108</b>	<b>2 690 319</b>		<b>4 879 976</b>	<b>8 136 403</b>	<b>28 883 887</b>	<b>1 923 843</b>	<b>38 944 133</b>	
<b>Liabilities</b>										
Derivative liabilities	2	69 047				69 047			69 047	69 047
Trading liabilities	12	46 366				46 366			46 366	46 366
Deposits from banks	14						433 139		433 139	433 139
Deposits and current accounts from customers	14						29 987 712		29 987 712	29 959 454
Debt securities issued	15						2 230 957		2 230 957	2 228 865
Other financial liabilities <sup>2</sup>	16						980 049		980 049	
Other non-financial liabilities								386 550	386 550	
<b>Total liabilities</b>		<b>115 413</b>				<b>115 413</b>	<b>33 631 857</b>	<b>386 550</b>	<b>34 133 820</b>	

<sup>1</sup> Carrying value has been used where it closely approximates fair value, excluding non-financial instruments. Refer to the fair value section in accounting policy 3 and key management assumptions for a description on how fair values are determined.

<sup>2</sup> The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature and the lease liability balance consists of the discounted rental expenses.

## 17. Classification of assets and liabilities continued

	Notes	FVTPL			FVOCI		Total fair value N\$'000	Amortised cost N\$'000	Other non-financial assets/liabilities N\$'000	Total carrying amount N\$'000	Fair value <sup>1</sup> N\$'000
		Held-for-trading N\$'000	Designated at fair value N\$'000	Default N\$'000	Debt instruments N\$'000	Equity instruments N\$'000					
<b>GROUP</b>											
<b>2022</b>											
<b>Assets</b>											
Cash and balances with the central bank	1			872 915			872 915	790 463		1 663 378	1 663 378
Derivative assets	2	138 917					138 917			138 917	138 917
Trading assets	3	474 621					474 621			474 621	474 621
Financial investments	4			1 135 239	3 703 511		4 838 750	39 415		4 878 165	4 878 165
Loans and advances	5							26 569 314		26 569 314	26 574 783
Other financial assets <sup>2</sup>	6							247 727		247 727	
Other non-financial assets									2 042 453	2 042 453	
<b>Total assets</b>		<b>613 538</b>		<b>2 008 154</b>	<b>3 703 511</b>		<b>6 325 203</b>	<b>27 646 919</b>	<b>2 042 453</b>	<b>36 014 575</b>	
<b>Liabilities</b>											
Derivative liabilities	2	140 763					140 763			140 763	140 763
Trading liabilities	12	36 799					36 799			36 799	36 799
Deposits from banks	14							1 813 588		1 813 588	1 813 588
Deposits and current accounts from customers	14							25 914 940		25 914 940	26 072 302
Debt securities issued	15							2 528 252		2 528 252	2 586 969
Other financial liabilities <sup>2</sup>	16							894 785		894 785	
Other non-financial liabilities									367 782	367 782	
<b>Total liabilities</b>		<b>177 562</b>					<b>177 562</b>	<b>31 151 565</b>	<b>367 782</b>	<b>31 696 909</b>	
<b>COMPANY</b>											
<b>2022</b>											
<b>Assets</b>											
Cash and balances with the central bank	1			872 915			872 915	790 463		1 663 378	1 663 378
Derivative assets	2	138 917					138 917			138 917	138 917
Trading assets	3	474 621					474 621			474 621	474 621
Financial investments	4			1 135 239	3 703 511		4 838 750	39 415		4 878 165	4 878 165
Loans and advances	5							26 569 314		26 569 314	26 574 783
Other financial assets <sup>2</sup>	6							249 301		249 301	
Other non-financial assets									2 017 996	2 017 996	
<b>Total assets</b>		<b>613 538</b>		<b>2 008 154</b>	<b>3 703 511</b>		<b>6 325 203</b>	<b>27 648 493</b>	<b>2 017 996</b>	<b>35 991 692</b>	
<b>Liabilities</b>											
Derivative liabilities	2	140 763					140 763			140 763	140 763
Trading liabilities	12	36 799					36 799			36 799	36 799
Deposits from banks	14							1 813 588		1 813 588	1 813 588
Deposits and current accounts from customers	14							25 928 097		25 928 097	26 072 302
Debt securities issued	15							2 528 252		2 528 252	2 586 969
Other financial liabilities <sup>2</sup>	16							893 077		893 077	
Other non-financial liabilities									338 331	338 331	
<b>Total liabilities</b>		<b>177 562</b>					<b>177 562</b>	<b>31 163 014</b>	<b>338 331</b>	<b>31 678 907</b>	

<sup>1</sup> Carrying value has been used where it closely approximates fair value, excluding non-financial instruments. Refer to the fair value section in accounting policy 3 and key management assumptions for a description on how fair values are determined.

<sup>2</sup> The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature and the lease liability balance consists of the discounted rental expenses.

## 18. Assets and liabilities at fair value

### 18.1 Financial assets and liabilities measured at fair value on a recurring basis<sup>1</sup>

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

GROUP AND COMPANY	2023				2022			
	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
<b>Assets</b>								
Cash and balances with the central bank	914 637			914 637	872 915			872 915
Derivative assets		71 123		71 123		138 917		138 917
Trading assets <sup>1</sup>		494 985		494 985		474 621		474 621
Financial investments	77 103	6 578 555		6 655 658	84 223	4 754 527		4 838 750
<b>Total</b>	<b>991 740</b>	<b>7 144 663</b>		<b>8 136 403</b>	<b>957 138</b>	<b>5 368 065</b>		<b>6 325 203</b>
<b>Liabilities</b>								
Derivative liabilities		69 047		69 047		140 763		140 763
Trading liabilities <sup>1</sup>		46 366		46 366		36 799		36 799
<b>Total</b>		<b>115 413</b>		<b>115 413</b>		<b>177 562</b>		<b>177 562</b>

<sup>1</sup> The classification of trading assets and trading liabilities were changed from level 1 to level 2, after the nature of the Namibian market was assessed. Consequently the adjustment was made to 2022 as well to maintain comparability.

### 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 (2022: N\$nil).

### Input and valuation techniques

		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	Broker quotes	Market discount rates and curves	Interest rate curve	Based on broker quotes	Level 2
	Money market funds	Broker quotes	Market discount rates and curves	JIBAR rate and spread	Based on broker quotes	Level 2

## 18. Assets and liabilities at fair value continued

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

#### 18.2.1 Fair value hierarchy of items for which fair value is disclosed

GROUP	2023				2022			
	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
<b>Assets</b>								
Cash and balances with the central bank	753 318			753 318	790 463			790 463
Financial investments	432 336			432 336	39 415			39 415
Loans and advances		27 496 345		27 496 345		26 574 783		26 574 783
<b>Total</b>	<b>1 185 654</b>	<b>27 496 345</b>		<b>28 681 999</b>	<b>829 878</b>	<b>26 574 783</b>		<b>27 404 661</b>
<b>Liabilities</b>								
Deposits from banks		410 665		410 665		1 813 588		1 813 588
Deposits and current accounts from customers		29 959 454		29 959 454		26 072 302		26 072 302
Debt securities issued		2 228 865		2 228 865		2 586 969		2 586 969
<b>Total</b>		<b>32 598 984</b>		<b>32 598 984</b>		<b>30 472 859</b>		<b>30 472 859</b>

COMPANY	2023				2022			
	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
<b>Assets</b>								
Cash and balances with the central bank	753 318			753 318	790 463			790 463
Financial investments	432 336			432 336	39 415			39 415
Loans and advances		27 496 345		27 496 345		26 574 783		26 574 783
<b>Total</b>	<b>1 185 654</b>	<b>27 496 345</b>		<b>28 681 999</b>	<b>829 878</b>	<b>26 574 783</b>		<b>27 404 661</b>
<b>Liabilities</b>								
Deposits from banks		433 139		433 139		1 813 588		1 813 588
Deposits and current accounts from customers		29 959 454		29 959 454		26 072 302		26 072 302
Debt securities issued		2 228 865		2 228 865		2 586 969		2 586 969
<b>Total</b>		<b>32 621 458</b>		<b>32 621 458</b>		<b>30 472 859</b>		<b>30 472 859</b>

The hierarchy of levels is explained below:

- Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group and 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.

### 18.3 Third-party credit enhancements

There were no significant liabilities measured at fair value that existed during the year which had been issued with inseparable third-party credit enhancements.

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

IFRS requires a financial asset and a financial liability to be offset and the net amount presented in the statement of financial position when, and only when, the group and company have 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.

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

GROUP AND COMPANY	Gross amount of recognised financial assets <sup>1</sup> N\$'000	Financial liabilities set off in the statement of financial position N\$'000	Net amount of financial assets subject to netting off agreements <sup>2</sup> N\$'000	Net amount N\$'000
<b>2023</b>				
<b>Assets</b>				
Derivative assets	21 087		21 087	21 087
Loans and advances <sup>3</sup>	356 346		356 346	356 346
	<b>377 433</b>		<b>377 433</b>	<b>377 433</b>
<b>2022</b>				
<b>Assets</b>				
Derivative assets	9 168		9 168	9 168
Loans and advances <sup>3</sup>	154 547		154 547	154 547
	<b>163 715</b>		<b>163 715</b>	<b>163 715</b>

GROUP AND COMPANY	Gross amount of recognised financial liabilities <sup>1</sup> N\$'000	Financial assets set off in the statement of financial position N\$'000	Net amount of financial liabilities subject to netting off agreements <sup>2</sup> N\$'000	Net amount N\$'000
<b>2023</b>				
<b>Liabilities</b>				
Derivative liabilities	5 640		5 640	5 640
Deposits and current accounts <sup>3</sup>	622 462		622 462	622 462
	<b>628 102</b>		<b>628 102</b>	<b>628 102</b>
<b>2022</b>				
<b>Liabilities</b>				
Derivative liabilities	18 280		18 280	18 280
Deposits and current accounts <sup>3</sup>	534 334		534 334	534 334
	<b>552 614</b>		<b>552 614</b>	<b>552 614</b>

<sup>1</sup> 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 an enforceable master netting arrangement or a similar agreement, irrespective of whether the IFRS offsetting criteria is met.

<sup>2</sup> Related amounts not offset in the statement of financial position that are subject to an enforceable master netting arrangement or similar agreement.

<sup>3</sup> This relates to the cash management accounts that allow holding companies (or central treasury functions) to manage the cash flows of its group by linking the current accounts of multiple legal entities within a group, subject to an enforceable master netting arrangement (or similar agreement).

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

The table below sets out the nature of agreements and the types of rights relating to items which do not qualify for offsetting 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 agreement	The agreement allows for offsetting in the event of default.
Loans and advances	Customer agreement and Banking Institutions Act	In the event of liquidation or bankruptcy, offsetting shall be enforceable subject to all applicable laws and regulations.
Deposits and debt funding	Customer agreement and Banking Institutions Act	In the event of liquidation or bankruptcy, offsetting shall be enforceable subject to all applicable laws and regulations.

The above disclosures, including comparatives, have been included from 2023. There was no impact on the balances in the primary statements and related notes.

## 20. Maturity analysis of assets

### 20.1 Financial assets

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

GROUP	Notes	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
<b>2023</b>						
Cash and balances with the central bank <sup>1</sup>	1	1 667 955				1 667 955
Derivative assets	2		71 123			71 123
Trading assets	3		494 985			494 985
Financial investments	4	1 775 683	4 940 185	363 666	8 460	7 087 994
Gross loans and advances	5	9 822 492	4 566 427	5 295 656	8 716 536	28 401 111
Other financial assets <sup>2</sup>			139 518			139 518
		<b>13 266 130</b>	<b>10 212 238</b>	<b>5 659 322</b>	<b>8 724 996</b>	<b>37 862 686</b>
<b>2022</b>						
Cash and balances with central bank <sup>1</sup>	1	1 663 378				1 663 378
Derivative assets	2		138 917			138 917
Trading assets	3		474 621			474 621
Financial investments	4	1 135 239	3 627 971	72 372	42 583	4 878 165
Gross loans and advances	5	7 380 278	4 403 783	6 265 460	9 281 576	27 331 097
Other financial assets <sup>2</sup>			247 727			247 727
		<b>10 178 895</b>	<b>8 893 019</b>	<b>6 337 832</b>	<b>9 324 159</b>	<b>34 733 905</b>

<sup>1</sup> On demand cash and balances with the central bank includes notes and coins.

<sup>2</sup> The maturity of other financial assets was corrected to the "Maturing within 1 year" bucket for the current year. The 2022 maturity was also corrected, but this did not have an impact on any amounts included within other financial assets.

**20. Maturity analysis of assets** continued**20.1 Financial assets** continued

COMPANY	Notes	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
<b>2023</b>						
Cash and balances with the central bank <sup>1</sup>	1	1 667 955				1 667 955
Derivative assets	2		71 123			71 123
Trading assets	3		494 985			494 985
Financial investments	4	1 775 683	4 940 185	363 666	8 460	7 087 994
Gross loans and advances	5	9 822 492	4 566 427	5 295 656	8 716 536	28 401 111
Other financial assets <sup>2</sup>			139 532			139 532
		<b>13 266 130</b>	<b>10 212 252</b>	<b>5 659 322</b>	<b>8 724 996</b>	<b>37 862 700</b>
<b>2022</b>						
Cash and balances with the central bank <sup>1</sup>	1	1 663 378				1 663 378
Derivative assets	2		138 917			138 917
Trading assets	3		474 621			474 621
Financial investments	4	1 135 239	3 627 971	72 372	42 583	4 878 165
Gross loans and advances	5	7 380 278	4 403 783	6 265 460	9 281 576	27 331 097
Other financial assets <sup>2</sup>			249 301			249 301
		<b>10 178 895</b>	<b>8 894 593</b>	<b>6 337 832</b>	<b>9 324 159</b>	<b>34 735 479</b>

<sup>1</sup> On demand cash and balances with the central bank includes notes and coins.

<sup>2</sup> The maturity of other financial assets was corrected to the "Maturing within 1 year" bucket for the current year. The 2022 maturity was also corrected, but this did not have an impact on any amounts included within other financial assets.

**20. Maturity analysis of assets** continued**20.2 Non-financial assets**

The following table discloses the maturity of the group and company's non-financial assets on a contractual discounted basis.

GROUP	Notes	Less than 12 months after reporting period N\$'000	More than 12 months after reporting period N\$'000	Total N\$'000
<b>2023</b>				
Normal tax asset <sup>1</sup>		92 228		92 228
Property, equipment and right-of-use assets <sup>1</sup>	8	168 957	550 067	719 024
Intangible assets <sup>1</sup>	9	59 951	376 672	436 623
Deferred tax asset	13	14 902	5 158	20 060
Properties in possession <sup>2</sup>	40	439 255		439 255
Other assets	6	213 951		213 951
		<b>989 244</b>	<b>931 897</b>	<b>1 921 141</b>
<b>2022</b>				
Normal tax asset <sup>1</sup>		49 448		49 448
Property, equipment and right-of-use assets <sup>1</sup>	8	187 865	634 987	822 852
Intangible assets <sup>1</sup>	9	52 400	416 154	468 554
Deferred tax asset	13	(11 820)	26 722	14 902
Properties in possession <sup>2</sup>		491 154		491 154
Other assets	6	195 543		195 543
		<b>964 590</b>	<b>1 077 863</b>	<b>2 042 453</b>

<sup>1</sup> During 2023 the group assessed the disclosure of the maturity of normal tax asset, property, equipment and right-of-use assets and intangible assets and enhanced the disclosure to split out the balances maturing less than 12 months after the reporting period. The 2022 disclosure was also updated for comparability. There was no impact on the total balances.

<sup>2</sup> The disclosure of the maturity of property in possession was assessed to be 12 months. The 2022 disclosure was also updated for comparability. There was no impact on the total balances.

## 20. Maturity analysis of assets continued

### 20.2 Non-financial assets continued

COMPANY	Notes	Less than 12 months after reporting period N\$'000	More than 12 months after reporting period N\$'000	Total N\$'000
<b>2023</b>				
Normal tax asset <sup>1</sup>		91 830		91 830
Interests in subsidiaries	7		411 087	411 087
Property, equipment and right-of-use assets <sup>1</sup>	8	168 957	550 067	719 024
Intangible assets <sup>1</sup>	9	59 951	376 672	436 623
Deferred tax	13	14 902	5 158	20 060
Properties in possession		31 268		31 268
Other assets	6	213 951		213 951
		<b>580 859</b>	<b>1 342 984</b>	<b>1 923 843</b>
<b>2022</b>				
Normal tax asset <sup>1</sup>		49 447		49 447
Interests in subsidiaries	7		438 177	438 177
Property, equipment and right-of-use assets <sup>1</sup>	8	187 865	634 987	822 852
Intangible assets <sup>1</sup>	9	52 400	416 154	468 554
Deferred tax	13	(11 820)	26 722	14 902
Properties in possession		28 520		28 520
Other assets	6	195 543		195 543
		<b>501 955</b>	<b>1 516 040</b>	<b>2 017 995</b>

<sup>1</sup> During 2023 the company assessed the disclosure of the maturity of normal tax asset, property, equipment and right-of-use assets and intangible assets and enhanced the disclosure to split out the balances maturing less than 12 months after the reporting period. The 2022 disclosure was also updated for comparability. There was no impact on the total balances.

## 21. Maturity analysis of liabilities

### 21.1 Financial liabilities

The following table discloses the maturity of the group and company's financial liabilities on a contractual discounted basis.

GROUP	Notes	On demand N\$'000	Maturing within 1 month N\$'000	Maturing between 1 to 6 months N\$'000	Maturing between 6 to 12 months N\$'000	Maturing after 12 months N\$'000	Total N\$'000
<b>2023</b>							
Derivative liabilities	2		31 708	27 449	9 890		69 047
Trading liabilities	12		12 574	28 654	5 138		46 366
Deposits and current accounts	14	25 572 476	1 120 630	2 642 242	597 065	465 964	30 398 377
Debt securities issued	15			347 913	319 083	1 563 961	2 230 957
Other financial liabilities			599 908	28 351	36 161	319 755	984 175
		<b>25 572 476</b>	<b>1 764 820</b>	<b>3 074 609</b>	<b>967 337</b>	<b>2 349 680</b>	<b>33 728 922</b>
<b>2022</b>							
Derivative liabilities	2	1 402	30 909	108 452			140 763
Trading liabilities	12		8 075	25 942	2 782		36 799
Deposits and current accounts	14	21 592 305	319 444	2 512 200	2 426 957	877 622	27 728 528
Debt securities issued	15				304 041	2 224 211	2 528 252
Other financial liabilities			434 405	33 805	40 062	386 513	894 785
		<b>21 593 707</b>	<b>792 833</b>	<b>2 680 399</b>	<b>2 773 842</b>	<b>3 488 346</b>	<b>31 329 127</b>

COMPANY	Notes	On demand N\$'000	Maturing within 1 month N\$'000	Maturing between 1 to 6 months N\$'000	Maturing between 6 to 12 months N\$'000	Maturing after 12 months N\$'000	Total N\$'000
<b>2023</b>							
Derivative liabilities	2		31 708	27 449	9 890		69 047
Trading liabilities	12		12 574	28 654	5 138		46 366
Deposits and current accounts	14	25 594 950	1 120 630	2 642 242	597 065	465 964	30 420 851
Debt securities issued	15			347 913	319 083	1 563 961	2 230 957
Other financial liabilities			595 782	28 351	36 161	319 755	980 049
		<b>25 594 950</b>	<b>1 760 694</b>	<b>3 074 609</b>	<b>967 337</b>	<b>2 349 680</b>	<b>33 747 270</b>
<b>2022</b>							
Derivative liabilities	2	1 402	30 909	108 452			140 763
Trading liabilities	12		8 075	25 942	2 782		36 799
Deposits and current accounts	14	21 605 462	319 444	2 512 200	2 426 957	877 622	27 741 685
Debt securities issued	15				304 041	2 224 211	2 528 252
Other financial liabilities			432 696	33 805	40 062	386 514	893 077
		<b>21 606 864</b>	<b>791 124</b>	<b>2 680 399</b>	<b>2 773 842</b>	<b>3 488 347</b>	<b>31 340 576</b>

 Refer to Annexure B for funding and liquidity risk information.

