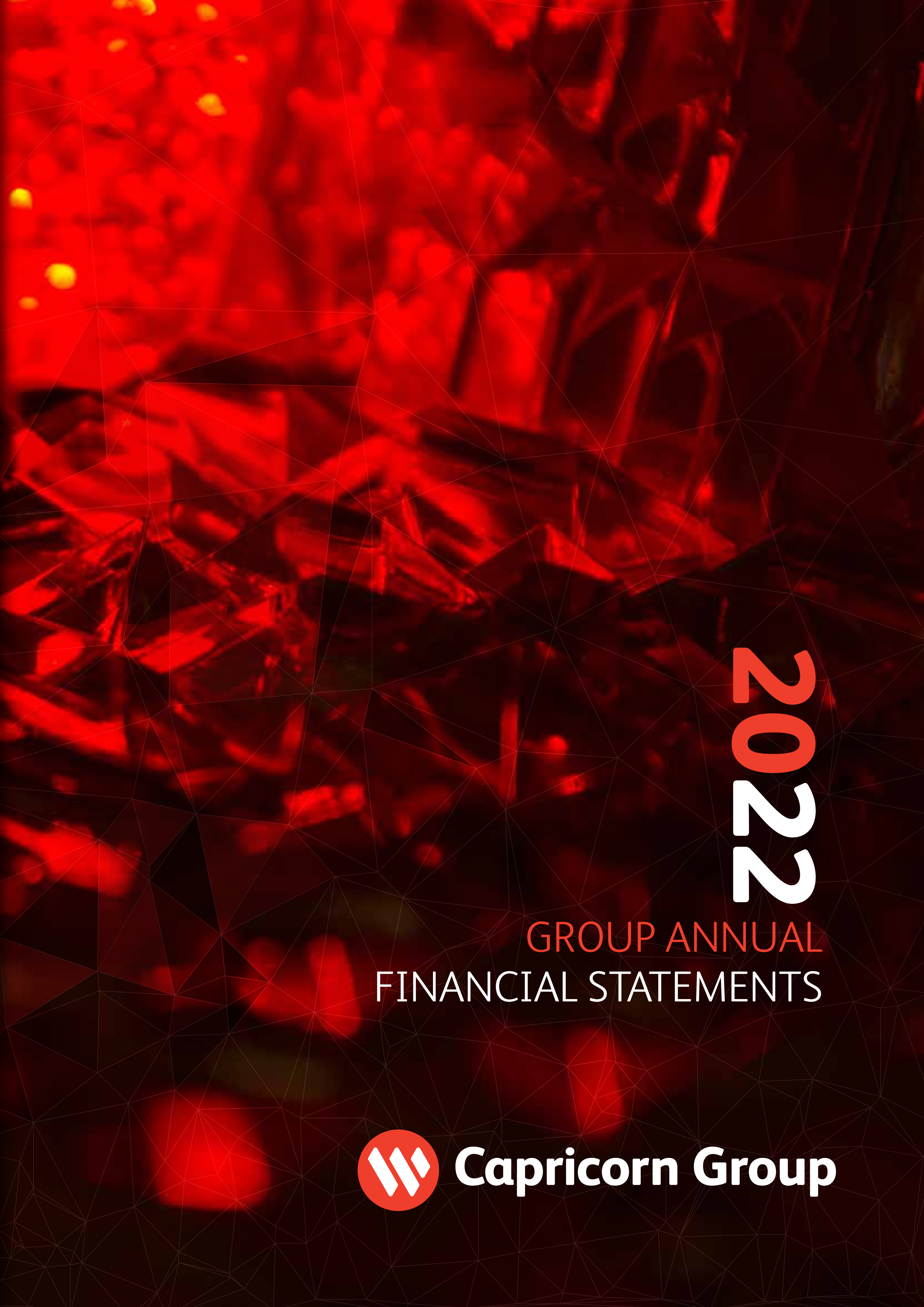

2022

GROUP ANNUAL FINANCIAL STATEMENTS

Capricorn Group

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Statement of responsibility by the board of directors

for the year ended 30 June 2022

The directors are responsible for the preparation, integrity and objectivity of the financial statements that fairly present the state of affairs of the company and the group at the end of the financial year, the profit and cash flow for the year and other information contained in this report.

To enable the directors to meet these responsibilities:

- the board and management set standards and management implements systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- the group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the various group board audit, risk and compliance committees, appraises, evaluates and, when necessary, recommends improvements in the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- the board audit, risk and compliance committees of the company and its subsidiaries, together with the external and internal auditors, play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

The financial statements presented on pages 13 to 151 have been prepared in accordance with the provisions of the Namibian Companies Act and comply with International Financial Reporting Standards (IFRS).

The directors have no reason to believe that the company and the group as a whole will not be going concerns in the year ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on a going concern basis.

Comprehensive insurance cover is in place as required by the Bank of Namibia BID 14 – 'Determinations on minimum insurance for banking institutions'.

The financial statements have been audited by the independent auditing firm, PricewaterhouseCoopers, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The independent auditor's report is presented on page 3 to 7.

The directors of the Company are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders.

The financial statements, set out on pages 13 to 151, were authorised and approved for issue by the board of directors on 13 September 2022 and are signed on their behalf:

D G Fourie
Chairman

M J Prinsloo
Group Chief Executive Officer

Independent auditor's report

To the members of Capricorn Group 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 Capricorn Group Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2022, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Capricorn Group Limited's consolidated and separate financial statements set out on pages 8 to 151 comprise:

- the directors' report for the year ended 30 June 2022;
- the consolidated and separate statements of financial position as at 30 June 2022;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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.

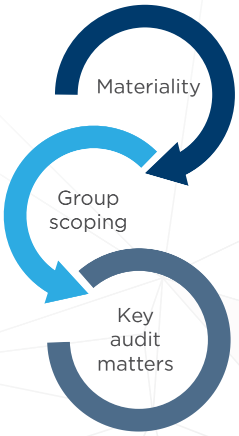
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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: NAD 78,378,800, which represents 5 % of consolidated profit before income tax from continuing operations.

Group audit scope

- The group audit scope included full scope audits of the Company and five components , due to their financial significance to the Group. We also performed specified audit procedures on one more component and analytical reviews were performed over the remaining components.

Key audit matters

- Expected credit losses ("ECL") on loans and advances and financial assets at amortised cost

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.

Independent auditor's report continued

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.

Overall group materiality	NAD 78,378,800
How we determined it	5% of consolidated profit before income tax from continuing operations
Rationale for the materiality benchmark applied	We chose consolidated profit before tax 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.

Our scoping assessment, for group reporting purposes included consideration of financially significant components identified based on the components' contribution to consolidated profit before tax. The financially significant components identified comprises of the Company, Bank Windhoek Ltd, Capricorn Asset Management (Pty) Ltd, Capricorn Unit Trust Management Company Ltd, Bank Gaborone Ltd and Entrepo Holdings (Pty) Ltd. These entities were subjected to a full scope audit. Entities included in our audit scope operate in Namibia and Botswana. We also performed specified audit procedures on one other component, not considered to be financially significant. Analytical reviews were performed over the remaining components where audit work was not performed.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by the group engagement team, component auditors from the local PwC network firm and other PwC network firms.The group engagement team was directly responsible for the audit of the group consolidation and the company. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We had various interactions with our component teams in which we discussed and evaluated recent developments, the scope of the audits, audit risks materiality, and our audit approaches. We discussed the reports of the component teams, the findings of their procedures