## 21. Maturity analysis of liabilities continued

### 21.2 Non-financial liabilities

The following table discloses the maturity of the group and company's non-financial liabilities on a contractual discounted basis.

GROUP	Notes	Less than 12 months after reporting period	More than 12 months after reporting period	Total
		N\$'000	N\$'000	
<b>2023</b>				
Provisions and other liabilities	16	260 308	129 484	389 792
Deferred tax liability	13		61 064	61 064
		<b>260 308</b>	<b>190 548</b>	<b>450 856</b>
<b>2022</b>				
Provisions and other liabilities	16	230 299	111 073	341 372
Deferred tax liability	13		47 600	47 600
Normal tax liability		385		385
		230 684	158 673	389 357

### 21.2 Non-financial liabilities

COMPANY	Notes	Less than 12 months after reporting period	More than 12 months after reporting period	Total
		N\$'000	N\$'000	
<b>2023</b>				
Provisions and other liabilities	16	257 066	129 484	386 550
		<b>257 066</b>	<b>129 484</b>	<b>386 550</b>
<b>2022</b>				
Provisions and other liabilities	16	227 258	111 073	338 331
		227 258	111 073	338 331

## 22. Unrecognised financial liabilities, contingent liabilities and commitments

### 22.1 Unrecognised financial liabilities

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Letters of credit <sup>1</sup>	43 440	134 412	43 440	134 412
Guarantees	1 859 899	1 677 317	1 859 899	1 677 317
Unutilised borrowing facilities	2 223 438	2 981 232	2 223 438	2 981 232
<b>Total</b>	<b>4 126 777</b>	<b>4 792 961</b>	<b>4 126 777</b>	<b>4 792 961</b>

<sup>1</sup> Refer to note 30 for the impairment disclosure.

### 22.2 Capital commitments

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Contractual capital expenditures	18 577	11 531	18 577	11 531
<b>Total</b>	<b>18 577</b>	<b>11 531</b>	<b>18 577</b>	<b>11 531</b>

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

### 22.3 Lease commitments

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

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Low value assets and short-term leases</b>				
Within one year	7 701	7 083	7 701	7 083
After one year but within five years	13 726	6 767	13 726	6 767
<b>Total</b>	<b>21 427</b>	<b>13 850</b>	<b>21 427</b>	<b>13 850</b>

### 22.4 Legal proceedings

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

**23. Interest income**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Effective interest rate income on:</b>				
Financial investments	378 031	234 257	378 031	234 257
Loans and advances	2 997 899	2 122 549	2 997 807	2 122 444
Interest income on credit impaired financial assets	38 036	101 552	38 036	101 552
<b>Total</b>	<b>3 413 966</b>	<b>2 458 358</b>	<b>3 413 874</b>	<b>2 458 253</b>
<b>Comprising:</b>				
Interest income on items measured at amortised cost	3 035 935	2 224 101	3 035 843	2 223 996
Interest income on items measured at FVOCI	378 031	234 257	378 031	234 257

**24. Interest expense**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Interest on current accounts	100 478	49 141	101 254	49 141
Interest on savings and deposit accounts	188 155	122 251	188 155	122 251
Interest on lease liabilities	22 606	14 655	22 606	14 655
Interest on other interest-bearing liabilities <sup>1</sup>	1 260 348	789 783	1 260 348	789 783
<b>Total</b>	<b>1 571 587</b>	<b>975 830</b>	<b>1 572 363</b>	<b>975 830</b>
<b>Comprising:</b>				
Interest expense on lease liabilities	22 606	14 655	22 606	14 655
Interest expense on items measured at amortised cost	1 548 981	961 175	1 549 757	961 175

<sup>1</sup> Includes interest expense charges relating to the JSE listed bonds detailed in note 15.

**25. Fee and commission revenue**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Account transaction fees	302 652	276 938	302 660	276 938
Card-based commission	298 732	279 836	298 732	279 836
Electronic banking fees	371 568	380 987	371 568	380 987
Foreign currency service fees	34 041	27 560	34 041	27 560
Documentation and administration fees	88 144	89 032	88 144	89 032
Custody fees	24 735	29 487	24 735	29 487
Trustees and executors' fees	6 346	6 705	6 346	6 705
Arrangement fees	17 971	16 743	17 971	16 743
Guarantees commission	14 916	17 470	14 916	17 470
Other <sup>1</sup>	43 334	31 148	43 334	31 148
<b>Total</b>	<b>1 202 439</b>	<b>1 155 906</b>	<b>1 202 447</b>	<b>1 155 906</b>

<sup>1</sup> Other primarily comprises of fee and commission revenue earned on sundry services such as arrangement and agency fees as well as guarantee and commitment commissions.

All fee and commission revenue reported above relates to financial assets or liabilities not carried at FVTPL for the group and company.

**26. Fee and commission expense**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Account transaction fees	12 122	14 720	12 122	14 720
Card-based commission	150 731	135 201	150 731	135 201
Documentation and administration fees	88 684	88 417	88 657	88 413
Electronic banking fees	43 654	35 952	43 654	35 952
Other fees		1		1
<b>Total</b>	<b>295 191</b>	<b>274 291</b>	<b>295 164</b>	<b>274 287</b>

All fee and commission expenses reported above relate to financial assets or liabilities not carried at FVTPL for the group and company.

**27. Trading revenue**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Foreign exchange gains	156 802	117 484	156 802	117 484
Net fair value adjustments on held-for-trading financial assets	41 708	32 694	41 708	32 694
<b>Total</b>	<b>198 510</b>	<b>150 178</b>	<b>198 510</b>	<b>150 178</b>

**28. Other revenue**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Property-related revenue	55 797	26 458	2 938	578
Other non-banking related revenue	7 032	3 698	6 111	3 585
<b>Total</b>	<b>62 829</b>	<b>30 156</b>	<b>9 049</b>	<b>4 163</b>

**29. Other gains on financial instruments**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Fair value gains on financial instruments measured at FVTPL – default	101 555	72 084	101 555	72 084
<b>Total</b>	<b>101 555</b>	<b>72 084</b>	<b>101 555</b>	<b>72 084</b>

**30. Credit impairment charges**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Net ECL raised:</b>	<b>201 163</b>	202 457	<b>201 163</b>	202 457
Financial investments (note 4)	3 394	(359)	3 394	(359)
Loans and advances (note 5.2)	199 161	203 098	199 161	203 098
Letters of credit, bank acceptances and guarantees (note 22.1)	(1 392)	(282)	(1 392)	(282)
Recoveries on loans and advances previously written off	(37 750)	(41 244)	(37 750)	(41 244)
<b>Total</b>	<b>163 413</b>	161 213	<b>163 413</b>	161 213

Cash and balances with central bank, financial investments, other financial assets, and off-balance sheet exposures as detailed in notes 1, 4, 6 and Annexure B, reflect balances where the company transacted with counterparties with minimal credit risk for the purpose of impairment assessment.

**31. Operating expenses**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Auditor's remuneration	20 336	10 295	11 293	9 922
Audit fees	19 069	9 678	10 026	9 305
Other services <sup>1</sup>	1 267	617	1 267	617
Amortisation (note 9)	59 951	52 400	59 951	52 400
Communication expense	15 307	13 307	15 267	13 287
Depreciation (note 8)	168 956	187 865	168 956	187 865
IT expenses	361 076	259 879	361 038	259 872
Operating lease rentals <sup>2</sup>	13 844	19 122	13 714	15 230
Professional fees	178 686	177 162	165 833	171 987
Profit on sale of property and equipment and modifications/ terminations of leases	(1 129)	(3 538)	(1 129)	(3 538)
Impairment loss on property and equipment (note 8)	675	1 775	675	1 775
Premises costs	57 524	48 319	44 423	42 950
Staff costs <sup>3</sup>	820 514	781 477	819 459	781 186
Salaries and allowances	737 304	698 038	736 249	697 747
Post-employment benefits – pension – defined contribution plan (note 34)	66 780	67 749	66 780	67 749
Post-employment benefits – medical expenses (note 34)	16 430	15 690	16 430	15 690
Other expenses <sup>4</sup>	245 703	134 030	215 078	131 159
<b>Total</b>	<b>1 941 443</b>	1 682 093	<b>1 874 558</b>	1 664 095

<sup>1</sup> All fees for services paid to the group and company's auditors were considered and approved by the board audit committee in terms of its non-audit services policy.

<sup>2</sup> This relates to low value and short term lease payments.

<sup>3</sup> See Annexure C for details of the directors' remuneration.

<sup>4</sup> Other expenses mainly comprise marketing and advertising expenses, operational risk losses, security expenses, travel and entertainment expenses and expenses relating to properties in possession written down to net realisable value (note 40.1).

**32. Taxation**  
**32.1 Indirect taxation**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Value-added tax (VAT) <sup>1</sup>	39 892	20 699	39 892	20 699
Duties and other	8 716	8 067	8 716	8 153
<b>Total</b>	<b>48 608</b>	28 766	<b>48 608</b>	28 852

<sup>1</sup> The group and company earn certain amounts of VAT exempt income which result in these amounts of VAT input not being able to be claimed from the revenue authorities

**32.2 Direct taxation**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Normal taxation</b>	<b>287 170</b>	278 586	<b>280 928</b>	275 284
Current year charge	292 349	253 699	286 107	250 397
Prior year (credit)/charge	(5 179)	24 887	(5 179)	24 887
<b>Deferred taxation</b>	<b>(1 579)</b>	(28 015)	<b>(1 948)</b>	(28 015)
Current year credit	(2 570)	(28 015)	(2 939)	(28 015)
Prior year charge	991		991	
<b>Total</b>	<b>285 591</b>	250 571	<b>278 980</b>	247 269

**Income tax recognised in OCI**

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

GROUP AND COMPANY	Tax (charge)/credit		
	Before tax N\$'000	N\$'000	After tax N\$'000
<b>2023</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Change in fair value of FVOCI debt financial assets – IFRS 9	1 255	64	1 319
<b>Items that may not be subsequently reclassified to profit or loss</b>			
Change in fair value of post-employment benefit obligations	(9 834)	3 147	(6 687)
<b>Total OCI tax credit</b>	<b>(8 579)</b>	<b>3 211</b>	<b>(5 368)</b>
<b>2022</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Change in fair value of FVOCI debt financial assets – IFRS 9	(3 121)	1 208	(1 913)
<b>Items that may not be subsequently reclassified to profit or loss</b>			
Change in fair value of post-employment benefit obligations	7 816	(2 501)	5 315
<b>Total OCI tax charge</b>	<b>4 695</b>	<b>(1 293)</b>	<b>3 402</b>

**32. Taxation continued****Namibian tax rate reconciliation**

	GROUP				COMPANY			
	2023 %	2023 N\$'000	2022 %	2022 N\$'000	2023 %	2023 N\$'000	2022 %	2022 N\$'000
<b>Direct taxation – statutory rate</b>	<b>32.0</b>	<b>306 898</b>	32.0	238 236	<b>32.0</b>	<b>310 825</b>	32.0	235 618
Permanent differences	<b>(2.2)</b>	<b>(21 307)</b>	1.7	12 335	<b>(3.2)</b>	<b>(31 845)</b>	1.6	11 651
Non-taxable income – dividends	<b>(3.7)</b>	<b>(35 356)</b>	(1.8)	(13 737)	<b>(3.6)</b>	<b>(35 356)</b>	(1.9)	(13 737)
Non-deductible expenses	<b>0.1</b>	<b>496</b>	0.1	500	<b>0.1</b>	<b>487</b>	0.1	500
Impairment of investment in subsidiary					<b>0.9</b>	<b>8 669</b>		
Properties in possession written down to net realisable value	<b>1.8</b>	<b>17 338</b>			<b>(0.6)</b>	<b>(5 645)</b>		
Other	<b>(0.4)</b>	<b>(3 785)</b>	3.4	25 572	<b>(0.6)</b>	<b>(5 645)</b>	3.4	24 888
<b>Effective direct taxation rate</b>	<b>29.8</b>	<b>285 591</b>	33.7	250 571	<b>28.8</b>	<b>278 980</b>	33.6	247 269

**33. Statement of cash flows notes****33.1 Cash flows from operations**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Net income before indirect tax	<b>1 007 665</b>	773 255	<b>1 019 937</b>	765 159
Impairment of investment in subsidiary			<b>27 090</b>	
Depreciation of property, equipment and right-of-use assets (note 8)	<b>168 956</b>	187 865	<b>168 956</b>	187 865
Impairment of property, equipment and right-of-use assets (note 8)	<b>675</b>	1 775	<b>675</b>	1 775
Amortisation of intangible assets (note 9)	<b>59 951</b>	52 400	<b>59 951</b>	52 400
Foreign exchange differences on cash and cash equivalents	<b>(38 840)</b>	148 012	<b>(38 850)</b>	148 012
ECL raised (note 30)	<b>201 163</b>	202 457	<b>201 163</b>	202 457
Properties in possession written down to net realisable value	<b>54 647</b>			
Unwinding of discount element on loans and advances	<b>(97 394)</b>	(94 805)	<b>(97 394)</b>	(94 805)
Movement in interest income accruals	<b>82 027</b>	34 611	<b>82 030</b>	34 611
Movement in interest expense accruals	<b>23 088</b>	(8 704)	<b>23 088</b>	(8 704)
Movement in staff-related accruals	<b>(8 625)</b>	21 375	<b>(8 625)</b>	21 375
Interest benefit on staff loans	<b>8 200</b>	8 825	<b>8 200</b>	8 825
Accrued interest on subordinated debt securities	<b>709</b>	2 576	<b>709</b>	2 576
Accrued interest on senior debt securities	<b>1 996</b>	14 553	<b>1 996</b>	14 553
Fair value adjustments	<b>(71 447)</b>	(19 374)	<b>(71 447)</b>	(19 376)
Indirect taxation (note 32.1)	<b>(48 608)</b>	(28 766)	<b>(48 608)</b>	(28 852)
Profit on disposal of property and equipment (note 33.6)	<b>(860)</b>	(3 538)	<b>(860)</b>	(3 538)
Gain on modifications/terminations of leases	<b>(269)</b>		<b>(270)</b>	
<b>Total</b>	<b>1 343 034</b>	1 292 517	<b>1 327 741</b>	1 284 333

**33.2 (Increase)/decrease in income-earning assets**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Financial investments	<b>(2 182 229)</b>	750 131	<b>(2 182 229)</b>	750 131
Trading assets	<b>22 493</b>	179 417	<b>22 493</b>	179 417
Loans and advances <sup>1</sup>	<b>296 899</b>	(1 310 802)	<b>296 899</b>	(1 310 802)
Properties in possession	<b>(2 748)</b>	(1 685)	<b>(2 748)</b>	(3 628)
Derivative assets	<b>67 795</b>	(65 592)	<b>67 795</b>	(65 592)
Other assets	<b>81 601</b>	(16 015)	<b>83 161</b>	(17 818)
<b>Total</b>	<b>(1 716 189)</b>	(464 546)	<b>(1 714 629)</b>	(468 292)

<sup>1</sup> Excludes on-demand gross loans and advances to banks that qualifies as cash and cash equivalents (note 33.10).

**33.3 Increase/(decrease) in deposits and other liabilities**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Deposit and current accounts	<b>2 646 761</b>	(948 152)	<b>2 656 078</b>	(934 995)
Trading liabilities	<b>9 567</b>	(18 956)	<b>9 567</b>	(18 956)
Derivative liabilities	<b>(71 715)</b>	70 187	<b>(71 715)</b>	70 187
Other liabilities	<b>216 687</b>	90 747	<b>214 202</b>	86 602
<b>Total</b>	<b>2 801 300</b>	(806 174)	<b>2 808 132</b>	(797 162)

**33. Statement of cash flows notes** continued**33.4 Cash payments to suppliers and employees**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Cash payments to suppliers	(1 026 418)	(678 919)	(1 041 906)	(687 290)
Cash payments to employees	(820 939)	(751 278)	(819 884)	(750 986)
<b>Total</b>	<b>(1 847 357)</b>	<b>(1 430 197)</b>	<b>(1 861 790)</b>	<b>(1 438 276)</b>

**33.5 Direct taxation paid**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Normal tax at beginning of the year	49 063	163 714	49 447	163 714
<b>Other non-cash movements</b>				
Recognised in profit or loss and other comprehensive income	(287 170)	(278 586)	(280 928)	(275 284)
Normal tax at end of the year	(92 228)	(49 063)	(91 830)	(49 447)
<b>Total</b>	<b>(330 335)</b>	<b>(163 935)</b>	<b>(323 311)</b>	<b>(161 017)</b>

**33.6 Proceeds from the sale of property and equipment**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Net book value of disposals	1 478	1 603	1 478	1 603
Profit on disposal	860	3 538	860	3 538
<b>Total</b>	<b>2 338</b>	<b>5 141</b>	<b>2 338</b>	<b>5 141</b>

**33.7 Dividends paid**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Dividend paid during the year	(189 454)	(57 504)	(189 454)	(57 504)
<b>Total</b>	<b>(189 454)</b>	<b>(57 504)</b>	<b>(189 454)</b>	<b>(57 504)</b>

**33.8 Reconciliation of senior debt**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Balance at the beginning of the year	2 274 495	1 859 942	2 274 495	1 859 942
Senior debt issued		400 000		400 000
Senior debt redeemed	(300 000)		(300 000)	
Accrued finance movements	1 996	14 553	1 996	14 553
<b>Balance at the end of the year</b>	<b>1 976 491</b>	<b>2 274 495</b>	<b>1 976 491</b>	<b>2 274 495</b>

**33. Statement of cash flows notes** continued**33.9 Reconciliation of subordinated debt**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Balance at the beginning of the year	253 757	101 181	253 757	101 181
Subordinated debt issued		250 000		250 000
Subordinated debt redeemed		(100 000)		(100 000)
Accrued finance movements	709	2 576	709	2 576
<b>Balance at the end of the year</b>	<b>254 466</b>	<b>253 757</b>	<b>254 466</b>	<b>253 757</b>

**33.10 Cash and cash equivalents**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Cash and cash balances with the central bank (note 1)	1 667 955	1 663 378	1 667 955	1 663 378
On demand gross loans and advances to banks (note 5.1)	4 581 427	3 110 196	4 581 427	3 110 196
<b>Total</b>	<b>6 249 382</b>	<b>4 773 574</b>	<b>6 249 382</b>	<b>4 773 574</b>

**34. Post-employment benefits**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Amount recognised as a liability in the statement of financial position</b>				
Post-employment healthcare benefit medical aid	129 484	111 073	129 484	111 073
<b>Amounts recognised as expenses in profit and loss for the year</b>				
Retirement fund	66 780	62 241	66 780	62 241
Post-employment healthcare benefit medical aid	16 430	15 690	16 430	15 690
	83 210	77 931	83 210	77 931

**34.1 Retirement fund**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 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 November 2023 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.				
<b>Employer's contribution for the year</b>	<b>62 370</b>	<b>62 241</b>	<b>62 370</b>	<b>62 241</b>

### 34. Post-employment benefits continued

#### 34.2 Post-employment healthcare benefits

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Post-employment medical scheme</b>				
The liability represents a post-employment healthcare benefit scheme that covers all employees who joined on or before 1 March 2009. The liability is unfunded and is valued every year using the projected unit credit method. The latest full statutory actuarial valuation was performed on 31 December 2023.				
Expected premiums to post-employment medical schemes for the year ending 31 December 2024 are N\$6.6 million.				
<b>Movement in the present value of defined medical scheme benefit obligation</b>				
<b>Balance at beginning of the year</b>	<b>111 073</b>	107 365	<b>111 073</b>	107 365
Current service cost	<b>2 526</b>	2 945	<b>2 526</b>	2 945
Interest cost	<b>13 904</b>	12 745	<b>13 904</b>	12 745
Remeasurement of post-employment benefit obligations relating to change in actuarial assumptions	<b>9 834</b>	(7 816)	<b>9 834</b>	(7 816)
Change in financial assumptions	<b>(6 007)</b>	(16 200)	<b>(6 007)</b>	(16 200)
Change in demographic assumptions	<b>10 732</b>	6 383	<b>10 732</b>	6 383
Change in health care cost inflation	<b>5 477</b>	1 784	<b>5 477</b>	1 784
Change in medical aid plans and income bands	<b>(368)</b>	217	<b>(368)</b>	217
Contributions by employer	<b>(7 853)</b>	(4 166)	<b>(7 853)</b>	(4 166)
<b>Balance at end of the year</b>	<b>129 484</b>	111 073	<b>129 484</b>	111 073
<b>Consisting of:</b>				
Present value of unfunded obligations	<b>129 484</b>	111 073	<b>129 484</b>	111 073
<b>Obligation recognised in the statement of financial position</b>	<b>129 484</b>	111 073	<b>129 484</b>	111 073
<b>The amounts recognised in profit or loss are determined as follows:</b>				
Current service cost	<b>2 526</b>	2 945	<b>2 526</b>	2 945
Interest cost	<b>13 904</b>	12 745	<b>13 904</b>	12 745
<b>Included in staff costs</b>	<b>16 430</b>	15 690	<b>16 430</b>	15 690
<b>The amounts recognised in statements of other comprehensive income</b>				
Remeasurement of post-employment benefit obligations relating to changes in actuarial assumptions, before tax	<b>(9 834)</b>	7 816	<b>(9 834)</b>	7 816
<b>The principal actuarial assumptions used for accounting purposes were:</b>				
Discount rate (%)	<b>14.32</b>	12.84	<b>14.32</b>	12.84
Medical inflation (%)	<b>10.28</b>	9.16	<b>10.28</b>	9.16
Remaining service life of employees (years)	<b>18.0 – 22.5</b>	18.0 – 22.5	<b>18.0 – 22.5</b>	18.0 – 22.5
<b>Mortality rates used:</b>				
During employment: SA85-90 (Light) ultimate table				
Post-employment: PA (90) ultimate table rated down two years plus 1% improvement per annum (from a base year of 2006).				
<b>Current active employee members:</b>				
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	<b>226</b>	246	<b>226</b>	246
Average age (years)	<b>46</b>	45	<b>46</b>	45
<b>Current pensioner members:</b>				
Details of the current pensioner members belonging to the medical aid fund are as follows:				
Number of employees	<b>134</b>	117	<b>134</b>	117
Average age (years)	<b>67</b>	67	<b>67</b>	67

### 34. Post-employment benefits continued

#### Sensitivity analysis

GROUP AND COMPANY		% change in obligation		% change in aggregate of service and interest costs	
		2023	2022	2023	2022
Assumption	Change in assumption				
Healthcare cost inflation:	1% increase	<b>13.50</b>	14.60	<b>14.60</b>	15.30
	1% decrease	<b>(11.30)</b>	(12.00)	<b>(12.40)</b>	(13.70)
Mortality rate:	PA (90)-1	<b>2.80</b>	2.90	<b>2.60</b>	2.20
Discount rate:	1% increase	<b>(11.10)</b>	(11.90)	<b>(6.80)</b>	(7.70)
	1% decrease	<b>13.60</b>	14.60	<b>7.50</b>	7.70

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 group and company are 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 group and company post-employment medical obligation is linked to inflation, and higher inflation will lead to higher liabilities.
Life expectancy	The group and 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.

## 35. Related party disclosures

### 35.1 Parent

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

### 35.2 Subsidiary

Refer to note 7 and Annexure A for further disclosure on investments in subsidiaries.

### 35.3 Key management personnel

Key management personnel has been defined as directors of the SBN Holdings Limited group 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 dependents of the individual or the individual's domestic partner.

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Key management compensation</b>				
Salaries and other short-term benefits	49 162	34 613	49 162	34 613
IFRS 2 value of share options and rights expensed	2 461	1 612	2 461	1 612
	<b>51 623</b>	36 225	<b>51 623</b>	36 225
The transactions below are entered into in the normal course of business.				
<b>Loans and advances<sup>1</sup></b>				
Loans outstanding at beginning of the year	27 279	23 531	27 279	23 531
Additions from change in key management structures	11 021		11 021	
Net loans granted during the year	4 507	3 748	4 507	3 748
<b>Loans outstanding at end of the year</b>	<b>42 807</b>	27 279	<b>42 807</b>	27 279
<b>Deposit and current accounts<sup>2</sup></b>				
Deposits outstanding at beginning of the year	1 718	4 752	1 718	4 752
Additions from change in key management structures	3 849		3 849	
Net deposits withdrawn during the year	(826)	(3 034)	(826)	(3 034)
<b>Deposits outstanding at end of the year</b>	<b>4 741</b>	1 718	<b>4 741</b>	1 718

<sup>1</sup> Loans include mortgage loans, vehicle and asset finance and credit cards. All loans and advances in respect of loans granted to key management in the current or prior year follow the normal credit processes of the group and company. No impairments have been recognised 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.

<sup>2</sup> Deposits include cheque, current and savings accounts.

Interest received on loans and advances, and interest paid on deposit and current accounts is in the ordinary course of business, except for staff loans which are charged at preferential rates.

## 35. Related party disclosures continued

### 35.4 (Purchase)/rendering of services

	Relationship	Type	GROUP		COMPANY	
			2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
The Standard Bank of South Africa Limited (SBSA)	Fellow subsidiary	Royalty fees	(95 772)	(77 377)	(95 772)	(77 377)
SBSA	Fellow subsidiary	Information technology	(109 116)	(90 631)	(109 116)	(90 631)
SBSA	Fellow subsidiary	License fees	(9 660)	(17 217)	(9 660)	(17 217)
SBSA	Fellow subsidiary	Other services	5 704	5 103	5 704	5 103
SBSA	Fellow subsidiary	Training	(590)	(886)	(590)	(886)
Standard Insurance Brokers (Namibia) (Proprietary) Limited	Fellow subsidiary	Other services	673	819	673	819
Stanfin (Namibia) (Proprietary) Limited	Fellow subsidiary	Other services	625	447	625	447
Spearment Investments (Proprietary) Limited	Subsidiary	Other Services			2 063	2 604
Mobicash Payment Solutions (Proprietary) Limited	Fellow subsidiary	Payment solution fees	(15 056)	(8 231)	(15 056)	(8 231)
Arleo Investment Sixteen (Proprietary) Limited	Fellow subsidiary	Rent paid	(84 635)	(80 689)	(84 635)	(80 689)
			<b>(307 827)</b>	(268 662)	<b>(305 764)</b>	(266 058)

### 35.5 Commissions and dividends received/(paid)

	Relationship	Type	GROUP		COMPANY	
			2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
SBSA	Fellow subsidiary	Commission paid	(11 470)	(12 442)	(11 470)	(12 442)
SBSA	Fellow subsidiary	Commission received	18	465	18	465
Stanfin (Namibia) (Proprietary) Limited	Fellow subsidiary	Commission paid	(554)	(653)	(554)	(653)
Mobicash Payment Solutions (Proprietary) Limited	Fellow subsidiary	Commission received	5 316	15 827	5 316	15 827
SBN Holdings Limited	Parent company	Dividends paid	(189 454)	(57 504)	(189 454)	(57 504)
			<b>(196 144)</b>	(54 307)	<b>(196 144)</b>	(54 307)

### 35. Related party disclosures continued

#### 35.6 Interest income/(expense)

	Relationship	Type	GROUP		COMPANY	
			2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
SBSA	Fellow subsidiary	Interest income	325 630	86 691	325 630	86 691
SBSA	Fellow subsidiary	Interest expense	(63 875)	(55 771)	(63 875)	(55 771)
Arleo Investment Sixteen (Proprietary) Limited	Fellow subsidiary	Interest income	66 851	52 233	66 851	52 233
			328 606	83 153	328 606	83 153

#### 35.7 Trading income

	Relationship	Type	GROUP		COMPANY	
			2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
SBSA	Fellow subsidiary	Trading income	66 298	107 641	66 298	107 641
			66 298	107 641	66 298	107 641

#### 35.8 Contributions to funds

	Relationship	Type	GROUP		COMPANY	
			2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Standard Bank Namibia Pension Fund	Defined contribution plan	Contributions	62 370	62 241	62 370	62 241
			62 370	62 241	62 370	62 241

#### Transfer pricing arrangements for 2023 and 2022

The group and company entered into various transfer pricing agreements with other SBGL subsidiaries. These agreements have all been entered into on an arm's length basis in accordance with the pricing principles contained in the Organisation for Economic Co-operation and Development Guidelines and relevant domestic legislation. The nature of the agreements are such that the related parties performing relevant functions, assuming relevant risks and utilising relevant assets in the day-to-day business activities of the group and company, are compensated on an arm's length basis. The differing levels of the integrated business model in relation to functional, risk and asset profile and in accordance with the nature of the agreement, resulted in payments being made by both SBSA and fellow subsidiaries during the 2023 and 2022 financial years.

### 35. Related party disclosures continued

#### 35.9 Related party year end balances

	Relationship	Type	GROUP		COMPANY	
			2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Receivables from related parties</b>						
SBSA	Fellow subsidiary	Loans and advances	2 500 182	1 545 004	2 500 182	1 545 004
Stanbic Bank Botswana Limited	Fellow subsidiary	Loans and advances	85		85	
Stanbic Bank Zambia Limited	Fellow subsidiary	Loans and advances	168	261	168	261
Stanbic Bank Kenya Limited	Fellow subsidiary	Loans and advances	244	35	244	35
Standard Bank (Mauritius) Limited	Fellow subsidiary	Loans and advances	558 251		558 251	
Arleo Investments Sixteen (Proprietary) Limited	Fellow subsidiary	Loans and advances	600 000	600 000	600 000	600 000
SBSA	Fellow subsidiary	Derivatives	33 066	41 052	33 066	41 052
SBSA	Fellow subsidiary	Other assets	5 362	6 931	5 362	6 931
Stanbic Bank Zimbabwe Limited	Fellow subsidiary	Other assets	90	90	90	90
Standard Bank (Mauritius) Limited	Fellow subsidiary	Other assets	39	36	39	36
Stanbic Bank Botswana Limited	Fellow subsidiary	Other assets	15		15	
Standard Insurance Brokers (Namibia) (Proprietary) Limited	Fellow subsidiary	Other assets	690	200	690	200
Stanfin (Namibia) (Proprietary) Limited	Fellow subsidiary	Other assets	1 449	1 013	1 449	1 013
Arleo Investments Sixteen (Proprietary) Limited	Fellow subsidiary	Other assets	10 000	28 624	10 000	28 624
Spearmint Investments (Proprietary) Limited	Subsidiary	Other assets			4 656	2 604
Purros Investment (Proprietary) Limited	Employee share trust	Other assets		156		156
			3 709 641	2 223 402	3 714 297	2 226 006

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.

**35. Related party disclosures** continued  
**35.9 Related party year end balances** continued

	Relationship	Type	GROUP		COMPANY	
			2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Payables to related parties</b>						
SBSA	Fellow subsidiary	Deposits and debt funding	112 402	1 242 229	112 402	1 242 229
Stanbic Bank Botswana Limited	Fellow subsidiary	Deposits and debt funding		48		48
Standard Bank Angola, S.A.	Fellow subsidiary	Deposits and debt funding	1 599	12	1 599	12
Stanbic Bank Zambia Limited	Fellow subsidiary	Deposits and debt funding	12	19	12	19
Arleo Investments Sixteen (Proprietary) Limited	Fellow subsidiary	Deposits and debt funding	23 136	22 886	23 136	22 886
Stanfin (Namibia) (Proprietary) Limited	Fellow subsidiary	Deposits and debt funding	2 723		2 723	
Spearmint Investments (Proprietary) Limited	Subsidiary	Deposits and debt funding			22 668	
Standard Insurance Brokers (Namibia) (Proprietary) Limited	Fellow subsidiary	Deposits and debt funding	36 311		36 311	
SBSA	Fellow subsidiary	Derivatives	38 573	100 729	38 573	100 729
SBSA	Fellow subsidiary	Other liabilities	88 338	9 261	88 338	9 261
Standard Insurance Brokers (Namibia) (Proprietary) Limited	Fellow subsidiary	Other liabilities		47		47
Spearmint Investments (Proprietary) Limited	Subsidiary	Other liabilities			1 944	1 944
Stanbic Bank Zimbabwe Limited	Fellow subsidiary	Other liabilities	60	60	60	60
SBSA	Fellow subsidiary	Subordinated debt	254 466	253 757	254 466	253 757
			<b>557 620</b>	<b>1 629 048</b>	<b>582 232</b>	<b>1 630 992</b>

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.

**36. Equity-linked transactions**  
**36.1 Share-based payments**

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

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Summary of the company's share incentive schemes and expenses recognised in staff costs:</b>				
Deferred bonus schemes	4 410	5 509	4 410	5 509
<b>Total expense recognised in staff costs</b>	<b>4 410</b>	<b>5 509</b>	<b>4 410</b>	<b>5 509</b>
<b>Summary of liabilities recognised in other liabilities:</b>				
Deferred bonus schemes	6 506	9 515	6 506	9 515
<b>Total liability recognised in other liabilities</b>	<b>6 506</b>	<b>9 515</b>	<b>6 506</b>	<b>9 515</b>

**36.2 Equity compensation plans**

The group has two equity compensation plans, namely the Group 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 SBGL share price at the date the option is granted. The EGS 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.

**36.2.1 Equity-settled share-based payments**

**GSIS**

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

	Number of rights	
	2023	2022
<b>Options outstanding at beginning of the year</b>	<b>195</b>	195
Lapsed	(195)	
<b>Options outstanding at the end of the year</b>		195

The weighted average share price for the year was ZAR177.59 (2022: ZAR161.11).

The following options granted to employees, including executive directors, had not been exercised at 31 December 2023:

Number of ordinary shares	Option price	Weighted average price	Option expiry year
195	98.8	98.8	Year to 31 December 2023

**36. Equity-linked transactions** continued**36.3 Cash compensation plans****36.3.1 Cash-settled share-based payments**

All employees granted an annual performance award over a threshold and who is in employment in a company entity domicile outside of South Africa have part of their award deferred. In addition, the group 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 SBGL 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 payout is determined with reference to SBGL share price on vesting date.

2023 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	165.57	2.51	37 056	21 038	(17 707)	(11 809)		28 578
XOF	142.00	2.51	82 824	18 619	(80 815)			20 628
ZAR			3 118		(3 118)			

2022 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	143.65	2.51	48 869	18 966	(30 779)			37 056
XOF					(59 576)		142 400	82 824
ZAR			4 359		(1 241)			3 118

**36.3.2 Deferred bonus scheme (DBS)**

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

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

The purpose of the 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 group's share price and accrues notional dividends during the vesting year, which are payable on vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final payout is determined with reference to the group's share price on vesting date.

			Units	
			2023	2022
<b>Reconciliation</b>				
<b>Units outstanding at beginning of the year</b>			<b>2 397</b>	
Awarded				1 310
Transferred between group companies <sup>1</sup>				4 373
Exercised			(617)	(3 286)
Forfeited			(1 371)	
<b>Units outstanding at end of the year</b>			<b>409</b>	2 397
Weighted average fair value at grant date				N\$143.65
Expected life (years)				2.51

<sup>1</sup> This was included in the "Awarded" units in the 2022 financial statements, but was split out for more accurate comparative disclosure.

**36. Equity-linked transactions** continued**36.4 Performance reward plan (PRP)**

The PRP is a 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 SBGL'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	
			2023	2022
<b>Movement summary</b>				
<b>Units outstanding at beginning of the year</b>			<b>13 200</b>	24 200
Condition bonus			<b>3 300</b>	
Exercised			<b>(16 500)</b>	
Lapsed				(11 000)
<b>Units outstanding at end of the year</b>				13 200
Weighted average fair value at grant date				N\$152.64
Expected life (years)				3.07

**37. 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:

# Segmental structure for client segments and solutions

## CLIENT SEGMENTS

The client segments are responsible for designing and executing the client value proposition strategy. Client segments own the client relationship and create multi-product customer experiences to address life events distributed through our client engagement platforms.

### PERSONAL AND PRIVATE BANKING

The Personal and Private Banking (PPB) segment offers tailored and comprehensive banking, investment, insurance and beyond financial solutions. We serve clients across Namibia ranging from high net worth, affluent, and main market by enabling their daily lives throughout their life journeys.

### BUSINESS & COMMERCIAL BANKING

The Business & Commercial Banking (BCB) segment provides broad based client solutions for a wide spectrum of small- and medium-sized businesses as well as large commercial enterprises. Our client coverage support extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enable their growth.

### CORPORATE & INVESTMENT BANKING

The Corporate & Investment Banking (CIB) client segment serves large companies (multinational, regional and domestic), governments, parastatals and institutional clients. Our clients leverage our in-depth sector and regional expertise, our specialist capabilities and our access to global capital markets for advisory, transactional, trading and funding support.

**37. Segment reporting continued**

## FINANCIAL SOLUTIONS

### BANKING

<b>Home services</b> Residential accommodation financing solutions, including related value added services.	<b>Vehicle and asset finance</b> Comprehensive finance solutions in instalment credit, fleet management and related services across our retail, corporate and business markets.	<b>Card and payments</b> Credit card facilities to individuals and businesses.  Merchant acquiring services.  Enablement of digital payment capabilities through various products and platforms.  Mobile money and cross-border businesses.
<b>Retail lending</b> Comprehensive suite of lending products provided to individuals and small- and medium-sized businesses.	<b>Retail transactional</b> Comprehensive suite of transactional, savings, payment and liquidity management solutions.	
<b>Investment banking</b> Full suite of advisory and financing solutions, from term lending to structured and specialised products across equity and debt capital markets.	<b>Transactional products and services</b> Comprehensive suite of cash management, international trade finance, working capital and investor services solutions.	<b>Global markets</b> Trading and risk management solutions across financial markets, including foreign exchange, money markets, interest rates, equities, credit and commodities.

### INSURANCE

<b>Financial advisory and brokerage service activities:</b> <ul style="list-style-type: none"> <li>Short-term: Homeowners' insurance, household contents, vehicle insurance and commercial all risk insurance.</li> </ul>	<ul style="list-style-type: none"> <li>Long-term: Life, disability, funeral cover and loan protection plans offered in conjunction with related banking products.</li> </ul>
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### WEALTH MANAGEMENT AND TRUST ADMINISTRATION SERVICES

<ul style="list-style-type: none"> <li>Wealth management, passive investments, international investments, structured products and social impact investing.</li> </ul>	<ul style="list-style-type: none"> <li>Integrated fiduciary services including fiduciary advice, will drafting and custody services as well as trust and estate administration.</li> </ul>
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### CENTRAL AND OTHER

<ul style="list-style-type: none"> <li>Group hedging activities.</li> <li>Unallocated capital.</li> </ul>	<ul style="list-style-type: none"> <li>Liquidity earnings.</li> <li>Central costs.</li> </ul>
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**37. Segment reporting continued****Scope of operations continued**

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

	PPB		BCB		CIB		Central & Other		Total	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Net interest income	876 771	751 065	351 148	266 242	663 728	486 062	(49 268)	(20 841)	1 842 379	1 482 528
Inter-segment revenue	18 105	13 106	7 569	12 285	(25 674)	(25 391)	(5 675)	(18 651)	1 270 142	1 134 033
Non-interest revenue	599 876	601 215	228 765	168 376	447 176	383 093	(5 675)	(18 651)	1 270 142	1 134 033
Net fee and commission revenue	597 554	609 924	168 739	154 847	146 746	135 617	(5 790)	(18 773)	907 249	881 615
Trading revenue	(1)	(13 106)		(12 285)	198 511	175 568			198 510	150 177
Other revenue	2 323	4 397	60 026	25 814	364	(174)	115	120	62 828	30 157
Other gains and losses on financial instruments					101 555	72 082		2	101 555	72 084
<b>Total net income</b>	<b>1 494 752</b>	<b>1 365 386</b>	<b>587 482</b>	<b>446 903</b>	<b>1 085 230</b>	<b>843 764</b>	<b>(54 943)</b>	<b>(39 492)</b>	<b>3 112 521</b>	<b>2 616 561</b>
Credit impairment charges	(74 205)	(101 300)	(98 987)	(55 280)	9 779	(4 633)			(163 413)	(161 213)
<b>Income after credit impairment charges</b>	<b>1 420 547</b>	<b>1 264 086</b>	<b>488 495</b>	<b>391 623</b>	<b>1 095 009</b>	<b>839 131</b>	<b>(54 943)</b>	<b>(39 492)</b>	<b>2 949 108</b>	<b>2 455 348</b>
Operating expenses	(1 047 656)	(966 964)	(551 536)	(420 056)	(460 615)	(384 086)	118 364	89 013	(1 941 443)	(1 682 093)
Amortisation and depreciation	(102 652)	(109 972)	(6 903)	(6 858)	(5 846)	(6 028)	(113 506)	(117 407)	(228 907)	(240 265)
IT expenses	(119 343)	(98 582)	(4 677)	(3 332)	(37 519)	(28 091)	(199 537)	(129 874)	(361 076)	(259 879)
Staff costs	(323 051)	(305 724)	(87 106)	(84 923)	(47 210)	(42 143)	(363 147)	(348 688)	(820 514)	(781 478)
Professional fees	(54 440)	(52 214)	(31 689)	(24 102)	(34 539)	(27 433)	(58 018)	(73 413)	(178 686)	(177 162)
Other	(448 170)	(400 472)	(421 161)	(300 841)	(335 501)	(280 391)	852 572	758 394	(352 260)	(223 310)
<b>Net income/(loss) before indirect taxation</b>	<b>372 891</b>	<b>297 122</b>	<b>(63 041)</b>	<b>(28 433)</b>	<b>634 394</b>	<b>455 045</b>	<b>63 421</b>	<b>49 521</b>	<b>1 007 665</b>	<b>773 255</b>
Indirect taxation	(23 220)	(8 768)	(5 123)	(1 059)	(1 888)	(3 534)	(18 377)	(15 405)	(48 608)	(28 766)
<b>Profit/(loss) before direct taxation</b>	<b>349 671</b>	<b>288 354</b>	<b>(68 164)</b>	<b>(29 492)</b>	<b>632 506</b>	<b>451 511</b>	<b>45 044</b>	<b>34 116</b>	<b>959 057</b>	<b>744 489</b>
Direct taxation	(118 652)	(94 987)	7 797	(237)	(160 384)	(128 448)	(14 352)	(26 899)	(285 591)	(250 571)
<b>Profit/(loss) for the year</b>	<b>231 019</b>	<b>193 367</b>	<b>(60 367)</b>	<b>(29 729)</b>	<b>472 122</b>	<b>323 063</b>	<b>30 692</b>	<b>7 216</b>	<b>673 466</b>	<b>493 918</b>
<b>Operating information</b>										
Total assets	14 679 163	15 765 990	3 049 693	3 421 925	19 331 463	16 542 718	1 881 098	283 942	38 941 417	36 014 575
Total liabilities	4 649 564	4 537 894	5 388 409	5 036 123	22 863 068	21 167 418	1 244 066	955 474	34 145 107	31 696 909
<b>Other information</b>										
Depreciation	(58 475)	(70 171)	(6 724)	(6 678)	(121)	(303)	(103 636)	(110 713)	(168 956)	(187 865)
Amortisation	(44 177)	(39 801)	(180)	(180)	(5 725)	(5 725)	(9 869)	(6 694)	(59 951)	(52 400)

Where reporting responsibility for individual cost centres and divisions within segments change, the segmental analyses' comparative figures are restated accordingly. This does not have any impact on the group or company's total figures.

**38. Dividends**

	GROUP		COMPANY	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
<b>Ordinary dividends</b>				
Final dividend declared	189 454		189 454	
Interim dividend declared		57 504		57 504
<b>Total dividends recognised in the statement of changes in equity</b>	<b>189 454</b>	<b>57 504</b>	<b>189 454</b>	<b>57 504</b>

A final dividend of 10 798 cents per ordinary share was declared on 12 March 2024, bringing the total dividends declared in respect of 2023 profits earned to 10 798 cents per share (2022: total dividends of 12 347 cents per share).

**39. Events after the reporting period**

No material subsequent events occurred between the year end and the date of signing of the financial statements.

## 40. Acquisition of subsidiaries

### 40.1 Acquisition of Spearmint

During 2022, the company acquired 100% shareholding in Spearmint, a property holding company that owns 100% of the total issued share capital of the property investment entities listed in Annexure A. This acquisition was as a result of a debt settlement transaction and represents the recovery of the corresponding credit impaired loans and advances provided to the counterparty. The effective date of the transaction was 3 August 2022.

Management performed an assessment to determine whether this was a business combination in terms of IFRS 3 or an asset acquisition. Management elected to apply the optional asset concentration test described in IFRS 3. In applying the asset concentration test, an entity determines whether all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If so, the set is not considered a business. Based on the assessment performed, substantially all of the fair value of the gross assets acquired by the group is concentrated in a single asset or group of similar assets (investment properties), the asset concentration test in terms of paragraph B7B of IFRS 3 was met and as a result, the group accounted for the acquisition as that of a group of assets. Since the group controls Spearmint, the group has consolidated Spearmint.

The fair value of the shares at initial recognition in the property companies in the company's stand-alone financial statements was determined in line with the requirements of IFRS 13 Fair Value. Management expert valuers were used by the group to provide guidance on the measurement of the fair value of the shares in Spearmint. The investment in Spearmint is subsequently measured at cost, in line with the current accounting policy. The cost at acquisition date represents the fair value of the underlying property companies.

ECL was raised on the loans receivable from the counterparty to the extent that loans receivable exceeded the fair value loans of the collateral, as determined by management expert valuers. The loans receivable and ECL were then derecognised and the investments in Spearmint's shares recognised at this value at a subsidiary level.

In the consolidated financial statements, the assets of the property investment entities are accounted for as properties in possession, being the fair value of the properties acquired as set out above. The properties in possession is subsequently measured in line with the current accounting policy, as set out in Annexure D.

	COMPANY
	2022 N\$'000
<b>Purchase consideration:</b>	
Settlement of loans and advances	438 175
<b>Total non-cash consideration</b>	<b>438 175</b>
<b>The assets and liabilities recognised as a result of the acquisition are as follows:</b>	
Properties in possession	464 577
Other assets	227
Deferred tax liability	(26 025)
Other liabilities	(604)
<b>Net assets acquired</b>	<b>438 175</b>

All assets and liabilities were considered to be fairly valued at acquisition date.

 Further information on the subsidiaries are disclosed in Annexure A.

## 40. Acquisition of subsidiaries (continued)

### Properties in possession

The acquisition of Spearmint caused a significant increase in the group's 2022 properties in possession value, as indicated in the table below:

	GROUP	
	2023 N\$'000	2022 N\$'000
Properties in possession balance at the beginning of the year	491 154	24 892
Properties in possession acquired as part of the Spearmint transaction		464 577
Write down to net realisable value	<b>(54 647)</b>	
Other movements during the year	<b>2 748</b>	1 685
<b>Properties in possession balance at the end of the year</b>	<b>439 255</b>	491 154

### 40.2 Valuation of Spearmint property companies

During 2023, management expert valuers were used by the group to provide guidance on the measurement of the fair value of the underlying property companies of Spearmint. Details on key management assumptions used to determine the fair values are disclosed in the key management assumptions section. The property companies' fair values were determined to be lower than the current carrying value, resulting in downward fair value adjustments. Since the value of Standard Bank's investment in Spearmint is linked to the fair value of the underlying property companies, the investment was impaired as indicated below. The recoverable amount of the investment in Spearmint is the higher of the fair value less costs of disposal and value in use, and this was determined to be the fair value less costs of disposal. The fair value of the underlying property companies was determined using significant unobservable inputs and therefore falls within the level 3 fair value hierarchy.

	COMPANY	
	2023 N\$'000	2022 N\$'000
Investment in Spearmint shares at cost	438 175	438 175
Impairment	<b>(27 090)</b>	
<b>Net investment in Spearmint shares</b>	<b>411 085</b>	438 175

## ANNEXURE A – SUBSIDIARIES

Nature of operation	Issued share capital N\$	Effective holding		Net indebtedness	
		2023 %	2022 %	2023 N\$'000	2022 N\$'000
<b>Subsidiaries of Standard Bank Namibia</b>					
Standard Bank Nominees (Proprietary) Limited	2	100	100		
Safe custodian Property holding company					
Spearmint Investments (Proprietary) Limited	100	100	100		
<b>Subsidiaries of Spearmint Investments (Proprietary) Limited</b>					
Ardeco Accommodation (Proprietary) Limited	100	100	100		
Property investment					
Arleo Investments 27 (Proprietary) Limited	100	100	100		
Property investment					
Arleo Investments 28 (Proprietary) Limited	100	100	100		
Property investment					
Arleo Investments 29 (Proprietary) Limited	100	100	100		
Property investment					
Arleo Investments 30 (Proprietary) Limited	100	100	100		
Property investment					
Arleo Investments 31 (Proprietary) Limited	100	100	100		
Property investment					
Arleo Investments 32 (Proprietary) Limited	100	100	100		
Property investment					
Arleo Investments 33 (Proprietary) Limited	100	100	100		
Property investment					
Arleo Investments 34 (Proprietary) Limited	100	100	100		
Property investment					
Arleo Investments 35 (Proprietary) Limited	100	100	100		
Property investment					
Arleo Investments 36 (Proprietary) Limited	100	100	100		
Property investment					
Anastasis Property One (Proprietary) Limited	100	100	100		
Property investment					
Anastasis Property Two (Proprietary) Limited	100	100	100		
Property investment					
Anastasis Property Three (Proprietary) Limited	100	100	100		
Property investment					
Anastasis Property Four (Proprietary) Limited	100	100	100		
Property investment					
Anastasis Property Five (Proprietary) Limited	100	100	100		
Property investment					
Anastasis Property Six (Proprietary) Limited	100	100	100		
Property investment					
Anastasis Property Seven (Proprietary) Limited	100	100	100		
Property investment					
Anastasis Property Eight (Proprietary) Limited	100	100	100		
Property investment					
Anastasis Property Nine (Proprietary) Limited	100	100	100		
Property investment					
Ardeco Investments (Proprietary) Limited	100	100	100		
Property investment					
Graham Town 228 (Proprietary) Limited	100	100	100		
Property investment					
Graham Town 269 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 01 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 02 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 08 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 09 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 11 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 13 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 14 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 15 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 16 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 20 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 21 (Proprietary) Limited	100	100	100		
Property investment					

Nature of operation	Issued share capital N\$	Effective holding		Net indebtedness	
		2023 %	2022 %	2023 N\$'000	2022 N\$'000
Tenbergen Investments 23 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 24 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 26 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 29 (Proprietary) Limited	100	100	100		
Property investment					
Tenbergen Investments 31 (Proprietary) Limited	100	100	100		
Property investment					
Imandra Investments (Proprietary) Limited	100	100	100		
Property investment					
Reger Park Property Number One (Proprietary) Limited	100	100	100		
Property investment					
Reger Park Property Number Two (Proprietary) Limited	100	100	100		
Property investment					
Reger Park Property Number Three (Proprietary) Limited	100	100	100		
Property investment					
Reger Park Property Number Four (Proprietary) Limited	100	100	100		
Property investment					
Fish Eagle Real Estate 69 (Proprietary) Limited	100	100	100		
Property investment					
Fish Eagle Real Estate 70 (Proprietary) Limited	100	100	100		
Property investment					
Fish Eagle Real Estate 71 (Proprietary) Limited	100	100	100		
Property investment					
Fish Eagle Real Estate 72 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 05 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 13 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 14 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 15 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 16 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 17 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 22 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 23 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 24 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 25 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 26 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 27 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 30 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 39 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 40 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 44 (Proprietary) Limited	100	100	100		
Property investment					
Monte Piana Investments 45 (Proprietary) Limited	100	100	100		
Property investment					
African Precast Concrete Industries (Proprietary) Limited	100	100	100		
Property investment					
Barleo Investments Eight (Proprietary) Limited	100	100	100		
Property investment					
Barleo Investments Ten (Proprietary) Limited	100	100	100		
Property investment					
Barleo Investments Eleven (Proprietary) Limited	100	100	100		
Property investment					
Barleo Investments Fourteen (Proprietary) Limited	100	100	100		
Property investment					
Barleo Investments Twenty Three (Proprietary) Limited	100	100	100		
Property investment					
Barleo Investments Twenty Four (Proprietary) Limited	100	100	100		
Property investment					

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

## ANNEXURE B – RISK AND CAPITAL MANAGEMENT

### Overview

#### Capital management

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

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

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

#### Risk management

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

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

#### Climate-related financial risks

Standard Bank Namibia recognises the immense scale of the present and future expected environmental, social and economic impacts of climate change. Exposure to the risks associated with climate change arise for the company both in respect of its own activities and operations, but more materially through the transmission of climate risk drivers into credit, market, reputational and other risk exposures from the lending to, investing in and otherwise transacting with clients and counterparties. Two distinct climate risk drivers are recognised as primary sources of these risks for Standard Bank Namibia.

Firstly, the risk of financial loss arising through increasing severity and frequency of physical climate risk drivers. Such drivers may be more frequent and extreme climate change related weather events such as storms, wildfires, and other physical hazards. Such drivers may be more chronic longer term changes in climate, such as drought, rising sea levels and average temperature rises.

Secondly, the risk of financial loss arising through transition risk drivers, being changes associated with microeconomic (individual and corporate level) and macroeconomic (economy and country level) adjustments made in transitioning to a lower carbon emissions economy and business operating model. Such drivers include climate related changes in policies, legislation and regulations, changes due to technology improvements that support transition to a lower carbon economy, changes in market demand for products and services that support the transition, and reputational risks associated with changing customer preferences. The current and future expected costs, including for possible stranded assets that do not deliver an economic return because of changes associated with a transition to a lower carbon economy, are higher for clients and counterparties of the company that operate in sectors that are more vulnerable to these transition risk drivers.

#### Physical risks

Acute physical risks such as more frequent and more intense extreme weather events, pose a risk to Standard Bank Namibia's own operations and those of its customers in sectors Standard Bank Namibia has identified as being vulnerable, including agriculture and others. Chronic physical risks such as rising average temperatures and changing precipitation patterns over the medium to long term, that lead to heat stress, droughts, higher wildfire risks and water shortages, may impact Standard Bank Namibia's clients in affected sectors including mining, industrial, manufacturing and agriculture through water shortages, labour productivity, economic output and occupational health.

#### Capital management

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

The main regulatory requirements to be complied with are those specified in the Banking Institutions 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.

**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.

### BASEL III REGULATORY CAPITAL (UNAUDITED)

	GROUP	
	2023 N\$'000	2022 N\$'000
<b>Tier 1</b>		
Ordinary share capital and premium	594 100	594 100
Ordinary shareholders' reserves	3 765 621	3 044 173
	<b>4 359 721</b>	3 638 273
<b>Less: regulatory adjustments</b>	<b>(586 167)</b>	(594 498)
Intangible assets	(436 623)	(468 554)
Deferred tax asset	(20 060)	(14 902)
Defined benefit pension fund assets and liabilities	(129 484)	(111 042)
<b>CET 1 capital/tier 1 capital</b>	<b>3 773 554</b>	3 043 775
<b>Tier 2</b>		
Subordinated debt	250 000	250 000
Current unappropriated profits	673 466	489 038
General allowance for credit impairments	269 760	275 730
	<b>1 193 226</b>	1 014 768
<b>Total eligible capital (including unappropriated profits)</b>	<b>4 966 780</b>	4 058 543

### CAPITAL ADEQUACY RATIOS (UNAUDITED)

	Minimum regulatory requirement %	Target ratio %	Including unappropriated profits		Excluding unappropriated profits	
			2023 %	2022 %	2023 %	2022 %
<b>Group</b>						
Total capital adequacy ratio	10	>11.5	<b>17.84</b>	15.63	<b>15.61</b>	14.22
Tier 1 capital adequacy ratio	7	>8.5	<b>15.78</b>	13.60	<b>13.11</b>	11.72
Tier 1 leverage ratio	6	>6.8	<b>9.91</b>	9.56	<b>8.24</b>	8.24

### BASEL III RISK-WEIGHTED ASSETS (UNAUDITED)

	GROUP	
	2023 N\$'000	2022 N\$'000
Credit risk	21 580 806	22 071 697
Market risk	17 898	717 964
Operational risk	3 583 385	3 178 996
<b>Total risk-weighted assets</b>	<b>25 182 089</b>	25 968 657

# CREDIT RISK

## Definition

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

## Approach to managing and measuring credit risk

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

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

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

Credit risk is managed through:

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

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

## Credit risk mitigation

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

Collateral, parental guarantees, credit derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit risk mitigation policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used. In the case of collateral where the group has an unassailable legal title, the group's policy is such that collateral is required to meet certain criteria for recognition in LGD modelling, including that it:

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

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

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

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

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

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

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

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

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

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

## 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 small and medium-sized enterprises (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 group's master rating scale. Exposures within stage 1 and 2 are rated between 1 – 25 in terms of the group's master rating scale. The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable home services, VAF, card, personal, business lending and other product portfolios. The group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 – 25-point master rating scale.

### Default

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

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

The group will not rebut IFRS 9's 90 DPD rebuttable presumption.

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

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

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

## MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY

GROUP	Gross carrying amount N\$'000	SB 1 – 12		SB 13 – 20		SB 21- 25		Default	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 – stage 3 N\$'000	Gross default coverage %	Non-performing exposures %
		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						
<b>2023</b>														
<b>Loans and advances at amortised cost</b>														
Home services	11 341 479			8 577 573		1 561 464	1 202 442		1 202 442	915 268	54 776	232 398	24	11
Vehicle and asset finance	3 001 340			2 716 524		202 237	82 579		82 579	14 307		67 992	82	3
Card and payments	141 333			131 702		7 219	2 412		2 412	386		2 026	84	2
Other loans and advances	2 687 024			2 238 227		190 949	257 848		257 848	78 248	47 302	119 789	65	10
Personal unsecured lending	1 348 724			1 231 762		74 692	42 270		42 270		2 792	26 969	70	3
Business lending and other	1 338 300			1 006 465		116 257	215 578		215 578	78 248	44 510	92 820	64	16
Corporate lending	5 738 039	638 457		4 134 353	955 579	6 886	2 764		2 764			2 764	100	
Sovereign lending	61 054	1 126		22 655	37 273									
Bank lending	5 430 842	2 229 566	1	3 200 825	413	37								
<b>Gross carrying amount</b>	<b>28 401 111</b>	<b>2 869 149</b>	<b>1</b>	<b>21 021 859</b>	<b>993 265</b>	<b>1 968 792</b>	<b>1 548 045</b>		<b>1 548 045</b>	<b>1 008 209</b>	<b>102 078</b>	<b>424 969</b>		
Less: total credit impairment on loans and advances	(842 410)													
<b>Net carrying amount of loans and advances measured at amortised cost</b>	<b>27 558 701</b>													
<b>Financial investments measured at amortised cost</b>														
Sovereign	434 276	434 276												
<b>Gross carrying amount</b>	<b>434 276</b>	<b>434 276</b>												
Less: total ECL for financial investments measured at amortised cost	(1 940)													
<b>Net carrying amount of financial investments measured at amortised cost</b>	<b>432 336</b>													
<b>Financial investments at FVOCI</b>														
Sovereign	4 879 976	4 879 976												
<b>Gross carrying amount</b>	<b>4 879 976</b>	<b>4 879 976</b>												
Add: fair value reserve relating to fair value adjustments	(1 781)													
<b>Total financial investment at FVOCI</b>	<b>4 878 195</b>													
<b>Off-balance sheet exposures</b>														
Letters of credit and banker's acceptances	43 440	43 173		267										
Guarantees	1 859 899	1 321 922		424 318	79 902	8 000	22 757	3 000						
Irrevocable unutilised facilities	2 223 438	759 094		1 380 867	40 158		43 319							
<b>Total exposure to off-balance sheet credit risk</b>	<b>4 126 777</b>	<b>2 124 189</b>		<b>1 805 452</b>	<b>120 060</b>	<b>8 000</b>	<b>66 076</b>	<b>3 000</b>						
ECL for off-balance sheet exposures	(1 438)													
<b>Net carrying amount of off-balance sheet exposures</b>	<b>4 125 339</b>													
<b>Total exposure to credit risk on financial assets subject to an ECL</b>	<b>36 994 571</b>													
<b>Add the following exposures not subject to ECL:</b>														
Cash and balances with the central bank <sup>1</sup>	1 667 955													
Derivative assets <sup>1</sup>	71 123													
Other financial investments <sup>1</sup>	1 775 682													
Trading assets <sup>1</sup>	494 985													
Other financial assets <sup>2</sup>	139 518													
<b>Total exposure to credit risk</b>	<b>41 143 834</b>													

<sup>1</sup> These balances are not in scope of the ECL model as it is measured at fair value through profit or loss.

<sup>2</sup> Due to the short-term nature of these financial assets, historical experience and forward-looking information, other amortised cost financial assets are regarded as having a low PD.

## MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY continued

GROUP	Gross carrying amount N\$'000	SB 1 - 12		SB 13 - 20		SB 21- 25		Default	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 – stage 3 N\$'000	Gross default coverage %	Non-performing exposures %
		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						
<b>2022</b>														
<b>Loans and advances at amortised cost</b>														
Home services	11 822 800			9 469 760			1 288 712	1 064 328	1 064 328	782 667	40 430	237 311	26	9
Vehicle and asset finance	2 893 913			2 472 646			346 204	75 063	75 063	11 083		63 980	85	3
Card and payments	140 088			122 610			16 076	1 402	1 402			1 402	100	1
Other loans and advances	3 027 040			2 617 750			161 264	248 026	248 026	100 938	43 834	93 443	55	8
Personal unsecured lending	1 324 143			1 195 448			97 225	31 470	31 470		(1 706)	24 067	71	2
Business lending and other	1 702 897			1 422 302			64 039	216 556	216 556	100 938	45 540	69 376	53	13
Corporate lending	5 465 281	312 046		4 819 259	264 281		65 493	4 202	4 202	(72)	13	4 261	102	
Sovereign lending	267 375	1 707		208 672	56 996									
Bank lending	3 714 600	1 850 250		1 863 820	511		19							
<b>Gross carrying amount</b>	<b>27 331 097</b>	<b>2 164 003</b>		<b>21 574 517</b>	<b>321 788</b>		<b>19</b>	<b>1 877 749</b>	<b>1 393 021</b>	<b>894 616</b>	<b>84 277</b>	<b>400 397</b>		
Less: total credit impairment on loans and advances	(761 783)													
<b>Net carrying amount of loans and advances measured at amortised cost</b>	<b>26 569 314</b>													
<b>Financial investments measured at amortised cost</b>														
Sovereign	39 415	39 415												
<b>Gross carrying amount</b>	<b>39 415</b>	<b>39 415</b>												
Less: total ECL for financial investments measured at amortised cost														
<b>Net carrying amount of financial investments measured at amortised cost</b>	<b>39 415</b>													
<b>Financial investments at FVOCI</b>														
Sovereign	3 703 511	3 703 511												
<b>Gross carrying amount</b>	<b>3 703 511</b>	<b>3 703 511</b>												
Add: fair value reserve relating to fair value adjustments (before the ECL balance)	(3 100)													
<b>Total financial investment at FVOCI</b>	<b>3 700 411</b>													
<b>Off-balance sheet exposures</b>														
Letters of credit and banker's acceptances	134 412	134 412												
Guarantees	1 677 317	1 248 085		352 544	47 829			25 863	2 996					
Irrevocable unutilised facilities	2 981 232	274 488		2 624 285	82 166			293						
<b>Total exposure to off-balance sheet credit risk</b>	<b>4 792 961</b>	<b>1 656 985</b>		<b>2 976 829</b>	<b>129 995</b>			<b>26 156</b>	<b>2 996</b>					
ECL for off-balance sheet exposures	(2 815)													
<b>Net carrying amount of off-balance sheet exposures</b>	<b>4 790 146</b>													
<b>Total exposure to credit risk on financial assets subject to an expected credit loss</b>	<b>35 099 286</b>													
<b>Add the following exposures not subject to ECL:</b>														
Cash and balances with the central bank <sup>1</sup>	1 663 378													
Derivative assets <sup>1</sup>	138 917													
Other financial investments <sup>1</sup>	1 135 239													
Trading assets <sup>1</sup>	474 621													
Other financial assets <sup>2</sup>	247 727													
<b>Total exposure to credit risk</b>	<b>38 759 168</b>													

<sup>1</sup> These balances are not in scope of the ECL model as it is measured at fair value through profit or loss.

<sup>2</sup> Due to the short-term nature of these financial assets, historical experience and forward-looking information, other amortised cost financial assets are regarded as having a low PD.

## MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY continued

COMPANY	Gross carrying amount N\$'000	SB 1 – 12		SB 13 – 20		SB 21- 25		Default	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 – stage 3 N\$'000	Gross default coverage %	Non-performing exposures %
		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						
<b>2023</b>														
<b>Loans and advances at amortised cost</b>														
Home services	11 341 479			8 577 573		1 561 464		1 202 442	1 202 442	915 268	54 776	232 398	24	11
Vehicle and asset finance	3 001 340			2 716 524		202 237		82 579	82 579	14 307		67 992	82	3
Card and payments	141 333			131 702		7 219		2 412	2 412	386		2 026	84	2
Other loans and advances	2 687 024			2 238 227		190 949		257 848	257 848	78 248	47 302	119 789	65	10
Personal unsecured lending	1 348 724			1 231 762		74 692		42 270	42 270		2 792	26 969	70	3
Business lending and other	1 338 300			1 006 465		116 257		215 578	215 578	78 248	44 510	92 820	64	16
Corporate lending	5 738 039	638 457		4 134 353	955 579	6 886		2 764	2 764			2 764	100	
Sovereign lending	61 054	1 126		22 655	37 273									
Bank lending	5 430 842	2 229 566	1	3 200 825	413	37								
<b>Gross carrying amount</b>	<b>28 401 111</b>	<b>2 869 149</b>	<b>1</b>	<b>21 021 859</b>	<b>993 265</b>	<b>1 968 792</b>	<b>1 548 045</b>		<b>1 548 045</b>	<b>1 008 209</b>	<b>102 078</b>	<b>424 969</b>		
Less: total credit impairment on loans and advances	(842 410)													
<b>Net carrying amount of loans and advances measured at amortised cost</b>	<b>27 558 701</b>													
<b>Financial investments measured at amortised cost</b>														
Sovereign	434 276	434 276												
<b>Gross carrying amount</b>	<b>434 276</b>	<b>434 276</b>												
Less: total ECL for financial investments measured at amortised cost	(1 940)													
<b>Net carrying amount of financial investments measured at amortised cost</b>	<b>432 336</b>													
<b>Financial investments at FVOCI</b>														
Sovereign	4 879 976	4 879 976												
<b>Gross carrying amount</b>	<b>4 879 976</b>	<b>4 879 976</b>												
Add: fair value reserve relating to fair value adjustments	(1 781)													
<b>Total financial investment at FVOCI</b>	<b>4 878 195</b>													
<b>Off-balance sheet exposures</b>														
Letters of credit and banker's acceptances	43 440	43 173		267										
Guarantees	1 859 899	1 321 922		424 318	79 902	8 000	22 757	3 000						
Irrevocable unutilised facilities	2 223 438	759 094		1 380 867	40 158		43 319							
<b>Total exposure to off-balance sheet credit risk</b>	<b>4 126 777</b>	<b>2 124 189</b>		<b>1 805 452</b>	<b>120 060</b>	<b>8 000</b>	<b>66 076</b>	<b>3 000</b>						
ECL for off-balance sheet exposures	(1 438)													
<b>Net carrying amount of off-balance sheet exposures</b>	<b>4 125 339</b>													
<b>Total exposure to credit risk on financial assets subject to an ECL</b>	<b>36 994 571</b>													
<b>Add the following exposures not subject to ECL:</b>														
Cash and balances with the central bank <sup>1</sup>	1 667 955													
Derivative assets <sup>1</sup>	71 123													
Other financial investments <sup>1</sup>	1 775 682													
Trading assets <sup>1</sup>	494 985													
Other financial assets <sup>2</sup>	139 532													
<b>Total exposure to credit risk</b>	<b>41 143 848</b>													

<sup>1</sup> These balances are not in scope of the ECL model as it is measured at fair value through profit or loss.

<sup>2</sup> Due to the short-term nature of these financial assets, historical experience and forward-looking information, other amortised cost financial assets are regarded as having a low PD.

## MAXIMUM EXPOSURE TO CREDIT RISK BY CREDIT QUALITY continued

COMPANY	Gross carrying amount N\$'000	SB 1 - 12		SB 13 - 20		SB 21- 25		Default	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 – stage 3 N\$'000	Gross default coverage %	Non-performing exposures %
		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						
<b>2022</b>														
<b>Loans and advances at amortised cost</b>														
Home services	11 822 800			9 469 760		1 288 712		1 064 328	1 064 328	782 667	40 430	237 311	26	9
Vehicle and asset finance	2 893 913			2 472 646		346 204		75 063	75 063	11 083		63 980	85	3
Card and payments	140 088			122 610		16 076		1 402	1 402			1 402	100	1
Other loans and advances	3 027 040			2 617 750		161 264		248 026	248 026	100 938	43 834	93 443	55	8
Personal unsecured lending	1 324 143			1 195 448		97 225		31 470	31 470		(1 706)	24 067	71	2
Business lending and other	1 702 897			1 422 302		64 039		216 556	216 556	100 938	45 540	69 376	53	13
Corporate lending	5 465 281	312 046		4 819 259	264 281	65 493		4 202	4 202	(72)	13	4 261	102	
Sovereign lending	267 375	1 707		208 672	56 996									
Bank lending	3 714 600	1 850 250		1 863 820	511	19								
<b>Gross carrying amount</b>	<b>27 331 097</b>	<b>2 164 003</b>		<b>21 574 517</b>	<b>321 788</b>	<b>19</b>	<b>1 877 749</b>	<b>1 393 021</b>	<b>1 393 021</b>	<b>894 616</b>	<b>84 277</b>	<b>400 397</b>		
Less: total credit impairment on loans and advances	(761 783)													
<b>Net carrying amount of loans and advances measured at amortised cost</b>	<b>26 569 314</b>													
<b>Financial investments measured at amortised cost</b>														
Sovereign	39 415	39 415												
<b>Gross carrying amount</b>	<b>39 415</b>	<b>39 415</b>												
Less: total ECL for financial investments measured at amortised cost														
<b>Net carrying amount of financial investments measured at amortised cost</b>	<b>39 415</b>													
<b>Financial investments at FVOCI</b>														
Sovereign	4 879 976	4 879 976												
<b>Gross carrying amount</b>	<b>4 879 976</b>	<b>4 879 976</b>												
Add: fair value reserve relating to fair value adjustments (before the ECL balance)	(1 781)													
<b>Total financial investment at FVOCI</b>	<b>4 878 195</b>													
<b>Off-balance sheet exposures</b>														
Letters of credit and banker's acceptances	134 412	134 412												
Guarantees	1 677 317	1 248 085		352 544	47 829			25 863	2 996					
Irrevocable unutilised facilities	2 981 232	274 488		2 624 285	82 166			293						
<b>Total exposure to off-balance sheet credit risk</b>	<b>4 792 961</b>	<b>1 656 985</b>		<b>2 976 829</b>	<b>129 995</b>			<b>26 156</b>	<b>2 996</b>					
ECL for off-balance sheet exposures	(2 816)													
<b>Net carrying amount of off-balance sheet exposures</b>	<b>4 790 145</b>													
<b>Total exposure to credit risk on financial assets subject to an expected credit loss</b>	<b>36 277 069</b>													
<b>Add the following exposures not subject to ECL:</b>														
Cash and balances with the central bank <sup>1</sup>	1 663 378													
Derivative assets <sup>1</sup>	138 917													
Other financial investments <sup>1</sup>	1 135 239													
Trading assets <sup>1</sup>	474 621													
Other financial assets <sup>2</sup>	249 301													
<b>Total exposure to credit risk</b>	<b>39 938 525</b>													

<sup>1</sup> These balances are not in scope of the ECL model as it is measured at fair value through profit or loss.

<sup>2</sup> Due to the short-term nature of these financial assets, historical experience and forward-looking information, other amortised cost financial assets are regarded as having a low PD.

### 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 and PD. Estimates of future cash flows on individually impaired loans are based on historical loss experience for similar loans.

### Concentration risk

Concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, an industry, a product, a geography, maturity, or collateral. The group and company's credit risk portfolio is well-diversified. The group and 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

	2023 N\$'000	2022 N\$'000
Agriculture	728 679	522 934
Construction	36 491	136 921
Electricity	309 325	35 014
Finance, real estate and other business services	9 952 615	7 561 412
Individuals	14 938 354	15 201 703
Manufacturing	844 987	2 146 266
Mining	926 752	523 718
Other services	209 037	615 172
Transport	271 584	144 802
Wholesale	183 287	443 155
<b>Gross loans and advances</b>	<b>28 401 111</b>	<b>27 331 097</b>

All loans are recorded in Namibia.

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

	2023 N\$'000	2022 N\$'000
Agriculture	(63 098)	(31 979)
Construction	(3 374)	(4 590)
Electricity	(197)	(366)
Finance, real estate and other business services	(55 221)	(60 773)
Individuals	(224 453)	(283 686)
Manufacturing	(4 779)	(4 043)
Mining	(103)	
Other services	(69 240)	(11 268)
Transport	(2 659)	(2 386)
Wholesale	(1 845)	(1 307)
<b>Total ECL for stage 3 loans and advances, excluding IIS</b>	<b>(424 969)</b>	<b>(400 398)</b>

All impairments relate to loans that are recorded in Namibia.

### Collateral

The table on the following pages show the financial effect that collateral has on the group and 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 group and 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 group and company's collateral. All exposures are presented before the effect of any impairment provisions.

Of the group and company's total exposure, 8% (2022: 3%) is unsecured and mainly reflects short-term exposures to individuals.

	Gross exposure N\$'000	Impairments N\$'000	Unsecured N\$'000	Secured N\$'000	Collateral coverage – Total collateral	
					1 to 50% N\$'000	50 to 100% N\$'000
<b>2023</b>						
Corporate	6 280 615	30 824	814	6 248 977		6 248 977
Sovereign	174 420	1 430	55	172 935		172 935
Bank	6 572 800	994	32	6 571 774		6 571 774
Retail	19 500 053	809 162	2 522 560	16 168 331		16 168 331
Retail mortgage	11 340 868	402 423		10 938 445		10 938 445
Other retail	8 159 185	406 739	2 522 560	5 229 886		5 229 886
<b>Total</b>	<b>32 527 888</b>	<b>842 410</b>	<b>2 523 461</b>	<b>29 162 017</b>		<b>29 162 017</b>
Add: Financial assets not exposed to credit risk	9 461 589					
Less: Impairments for loans and advances	(842 410)					
Less: Unrecognised off-balance sheet items	(4 126 777)					
<b>Total exposure</b>	<b>37 020 290</b>					
<b>Reconciliation to statement of financial position:</b>						
Cash and balances with central banks	1 667 955					
Derivative assets	71 123					
Trading assets	494 985					
Financial investments	7 087 994					
Loans and advances	27 558 701					
Other financial assets <sup>1</sup>	139 532					
<b>Total</b>	<b>37 020 290</b>					

<sup>1</sup> Other financial assets are included in other assets in the statements of financial position.

## FUNDING AND LIQUIDITY RISK

	Gross exposure N\$'000	Impairment N\$'000	Unsecured N\$'000	Secured N\$'000	Collateral coverage – Total collateral	
					1 to 50% N\$'000	50 to 100% N\$'000
<b>2022</b>						
Corporate	5 137 651	41 176		5 096 475		5 096 475
Sovereign	267 375	1 828		265 547		265 547
Bank	2 169 312	2 056		2 167 256		2 167 256
Retail	24 549 720	716 723	140 235	23 692 762		23 692 762
Retail mortgage	11 774 737	432 526		11 342 211		11 342 211
Other retail	12 774 983	284 197	140 235	12 350 551		12 350 551
<b>Total</b>	<b>32 124 058</b>	<b>761 783</b>	<b>140 235</b>	<b>31 222 040</b>		<b>31 222 040</b>
Add: Financial assets not exposed to credit risk	7 404 382					
Less: Impairments for loans and advances	(761 783)					
Less: Unrecognised off-balance sheet items	(4 792 961)					
<b>Total exposure</b>	<b>33 973 696</b>					
<b>Reconciliation to statement of financial position</b>						
Cash and balances with central banks	1 663 378					
Derivative assets	138 917					
Trading assets	474 621					
Financial investments	4 878 165					
Loans and advances	26 569 314					
Other financial assets <sup>1</sup>	249 301					
<b>Total</b>	<b>33 973 696</b>					

<sup>1</sup> Other financial assets are included in other assets in the statements of financial position.

### Definition

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

### Approach to managing liquidity risk

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

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

The group maintains 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 company 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 group manages its liquidity through an internal behavioural profiling of its portfolios. Through this mechanism, the group 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.

### Maturity analysis of financial liabilities by contractual maturity

The following table analyses cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay and will, therefore, not agree directly to the balances disclosed in the consolidated statement of financial position (SOFP) (with the exception of derivative liabilities).

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.

GROUP AND COMPANY	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
<b>2023</b>						
<b>Liabilities</b>						
Derivative liabilities		31 708	27 449	9 890		69 047
Trading liabilities <sup>1</sup>		12 872	30 724	5 695		49 291
Deposit and current accounts <sup>1</sup>	25 594 850	1 407 949	3 215 887	735 330	92 654	31 046 670
Debt securities issued <sup>1,3</sup>		17 265	436 283	399 748	1 970 466	2 823 762
Other financial liabilities	590 868	8 198	40 444	46 994	347 117	1 033 621
<b>Total</b>	<b>26 185 718</b>	<b>1 477 992</b>	<b>3 750 787</b>	<b>1 197 657</b>	<b>2 410 237</b>	<b>35 022 391</b>
<b>Unrecognised financial liabilities</b>						
Letters of credit and bankers' acceptances		267	43 173			43 440
Guarantees <sup>2</sup>	1 859 899					1 859 899
Unutilised borrowing facilities	2 223 438					2 223 438
<b>Total</b>	<b>4 083 337</b>	<b>267</b>	<b>43 173</b>			<b>4 126 777</b>
<b>2022</b>						
<b>Liabilities</b>						
Derivative liabilities	1 402	30 909	108 452			140 763
Trading liabilities <sup>1</sup>		8 314	26 976	3 170		38 460
Deposit and current accounts <sup>1</sup>	20 839 420	174 122	3 429 019	1 528 150	1 754 772	27 725 483
Debt securities issued <sup>1,3</sup>		19 472	86 497	409 789	2 753 837	3 269 595
Other financial liabilities	425 069	5 142	23 824	26 806	385 495	866 336
<b>Total</b>	<b>21 265 891</b>	<b>237 959</b>	<b>3 674 768</b>	<b>1 967 915</b>	<b>4 894 104</b>	<b>32 040 637</b>
<b>Unrecognised financial liabilities</b>						
Letters of credit and bankers' acceptances			320	134 092		134 412
Guarantees <sup>2</sup>	1 677 317					1 677 317
Unutilised borrowing facilities	2 981 232					2 981 232
<b>Total</b>	<b>4 658 549</b>		<b>320</b>	<b>134 092</b>		<b>4 792 961</b>

1 In 2023, the trading liabilities, deposits and current accounts and debt securities issued balances have been updated to reflect the contractual maturity balances. 2022 was also updated for comparative purposes, but did not have any impact on the balances included in the primary statements and related notes.

2 In 2023, the maturity of the guarantees balances have been updated to "redeemable on demand". 2022 was also updated for comparative purposes, but did not have any impact on the total balances.

3 Included in the debt securities issued balance in the "maturing after 12 months" bucket, is an amount of N\$330.6 million (2022: N\$346.1 million) that will mature after 5 years.

## MARKET RISK

### Definition

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

The group's key market risks are:

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

### Trading book market risk

#### Definition

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

### Approach to managing market risk in the trading book

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

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

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

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

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

### VaR and SVaR

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

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

- calculate 250 daily market price movements based on 251 days' historical data. Absolute movements are used for interest rates and volatility movements; relative for spot, equities, credit spreads, and commodity prices
- calculate hypothetical daily profit or loss for each day using these daily market price movements
- aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are unlikely to occur.

Limitations of historical VaR are acknowledged globally and include:

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

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

## Trading book portfolio characteristics

### VaR for the year under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group and company's own account. In general, the group and company's trading desks have run decreased levels of market risk throughout the year for all asset classes when compared to 2022 aggregate normal VaR, and aggregate SVaR.

#### TRADING BOOK NORMAL VAR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum <sup>1</sup> N\$'000	Minimum <sup>1</sup> N\$'000	Average N\$'000	Closing N\$'000
<b>2023</b>				
Foreign exchange risk	454	33	76	454
Interest rates	113	30	70	36
Aggregate <sup>1</sup>	452	52	105	452
<b>2022</b>				
Foreign exchange risk	456	30	201	119
Interest rates	98	20	43	78
Aggregate <sup>1</sup>	450	54	219	155

<sup>1</sup> 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.

#### TRADING BOOK STRESSED VAR ANALYSIS BY MARKET VARIABLE

	Stressed VaR			
	Maximum <sup>1</sup> N\$'000	Minimum <sup>1</sup> N\$'000	Average N\$'000	Closing N\$'000
<b>2023</b>				
Foreign exchange risk	1 486	62	229	1 486
Interest rates	1 562	227	427	462
Aggregate <sup>1</sup>	1 544	225	473	1 470
<b>2022</b>				
Foreign exchange risk	1 359	81	608	269
Interest rates	1 955	136	443	1 566
Aggregate <sup>1</sup>	1 849	230	806	1 308

<sup>1</sup> 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 movement on banking book earnings and the economic value of equity.

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

#### Measurement

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

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

### INTEREST RATE SENSITIVITY ANALYSIS<sup>1</sup>

	Local currency	Foreign currency	Total
<b>2023</b>			
<b>Increase in basis points</b>	200	100	
Sensitivity of annual net interest income (N\$'000)	137 472	1 714	139 186
<b>Decrease in basis points<sup>2</sup></b>	200	100	
Sensitivity of annual net interest income (N\$'000)	(144 069)	(1 614)	(145 683)
<b>2022</b>			
<b>Increase in basis points</b>	200	100	
Sensitivity of annual net interest income (N\$'000)	172 515	1 053	173 568
<b>Decrease in basis points<sup>2</sup></b>	200	100	
Sensitivity of annual net interest income (N\$'000)	(184 945)	(1 026)	(185 971)

<sup>1</sup> Before tax.

<sup>2</sup> A floor of 0% is applied to all interest rates under the decreasing interest rate scenario, resulting in asymmetric rate shocks in low rate environments.

### Foreign currency risk

#### Definition

The group's primary non-trading-related exposures to foreign currency risk arise as a result of the translation effect of the group's foreign-denominated financial assets and liabilities.

#### Approach to managing foreign currency risk

The group asset and liability 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 group's residual risk by means of forward exchange contracts, currency swaps and option contracts.

#### Foreign currency risk sensitivity analysis

The table that follows reflects the expected financial impact, in N\$ equivalent, resulting from a 5% shock to foreign currency risk exposures, against N\$. The sensitivity analysis is based on net open foreign currency exposures arising from foreign-denominated financial assets and liabilities inclusive of derivative instruments, cash balances and accruals. The sensitivity analysis reflects the sensitivity to OCI and profit or loss on the group's foreign denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

#### FOREIGN CURRENCY RISK SENSITIVITY IN N\$ EQUIVALENTS<sup>1</sup>

		USD	Euro	GBP	Other	Total
<b>GROUP AND COMPANY</b>						
<b>2023</b>						
Total net long/(short) position	N\$'000	14 170	1 930	404	1 575	
Sensitivity	%	5	5	5	5	
<b>Impact on profit or loss/equity</b>	N\$'000	709	97	20	79	905
Total net long/(short) position	N\$'000	14 170	1 930	404	1 575	
Sensitivity	%	(5)	(5)	(5)	(5)	
<b>Impact on profit or loss/equity</b>	N\$'000	(709)	(97)	(20)	(79)	(905)
<b>2022</b>						
Total net long/(short) position	N\$'000	4 576	66	174	1 401	
Sensitivity	%	5	5	5	5	
<b>Impact on profit or loss/equity</b>	N\$'000	229	3	9	70	311
Total net long/(short) position	N\$'000	4 576	66	174	1 401	
Sensitivity	%	(5)	(5)	(5)	(5)	
<b>Impact on profit or loss/equity</b>	N\$'000	(229)	(3)	(9)	(70)	(311)

<sup>1</sup> Before tax.

A 5% appreciation in N\$ will have an equal and opposite impact on profit or loss to the amounts disclosed above.

# OPERATIONAL RISK – UNAUDITED

## 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 group'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 group's risk tolerance, while maximising their operational performance and efficiency.

## Framework

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

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

The framework is based on the following core components:

- Risk identification and control methodology: Facilitates the identification of risks and the management thereof across each business and operational function. It comprises of the following 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 group's operational risk profile. Each indicator has trigger thresholds to provide an early-warning indicator of potential risk exposures and/or a potential breakdown of controls.
  - Operational risk incidents: All areas are required to report operational risk incidents to their relevant operational risk function. The definition of operational risk incidents includes not only events resulting in actual loss, but those resulting in non-financial impacts and near misses. This process is intended to enable the root cause of individual incidents, or trends of incidents, to be analysed and actions taken to reduce the exposure or to enhance controls. All incidents relating to the group are consolidated within a central 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 company wide oversight and reporting. It is also responsible for developing and maintaining the operational risk management framework.
- The primary oversight body for operational risk is RMC, which reports to the executive committee (Exco), the BRC and ultimately the board. RMC is chaired by the group chief risk officer and includes representation from company specialist functions and business units. RMC is also responsible for approving company wide operational risk policies and methodologies.
- In addition to the operational risk management function, there are individual focus areas on particular aspects of operational risk, including:
  - specialist functions that are responsible for oversight of specific components of operational risk, including compliance, legal, financial crime, information security and business continuity management
  - an internal financial controls framework has been established to ensure the robust control over balance sheet substantiation and other key financial controls
  - within the group's IT and operations functions, there are dedicated areas focused on the day-to-day management of operations control and IT risk.

## Measuring operational risk

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

## Specialist operational risk types

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

## Model risk

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

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

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

## Taxation risk

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

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

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

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

## Legal risk

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

Legal risk arises where:

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

The following sub-categories of legal risk are recognised:

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

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

## Compliance risk

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

### Approach to compliance risk management

The group's approach to managing compliance risk is proactive and premised on internationally accepted principles of risk management, including those recommended by Basel. It is aligned with other 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, treating customers fairly and mitigating reputational risk.

### Framework and governance

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

The group's compliance framework is based on the principles of effective compliance risk management, as outlined in the Banking Institutions Act and other determinations. Our business compliance model includes dedicated compliance support and advisory services to business which is supplemented by training.

A robust risk management reporting and escalation procedure requires both business unit and functional area heads to report monthly and quarterly on the status of compliance risk management in the group.

### Money laundering and terrorist financing control

Legislation across the group pertaining to money laundering and terrorist financing control imposes significant requirements in terms of:

- customer identification
- record keeping
- staff training
- obligations to detect, prevent and report money laundering and terrorist financing.

Minimum money laundering and terrorist financing control standards are implemented throughout the group. The group also subscribes to the principles of the Financial Action Task Force, an inter-governmental body developing and promoting policies to combat money laundering and terrorist financing, of which Namibia is a member country.

### Compliance training

Employees are made aware of their responsibilities in terms of current and emerging legislative and regulatory requirements through ongoing training and awareness initiatives. Employees, including senior management, are made aware of their legislative responsibilities either through e-learning, face-to-face interventions or through targeted awareness campaigns. Training is key to embedding a culture of compliance in the group.

### Regulatory change

The group aims to embed regulatory best practice in our operations in a way that balances the interests of various stakeholders, while supporting the long-term stability and growth in the markets where we have a presence.

The group operates in a highly regulated industry, including the need to comply with legislation with extra-territorial reach. The group's regulator is the BoN. BoN supervises both the group and Standard Bank Namibia Limited, 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 group does not have control but has potential to impact on its operations and those of its clients
- the group has 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 group uses two approaches to screen and process projects, namely the Equator Principles for project finance loans and an internally developed appraisal system for other financial product types. These tools are designed to identify the risks associated with a transaction and the customer's ability to manage environmental and social issues, as well as the risks associated with the transaction itself such as the nature and value of the loan, and the industry sector involved.

All project finance deals will in future be screened for climate change risk and human rights impacts. This is in addition to the more traditional environmental and social risks which include those associated with occupational health and safety, relocation of communities and the impact on livelihoods of individuals.

From a governance perspective, the group's material issues are accompanied into six broad categories which form the basis of engagement on sustainability issues with the group executive committee and the board. These are:

- sustainable long-term financial performance
- governance, regulation and stakeholder engagement
- sustainable and responsible financial services
- socioeconomic development
- a positive and consistent employee experience
- the environment.

## Business continuity management and resilience

Business continuity management is defined as a holistic management process that identifies potential impacts that threaten the group and provides a basis for planning in mitigation to these operational impacts. It further provides a framework for building resilience and the capability for an effective response that safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

The group has business resiliency and continuity plans in place to ensure its ability to operate on an ongoing basis and limit losses in the event of severe business disruptions.

Crisis management is based on a command and control process for managing the business through a crisis to full recovery. These processes may also be deployed to manage non-operational crises, including business crises, at the discretion of senior management.

Contingency and recovery plans for core services, key systems and priority business activities have been developed and are revisited as part of existing management processes to ensure that continuity strategies and plans remain relevant.

## Information risk management

Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of the group's information resources, which compromises confidentiality, integrity or availability. Information risk management deals with all aspects of information in its physical and electronic forms. It focuses on the creation, use, transmission, storage, disposal and destruction of information.

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 group.

The execution of these policies and standards is functionally overseen by the group chief information security officer.

## Financial crime control

Financial crime includes fraud, money laundering, violent crime and misconduct by staff, customers, suppliers, business partners, stakeholders and third parties. The group will not condone any instance of financial crime and where these instances arise, the group takes timely and appropriate remedial action.

Financial crime control is defined as the prevention and detection of, and response to, all financial crime in order to mitigate economic loss, reputational risk and regulatory sanction.

The group's financial crime control unit is mandated by the BAC to provide capabilities which minimise the overall impact of financial crime on the group. This ensures the safety of our people and assets, and builds trust with our stakeholders.

The group's financial crime control function reports to the head of risk. This function enables a holistic view of the status and landscape of financial crime prevention, detection and response, including emerging threats. The group 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 risks

### 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 group.

The group mitigates business risk in a number of ways:

- Extensive due diligence during the investment appraisal process is performed, in particular for new acquisitions.
- New product processes per business line through which the risks and mitigating controls for new and amended products and services are tabled and discussed.

- Stakeholder management ensures favourable outcomes from external factors beyond the group's control.
- The profitability of product lines and customer segments is consistently monitored.
- Tight control is maintained over the group's cost base, including the management of its cost-to-income ratio. This allows for early intervention and management action to reduce costs where necessary.
- Being alert and responsive to changes in market forces.
- There is a strong focus in the budgeting process on achieving headline earnings growth while containing cost growth. In addition, contingency plans are built into the budget that allow for costs to be significantly reduced in the event that expected revenue generation does not materialise.
- The group continually aims to increase the ratio of variable costs to fixed costs, allowing for more flexibility to proactively reduce costs during economic downturn conditions.

### Strategic risk

Strategic risk is the risk that the group's future business plans and strategies may be inadequate to prevent financial loss or protect the group's competitive position and shareholder returns.

The group's business plans and strategies are discussed and debated by members of management and non-executive board members.

### Post-retirement obligation risk

Post-retirement obligation risk is the risk to the group's earnings that arises from the requirement to contribute as an employer to an under-funded defined benefit plan. The risk arises due to either an increase in the estimated value of medical liabilities or a decline in the market value of the fund's assets or reduction in their investment returns.

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

 Refer to note 34.

### Reputational risk

Reputational risk results from damage to the group's image which may impair its ability to retain and generate business. Such damage may result in a breakdown of trust, confidence or business relationships.

Safeguarding the group's reputation is of paramount importance. Each business line, legal entity or support function executive is responsible for identifying, assessing and determining all reputational risks that may arise within their respective areas of business. The impact of such risks is considered alongside financial or other impacts.

Matters identified as a reputational risk to the group will be reported to the group chief risk officer who, if required, will escalate these matters to Exco and/or the board.

Should a risk event occur, the group's crisis management processes are designed to minimise the reputational impact of the event. Crisis management teams are in place both at executive and business line level to ensure the effective management of any such events. This includes ensuring that the group's perspective is fairly represented in the media.

## ANNEXURE C – EMOLUMENTS OF DIRECTORS

# Linking remuneration and strategic progress

## Remuneration policy summary

People are at the heart of our business. To satisfy our clients, meet their needs and accelerate our strategy to achieve higher growth and efficiency, our people must be highly skilled, experienced and engaged.

Our responsibility to them is to ensure that they have the resources and advanced capabilities needed to support our ambitions and are recognised and rewarded for their performance and the value they create for our stakeholders.

The remuneration policy sets out our methodology, agreed by the board remuneration committee, to remunerate our employees and it ensures that value is appropriately shared among our shareholders, senior executives and employees.

### Key objectives guiding our remuneration policy

- 1 Measure and reward for value created for all stakeholders over the short, medium and long term.
- 2 Be competitive in the global marketplace for skill.
- 3 Reward our people fairly while avoiding a bonus-centric culture that distorts motivations and may encourage excessive and irresponsible risk-taking.
- 4 Promote and reward teamwork.

### Executive directors emoluments

	Mr E Tjipuka <sup>1</sup>		Mrs M Geises <sup>2</sup>		Mrs L du Plessis <sup>3</sup>		Total	
	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000	2023 N\$'000	2022 N\$'000
Cost to company package	1 282		2 917	3 918	716	2 209	4 916	6 127
Basic salary	747		2 216	1 815	607	1 753	3 507	3 568
Retirement contributions paid during the year	131		202	602	84	244	417	846
Other benefits and allowances	404		499	1 501	25	212	928	1 713
Short-term cash incentive	4 000		12 079	1 350	1 148	610	17 227	1 960
<b>Total reward (excluding conditional long-term incentive awards)</b>	<b>5 282</b>		<b>14 996</b>	<b>5 268</b>	<b>1 864</b>	<b>2 819</b>	<b>22 142</b>	<b>8 087</b>
DBS vesting cash and notional dividends			1 738	1 115		329	1 738	1 444
<b>Total reward (including conditional long-term incentive awards)</b>	<b>5 282</b>		<b>16 734</b>	<b>6 383</b>	<b>1 864</b>	<b>3 148</b>	<b>23 880</b>	<b>9 531</b>

<sup>1</sup> Mr E Tjipuka was appointed as chief executive on 1 October 2023.

<sup>2</sup> Mrs M Geises resigned as chief executive on 31 July 2023.

<sup>3</sup> Mrs L du Plessis resigned as chief financial officer on 24 April 2023.

### Non-executive directors<sup>1</sup> 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 (Chairperson)	2023	824	263		1 087
	2022	474	258		732
Adv N Bassingthwaighe <sup>2</sup>	2023	358	512	142	1 012
	2022	234	467	142	843
Ms S Hornung	2023	304	272	137	713
	2022	93			93
Mr JL Muadinohamba <sup>3</sup>	2023				
	2022	108	63		171
Mr JS Mwatotele <sup>4</sup>	2023	171	122		293
	2022				
Mr JG Riedel <sup>4</sup>	2023	153	160		313
	2022				
Mrs B Rossouw <sup>5</sup>	2023	265	217	74	556
	2022	220	380	142	742
Mrs MS Shivute Dax <sup>6</sup>	2023	74	65		139
	2022	254	179		433
Ms NA Tjipitua <sup>7</sup>	2023	286	281	99	666
	2022				
Mr IH Tjombonde	2023	377	419		796
	2022	254	242		496
<b>Total</b>	<b>2023</b>	<b>2 812</b>	<b>2 311</b>	<b>452</b>	<b>5 575</b>
<b>Total</b>	<b>2022</b>	<b>1 637</b>	<b>1 589</b>	<b>284</b>	<b>3 510</b>

<sup>1</sup> Mr P Schlebusch and Mrs S Brugman have not been included as they are remunerated by Standard Bank Group Limited.

<sup>2</sup> Retired 31 December 2023.

<sup>3</sup> Retired 22 April 2022.

<sup>4</sup> Appointed 20 July 2023.

<sup>5</sup> Retired 30 September 2023.

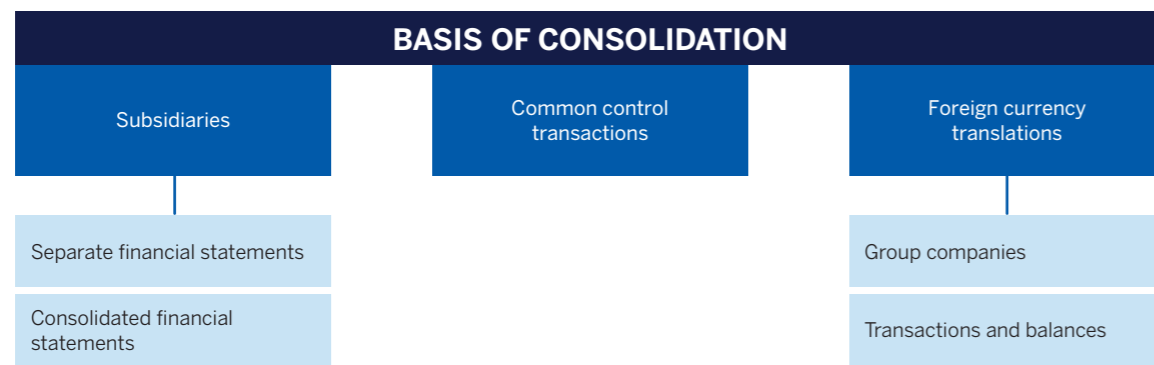
<sup>6</sup> Retired 24 April 2023.

<sup>7</sup> Appointed 10 March 2023.

## ANNEXURE D – DETAILED ACCOUNTING POLICIES

The following are the significant accounting policies that were applied in the preparation of the group and company financial statements.

### 1. Basis of consolidation



#### Subsidiaries

##### Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses (where applicable) in the separate financial statements. The carrying amounts of these investments are reviewed annually for impairment indicators and, where an indicator of impairment exists, are impaired to the higher of the investment's fair value less costs to sell or value in use.

##### Consolidated financial statements

The accounting policies of subsidiaries that are consolidated by the group conform to the group's accounting policies. Intragroup transactions, balances and unrealised gains/(losses) are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. The proportion of comprehensive income and changes in equity allocated to the group and non-controlling interest are determined on the basis of the group's present ownership interest in the subsidiary.

Subsidiaries are consolidated from the date on which the group acquires control up to the date that control is lost. Control is assessed on a continuous basis. For mutual funds, the group further assesses its control by considering the existence of either voting rights or significant economic power.

Type	Description
Acquisitions	The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The consideration transferred is measured as the sum of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The consideration includes any asset, liability or equity resulting from a contingent consideration arrangement. The obligation to pay contingent consideration is classified as either a liability or equity based on the terms of the arrangement. The right to a return of previously transferred consideration is classified as an asset. Transaction costs are recognised within profit or loss as and when they are incurred. Where the initial accounting is incomplete by the end of the reporting period in which the business combination occurs (but no later than 12 months since the acquisition date), the group reports provisional amounts. Where applicable, the group adjusts retrospectively the provisional amounts to reflect new information obtained about facts and circumstances that existed at the acquisition date and affected the measurement of the provisional amounts. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess (shortage) of the sum of the consideration transferred (including contingent consideration), the value of non-controlling interest recognised and the acquisition date fair value of any previously held equity interest in the subsidiary over the fair value of identifiable net assets acquired is recorded as goodwill in the statement of financial position (gain on bargain purchase, which is recognised directly in non-trading and capital related items). When a business combination occurs in stages, the previously held equity interest is remeasured to fair value at the acquisition date and any resulting gain or loss is recognised in non-trading and capital related items. Increases in the group's interest in a subsidiary, when the group already has control, are accounted for as transactions with equity holders of the group. The difference between the purchase consideration and the group's proportionate share of the subsidiary's additional net asset value acquired is accounted for directly in equity.

### 1. Basis of consolidation continued

#### Foreign currency translations

##### Group companies

The results and financial position of foreign operations that have a functional currency that is different from the group's presentation currency are translated into the group's presentation currency as follows:

- assets and liabilities (including goodwill, intangible assets and fair value adjustments arising on acquisition) are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rate; and
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the group's foreign currency translation reserve (FCTR).

##### Transactions and balances

Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions (in certain instances a rate that approximates the actual rate at the date of the transaction is utilised, for example an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

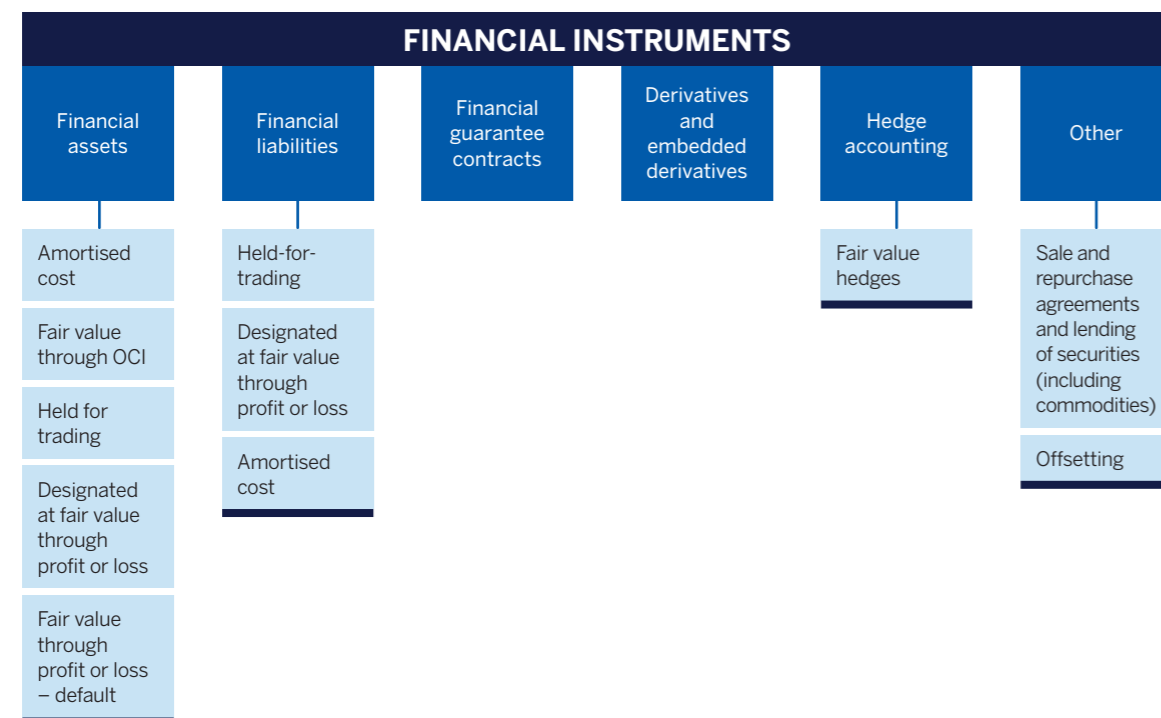
Foreign exchange gains and losses on equities (debt) classified as fair value through OCI are recognised in the fair value through OCI reserve in OCI (trading revenue) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of other revenue (trading revenue).

Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases the foreign currency gains and losses are recognised in the group's FCTR.

2. Financial instruments

Initial measurement – financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).



2. Financial instruments continued

Financial assets

Nature

Amortised cost	<p>A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):</p> <ul style="list-style-type: none"> <li>■ Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and</li> <li>■ 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.</li> </ul> <p>This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default.</p>
Fair value through OCI	<p>A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):</p> <ul style="list-style-type: none"> <li>■ 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</li> <li>■ 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.</li> </ul> <p>This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default.</p> <p>Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.</p>
Held for trading	<p>Financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.</p> <p>Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-trader margin.</p>
Designated at fair value through profit or loss	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.

## 2. Financial instruments continued

### 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	<b>Debt instrument:</b> 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 impairment 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.  <b>Equity instrument:</b> 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 revenue.
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	<b>Debt instruments</b> – Fair value gains and losses (including interest and dividends) on the financial asset recognised in profit or loss as part of other gains and losses on financial instruments within non-interest revenue.  <b>Equity instruments</b> – Fair value gains and losses on the financial asset recognised in profit or loss 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: <ul style="list-style-type: none"> <li>■ default</li> <li>■ significant financial difficulty of borrower and/or modification</li> <li>■ probability of bankruptcy or financial reorganisation</li> <li>■ disappearance of an active market due to financial difficulties.</li> </ul>

## 2. Financial instruments continued

The key components of the impairment methodology are described as follows:

Significant increase in credit risk	At each reporting date, the group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset.  Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: <ul style="list-style-type: none"> <li>■ significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)</li> <li>■ a breach of contract, such as default or delinquency in interest and/or principal payments</li> <li>■ disappearance of active market due to financial difficulties</li> <li>■ it becomes probable that the borrower will enter bankruptcy or other financial reorganisation</li> <li>■ 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.</li> </ul> Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the group's impairment methodology calculations and in the 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.

### Cash and balances with the central bank

Cash and balances with the central bank comprise coins and bank notes and balances with BoN. Included in balances with central bank are balances that primarily comprise of reserving requirements held with the central bank which are readily convertible to a known amount of cash and available for use by the group and company within less than three months since initial deposit, subject to certain restrictions and limitations levied by the central bank, but are subject to an insignificant risk of changes in value.

Coins and bank notes and balances with central banks comprising reserving requirements are measured at fair value through profit or loss – default.

### Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with the central bank and on demand gross loans and advances to banks, which are readily convertible to a known amount of cash and available for use by the group and company within less than three months since initial deposit. The on demand gross loans and advances to banks are held to meet short-term cash commitments, rather than for investment purposes.

## 2. Financial instruments continued

### Financial liabilities

#### Nature

Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: <ul style="list-style-type: none"> <li>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</li> <li>where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.</li> </ul>
Amortised cost	All other financial liabilities 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.

## 2. Financial instruments continued

### Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	Derecognition	Modification
Financial assets	<p>Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.</p> <p>The group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.</p> <p>When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate.</p> <p>In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.</p>	<p>Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.</p> <p>If the terms are not substantially different for financial assets or financial liabilities, the group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).</p>
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

## 2. Financial instruments continued

### Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee; or
- unamortised premium.

### Derivatives and embedded derivatives

In the normal course of business, the group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities.

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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 group and company apply IFRS 9 to all hedges.

Derivatives are designated by the group and company as follows:

Type of hedge	Nature	Treatment
Fair value hedges	Hedges of the fair value of recognised financial assets, liabilities or firm commitments.	<p>Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised immediately in profit or loss.</p> <p>If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.</p>

## 2. Financial instruments continued

### Hedge accounting risk management strategy

Where all relevant criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value, cash flow, or net investment hedges for recognised financial assets or liabilities, and highly probable forecast transactions. The group applies hedge accounting in respect of the following risk categories.

### Foreign currency risk

The group operates internationally and is 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 group. 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 group 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 group. The risk is evaluated by measuring and monitoring the net foreign non-monetary asset value of the company for each respective currency.

The group uses 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 group'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 group elects 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 group enters 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 group uses 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 group's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group operates.

The group's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of ALCO. The group's interest rate risk management is predominantly controlled by a central treasury department (group treasury) under approved policies. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. ALCO provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

In adherence to policies regarding interest rate risk management, the group applies fair value hedge accounting in respect of the interest rate risk element only, present within the following exposures:

- Specifically identified long-term fixed interest rate loans and advances, deposits and debt funding and subordinated debt. To manage the risk associated with such risk exposures the group uses one or more cash collateralised fix for floating interest rate swaps that matches the critical terms or that exhibits the same duration as the of the underlying risk exposure.
- Specifically identified long-term interest rate basis risk (consumer price index (CPI) vs. JIBAR) inherent in loans and advances. To manage the basis risk associated with such risk exposures the group uses one or more cash collateralised floating for floating basis interest rate swaps that matches the critical terms or that exhibits the same duration as the of the underlying risk exposure; and
- Portfolio interest rate risk present within a designated portfolio of loans and advances and deposits and debt funding. Portfolio interest rate risk hedging is conducted on an aggregate asset and liability portfolio basis. The hedge ratio and rebalancing frequency of portfolio hedges is determined using a dynamic approach reflecting the duration of portfolio exposure in accordance with an exposure bucketing approach. The hedge ratio is monitored on a daily basis and where necessary the portfolio is rebalanced using a dynamic approach.

The group observes interest rate risk in respect of these exposures using an unfunded cash collateralised interest rate derivatives discount curve. Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists using regression analysis between the hedged items and the hedging instruments for sensitivity of changes to changes in interest rate risk only.

The group 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 group elects for each fair value interest rate risk hedging relationship, using swaps, to include forward points (basis) contained in the derivative instrument in the hedging relationship. Where the basis is included in the hedging relationship this exposes the hedge relationship to hedge ineffectiveness.

## 2. Financial instruments continued

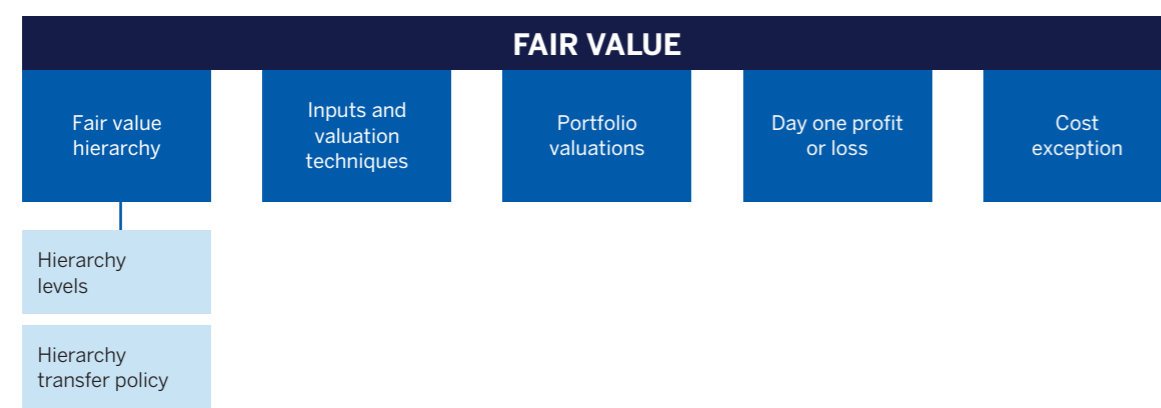
### Sale and repurchase agreements and lending of securities (including commodities)

Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposits and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate. For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

## 3. Fair value



In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

### Fair value hierarchy

The group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

### Hierarchy levels

The levels have been defined as follows:

#### Level 1

Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

#### Level 2

Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

#### Level 3

Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

### Hierarchy transfer policy

Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

## 3. Fair value continued

### Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

Item and description	Valuation technique	Main inputs and assumptions
<b>Derivative financial instruments</b> Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: <ul style="list-style-type: none"> <li>Discounted cash flow model</li> <li>Black-Scholes model</li> <li>Combination technique models.</li> </ul>	For level 2 and 3 fair value hierarchy items: <ul style="list-style-type: none"> <li>discount rate*</li> <li>spot prices of the underlying</li> <li>correlation factors</li> <li>volatilities</li> <li>dividend yields</li> <li>earnings yield</li> <li>valuation multiples.</li> </ul>
<b>Trading assets and trading liabilities</b> Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	
<b>Financial investments</b> 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/LGD.

## 3. Fair value continued

Item and description	Valuation technique	Main inputs and assumptions
<p><b>Loans and advances to banks and customers</b> Loans and advances comprise:</p> <ul style="list-style-type: none"> <li>Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks</li> <li>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).</li> </ul>	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: <ul style="list-style-type: none"> <li>discount rate*</li> </ul>
<p><b>Deposits and current accounts</b> Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.</p>	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	For level 2 and 3 fair value hierarchy items: <ul style="list-style-type: none"> <li>discount rate*</li> </ul>

\* 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.

## 3. Fair value continued

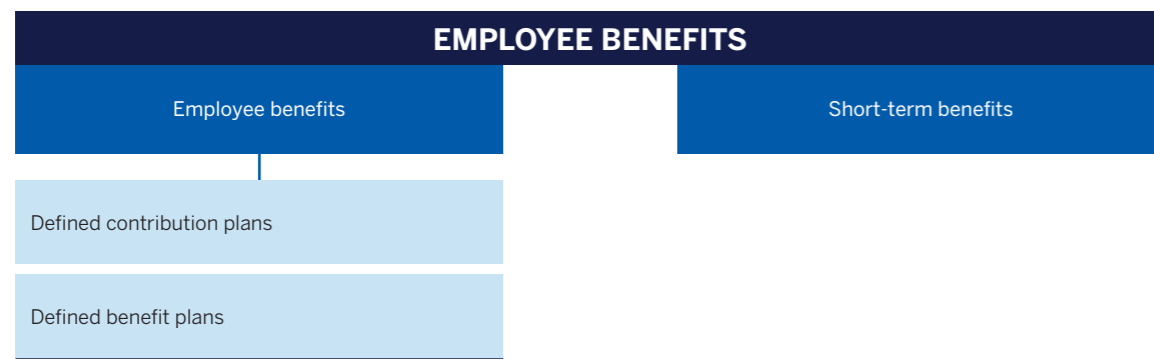
**Day one profit or loss**

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.

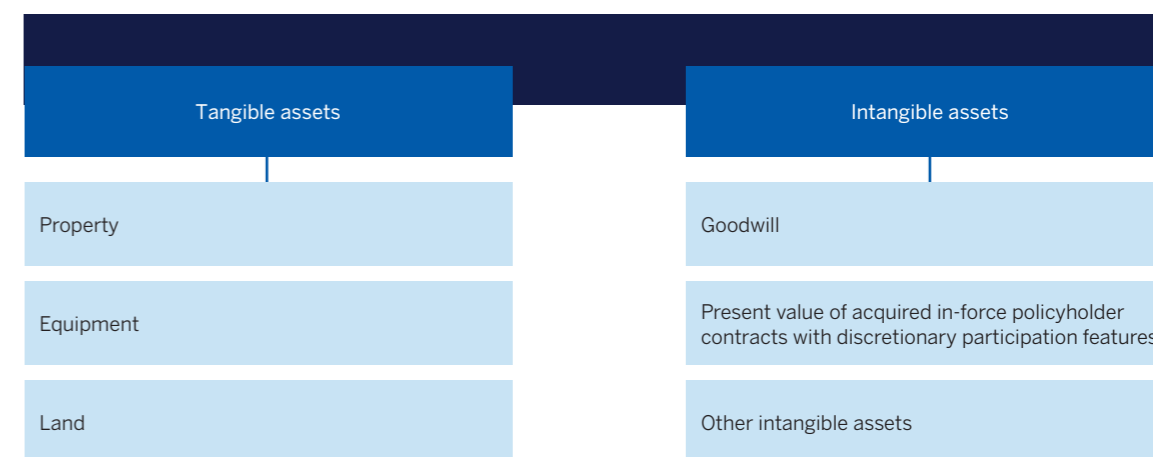
The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

4. Employee benefits



Type and description	Statement of financial position	Statement of other comprehensive income	Income statement
<p><b>Defined contribution plans</b> The group operates a number of defined contribution plans. See note 34 for more information.</p>	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.
<p><b>Defined benefit plans</b> The group operates a number of defined benefit retirement and post-employment medical aid plans. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries. See note 34 for more information.</p>	Assets or liabilities measured at the present value of the estimated future cash outflows, using interest rates of government bonds denominated in the same currency as the defined benefit plan (corporate bonds are used for currencies for which there is a deep market of high-quality corporate bonds), with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets. A net defined benefit asset is only recognised to the extent that economic benefits are available to the group from reductions in future contributions or future refunds from the plan.	Remeasurements of the net defined benefit obligation, including actuarial gains and losses, the return on plan assets (excluding interest calculated) and the effect of any asset ceiling are recognised within OCI.	Net interest income/ (expense) is determined on the defined benefit asset/ (liability) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/(liability). Other expenses related to the defined benefit plans are also recognised in operating expenses. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in operating expenses. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.
<p><b>Short-term benefits</b> Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.</p>	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in operating expenses as the related service is provided.

5. Non-financial assets



Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment										
<p><b>Tangible assets (property, equipment and land)</b> Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Land is measured at cost less accumulative impairment losses. Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in operating expenses as incurred. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.</p>	<p>Property and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values. Land is not depreciated.</p> <table border="1"> <tr> <td>Buildings</td> <td>40 years</td> </tr> <tr> <td>IT equipment</td> <td>3 – 5 years</td> </tr> <tr> <td>Motor vehicles</td> <td>4 – 5 years</td> </tr> <tr> <td>Office equipment</td> <td>5 – 10 years</td> </tr> <tr> <td>Furniture</td> <td>5 – 13 years</td> </tr> </table> <p><b>Leased assets</b> <b>Shorter of useful life or lease term</b> The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.</p>	Buildings	40 years	IT equipment	3 – 5 years	Motor vehicles	4 – 5 years	Office equipment	5 – 10 years	Furniture	5 – 13 years	<p>These assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.</p> <p>An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use.</p> <p>Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.</p> <p>In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.</p> <p>For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest cash generating units (CGUs).</p> <p>Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use.</p> <p>Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through non-trading and capital related items only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.</p>
Buildings	40 years											
IT equipment	3 – 5 years											
Motor vehicles	4 – 5 years											
Office equipment	5 – 10 years											
Furniture	5 – 13 years											

## 5. Non-financial assets continued

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
<p><b>Computer software</b> Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred.</p> <p>However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets.</p> <p>Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use.</p> <p>Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.</p>	<p>Amortisation is recognised in operating expenses on a straight line basis at rates appropriate to the expected lives of the assets (2 to 15 years) from the date that the asset is available for use.</p> <p>Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary</p>	<p>Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists.</p> <p>The accounting treatment for impairments and reversal of impairments for computer software and other intangible assets is otherwise the same as for tangible assets.</p>
<p><b>Derecognition</b> Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.</p>		

## 6. Properties in possession

PROPERTY DEVELOPMENTS AND PROPERTIES IN POSSESSION	
Property developments	Properties in possession

### Properties in possession

Properties in possession are properties acquired by the group which were previously held as collateral for underlying lending arrangements that, subsequent to origination, have defaulted. The properties are initially recognised at cost and are subsequently measured at the lower of cost and its net realisable value. Any subsequent write-down in the value of the acquired properties is recognised as an operating expense. Any subsequent increases in the net realisable value, to the extent that it does not exceed its original cost, are also recognised within operating expenses.

## 7. Equity-linked transactions

EQUITY COMPENSATION PLANS	
Equity-settled share-based payments	Cash-settled share-based payments

### Equity-settled share-based payments

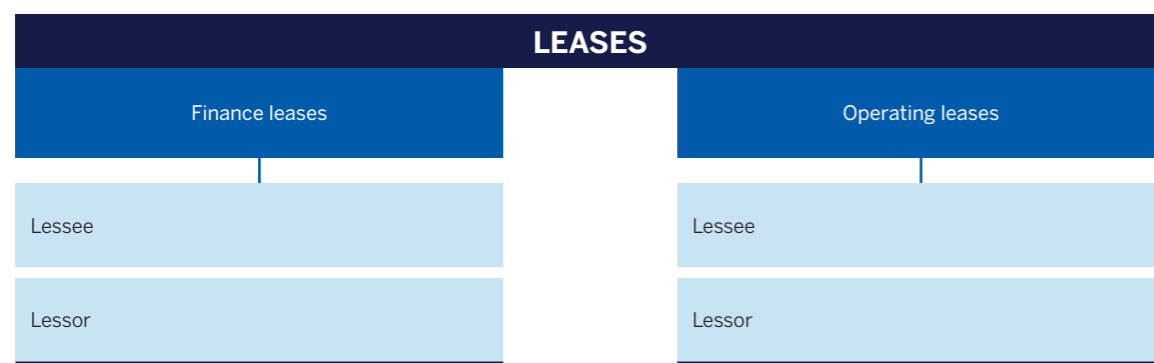
The fair values of the equity-settled share-based payments are determined on grant date and accounted for within operating expenses (staff costs) over the vesting period with a corresponding increase in the group's share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against operating expenses and share-based payment reserve over the remaining vesting period.

On vesting of the equity-settled share-based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of the equity-settled share-based payment, any proceeds received are credited to share capital and premium.

### Cash-settled share-based payments

Cash-settled share-based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses.

8. Leases – lessee accounting policies



Type and description	Statement of financial position	Income statement
<b>Lessee accounting policies</b>		

<p><b>Single lessee accounting model</b> All leases are accounted for by recognising a right-of-use asset and a lease liability except for:</p> <ul style="list-style-type: none"> <li>■ leases of low value assets; and</li> <li>■ leases with a duration of twelve months or less.</li> </ul>	<p><b>Lease liabilities:</b> Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the group) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. The group's internal funding rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:</p> <ul style="list-style-type: none"> <li>■ Amounts expected to be payable under any residual value guarantee;</li> <li>■ The exercise price of any purchase option granted in favour of the group, should it be reasonably certain that this option will be exercised;</li> <li>■ Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised.</li> </ul> <p>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.</p>	<p><b>Interest expense on lease liabilities:</b> A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.</p>
<p><b>Right-of-use assets:</b> Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:</p> <ul style="list-style-type: none"> <li>■ lease payments made at or before commencement of the lease;</li> <li>■ initial direct costs incurred; and</li> <li>■ the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.</li> </ul> <p>The group applies the cost model subsequent to the initial measurement of the right-of-use assets.</p>	<p><b>Depreciation on right-of-use assets:</b> Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the group at the end of the lease term, whereby the right-of-use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses.</p>	<p><b>Termination of leases:</b> 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.</p>
<p><b>Termination of leases:</b> When the group or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognised.</p>	<p><b>Lease modifications that are accounted for as a separate lease:</b> When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.</p>	<p><b>Separating components of a lease contract</b> The group has elected to apply the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The practical expedient is applied to each class of underlying asset.</p>

8. Leases – lessee accounting policies continued

Type and description	Statement of financial position	Income statement
<b>Lessee accounting policies continued</b>		
<p>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.</p>	<p>Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.</p>	<p>Payments made under 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.</p>
<p>Reassessment and modification of leases</p>	<p><b>Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:</b> When the group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.</p> <p>For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.</p> <p>For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.</p>	
<p>Separating components of a lease contract</p>	<p>The group has elected to apply the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The practical expedient is applied to each class of underlying asset.</p>	

## 8. Leases – lessee accounting policies continued

Type and description	Statement of financial position	Income statement
<b>Lessor accounting policies</b>		
<b>Finance leases</b> Leases, where the group transfers substantially all the risk and rewards incidental to ownership, are classified as finance leases	Finance lease receivable, including initial direct costs and fees, are primarily accounted for as financing transaction in 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.
<b>Operating leases</b> 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 group by way of a penalty is recognised as income/(expense) in the period in which termination takes place.
<b>Lessor lease modifications</b>		
<b>Finance leases</b>	When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease.  All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.	
<b>Operating leases</b>	Modifications are accounted for as a new lease from the effective date of the modification.	

## 9. Equity

EQUITY			
Reacquired equity instruments	Black economic empowerment ownership initiative (Tutuwa)	Portfolio valuations	Day one profit or loss

**Share issue costs**

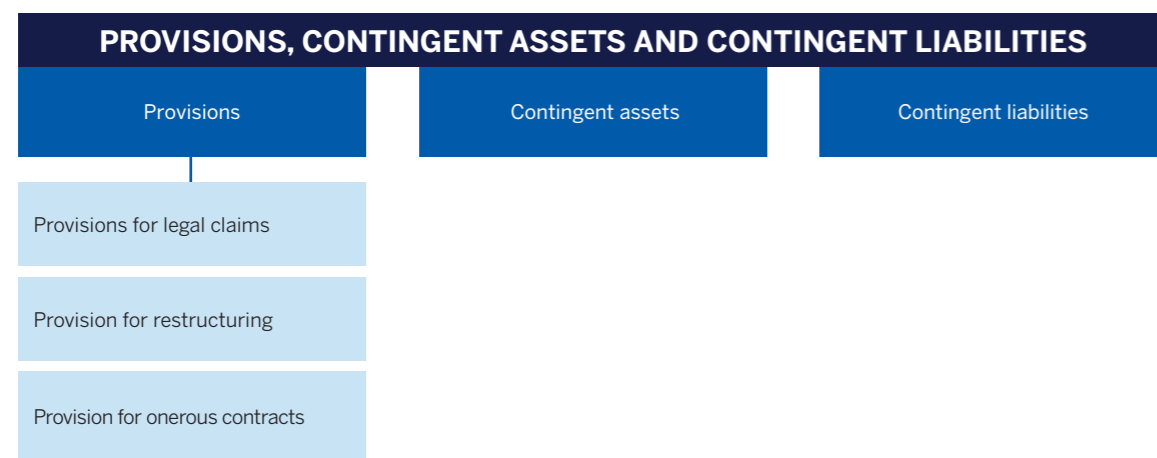
Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

**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.

10. Provisions, contingent assets and contingent liabilities

Provisions



Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The group's provisions typically 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 group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

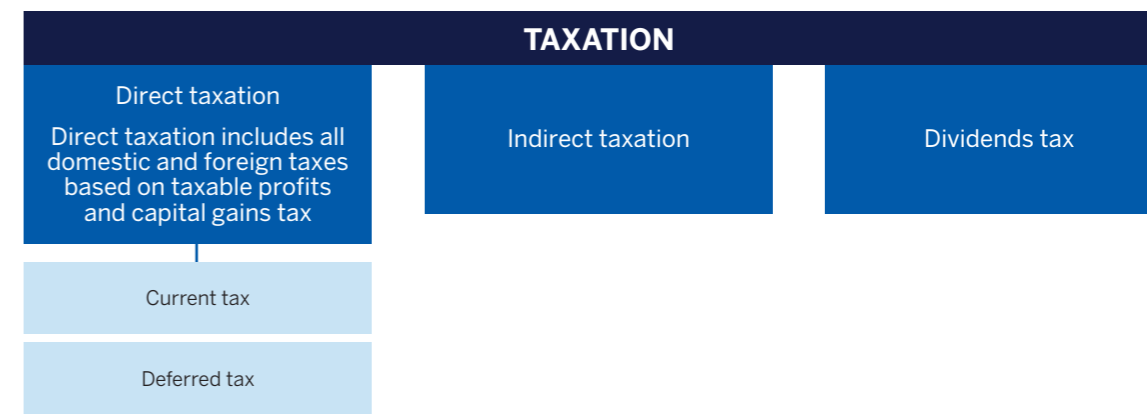
Contingent assets

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

Contingent liabilities

Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

11. Taxation



Type	Description, recognition and measurement	Offsetting
Direct taxation: normal tax	Normal 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.  Normal 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.	Normal and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset normal 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 normal 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: <ul style="list-style-type: none"> <li>the initial recognition of goodwill;</li> <li>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</li> <li>investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.</li> </ul>	
	The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.  Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.  Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the group the ability to control the reversal of the temporary difference.  Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.	
Indirect taxation	Indirect taxes, including non-recoverable VAT, skills development levies and other duties for banking activities, are recognised in the indirect taxation line in the income statement.	Not applicable

## 12. Revenue and expenditure

Description	Recognition and measurement
Net interest income	<p>Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in net interest income using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.</p> <p>Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income.</p> <p>When a financial asset is classified as stage 3 impaired, interest income is calculated on the impaired value (gross carrying amount less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial asset is reclassified out of stage 3. Dividends received on preference share investments classified as debt form part of the group's lending activities and are included in interest income.</p>
Net fee and commission revenue	<p>Fee and commission revenue, including accounting transaction fees, card-based commission, documentation and administration fees, electronic banking fees, foreign currency service fees, custody fees, trustees and executors' fees, arrangement fees, guarantee fees and agent's commission are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.</p> <p>Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet this criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.</p> <p>Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.</p>
Trading revenue	Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.
Customer loyalty programmes	The group's banking activities operate a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions of which they form a part. The consideration allocated to the reward credits is measured at the fair value of the reward credit and is recognised over the period in which the customer utilises the reward credits. Expenses relating to the provision of the reward credits are recognised in fee and commission expenses as and when they are incurred.
Dividend income	Dividends are recognised in interest income (other revenue) for debt (equity instruments) when the right to receipt is established. Scrip dividends are recognised as dividends received where the dividend declaration allows for a cash alternative.
Other gains/losses on financial instruments	<p>Includes:</p> <ul style="list-style-type: none"> <li>■ Fair value gains and losses on financial assets that are classified at fair value through profit or loss (designated and default)</li> <li>■ The gain or loss on the derecognition of a debt financial asset classified as at fair value through OCI</li> <li>■ Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost</li> <li>■ Gains and losses arising from the reclassification of a financial asset from amortised cost to fair value</li> <li>■ Gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability as at amortised cost.</li> <li>■ Fair value gains and losses on designated financial liabilities</li> </ul>
Other revenue	Other revenue comprises of revenue that is not included in any of the categories mentioned above. This could include dividends on equity financial assets, underwriting profit from the group's short-term insurance operations and related insurance activities, re-measurement gains and losses from contingent consideration on disposals and purchases and property-related revenue from the group's underlying property companies.

## 12. Revenue and expenditure

### continued

#### 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.

## 13. Other significant accounting

### policies

#### Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to the chief operating decision maker, comprising of the chief executive and members of Exco.

#### Fiduciary activities

The group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the group. However, fee income earned and fee expenses incurred by the group relating to the group's responsibilities from fiduciary activities are recognised in profit or loss.

#### Statutory credit risk reserve

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

## FINANCIAL AND OTHER DEFINITIONS

### Standard Bank Namibia Limited

<b>Cost-to-income ratio (%)</b>	Operating expenses as a percentage of total net income after revenue sharing agreements with group companies but before credit impairments.
<b>Credit loss ratio (%)</b>	Total income statement impairment charges on loans and advances, as a percentage of average daily and monthly gross loans and advances, excluding interest in suspense.
<b>Effective direct taxation rate (%)</b>	Direct taxation as a percentage of net income before direct taxation.
<b>Effective total taxation rate (%)</b>	Direct and indirect taxation as a percentage of net income before taxation.
<b>Gross stage 3 loans coverage ratio (%)</b>	Balance sheet (BS) impairments for credit impaired loans and off-balance sheet credit impaired exposures (O/BS) including interest in suspense (IIS), as a percentage of gross non-performing loans and advances (including IIS).
<b>Interest-earnings assets (N\$'000)</b>	Net loans and advances, financial investments, and cash and balances with central banks.
<b>Interest in suspense (N\$'000)</b>	Contractual interest on loans that have been classified as stage 3 and cannot be recognised in terms of IFRS 9.
<b>Net interest margin (%)</b>	Net interest income as a percentage of average interest-earning assets.
<b>Non-interest revenue to total net income (%)</b>	Non-interest revenue as a percentage of total net income.
<b>Risk-weighted assets (N\$'000)</b>	Determined by applying prescribed risk weightings to on-balance sheet and off-balance sheet exposures according to the relative risk of the counterparty.
<b>Stage 1 and stage 2 (N\$'000)</b>	Performing loans include credit exposures classified as follows: <ul style="list-style-type: none"> <li>▪ Credit exposures for which there has been no default event and for which the credit risk has not significantly increased since recognition</li> <li>▪ Credit exposures for which the credit risk has increase significantly since recognition, unless the credit risk is low in which case it remains classified as stage 1.</li> </ul>
<b>Stage 1 and 2 loans credit impairments (N\$'000)</b>	Impairment for latent losses inherent in groups of loans and advances that have not yet been classified as non-performing.
<b>Stage 3 loans (N\$'000)</b>	Credit exposures that are either in default or where default is imminent. There is a rebuttable presumption that the default does not occur later than when a financial asset is 90 days past due.
<b>Stage 3 loan credit impairments (N\$'000)</b>	Impairment for credit impaired (stage 3) loans, net of the present value of estimated recoveries.
<b>Tier 1 capital adequacy ratio (%)</b>	Tier 1 regulatory capital as a percentage of total risk-weighted assets.

### Abbreviations and acronyms

<b>ALCO</b>	Asset and liability committee	<b>LGD</b>	Loss given default
<b>ATM</b>	Automated teller machine	<b>LIBOR</b>	London interbank offered rate
<b>BAC</b>	Board audit committee	<b>N\$, NAD</b>	Namibia Dollar
<b>BCB</b>	Business & Commercial Banking	<b>NPL</b>	Non-performing loans
<b>BRC</b>	Board risk committee	<b>NSX</b>	Namibian Stock Exchange
<b>BoN</b>	Bank of Namibia	<b>OCI</b>	Other comprehensive income
<b>CCR</b>	Counterparty credit risk	<b>PDs</b>	Probability of defaults
<b>CDS</b>	Credit default swaps	<b>PFE</b>	Potential future exposure
<b>CET 1</b>	Common equity tier 1	<b>PPB</b>	Personal & Private Banking
<b>CGU</b>	Cash-generating units	<b>PRP</b>	Performance reward plan
<b>CIB</b>	Corporate & Investment Banking	<b>PWOR</b>	Post-write off recoveries
<b>Companies Act</b>	The Companies Act of Namibia	<b>RCCM</b>	Risk, compliance and capital management
<b>DBS</b>	Deferred bonus scheme	<b>RWA</b>	Risk-weighted assets
<b>DPD</b>	Days past due	<b>SARB</b>	South African Reserve Bank
<b>EAD</b>	Exposure at default	<b>SBGL</b>	Standard Bank Group Limited
<b>ECL</b>	Expected credit loss	<b>SICR</b>	Significant increase in credit risk
<b>EGS</b>	Equity Growth Scheme	<b>SME</b>	Small and medium-sized enterprises
<b>Exco</b>	Executive committee	<b>SOFP</b>	Statement of financial position
<b>FVOCI</b>	Fair value through other comprehensive	<b>SOFR</b>	Secured Overnight Financing Rate
<b>FVTPL</b>	Fair value through profit or loss	<b>Spearmint</b>	Spearmint Investments (Proprietary) Limited
<b>FLI</b>	Forward-looking information	<b>Standard Bank Namibia or the company</b>	Standard Bank Namibia Limited
<b>GDP</b>	Gross domestic product	<b>SVaR</b>	Stressed value at risk
<b>GIA</b>	Group Internal Audit	<b>The board</b>	Board of directors
<b>GSIS</b>	Share Incentive Scheme	<b>TVM</b>	Time value of money
<b>IAS</b>	International Accounting Standards	<b>USD</b>	United States Dollar
<b>IASB</b>	International Accounting Standards Board	<b>VAF</b>	Vehicle and Asset Finance
<b>IBORs</b>	Interbank offered rates	<b>VaR</b>	Value at risk
<b>ICAAP</b>	Internal capital adequacy assessment plan	<b>VAT</b>	Value-added taxation
<b>IFRS</b>	IFRS Accounting Standards	<b>ZARONIA</b>	South African Rand Overnight Index Average
<b>IIS</b>	Interest in suspense		
<b>IPRE</b>	Income-producing real estate		
<b>IRRBB</b>	Interest rate risk in the banking book		
<b>ISDA</b>	International Swaps and Derivatives Association		
<b>JIBAR</b>	Johannesburg interbank rate		
<b>JSE</b>	JSE Limited		

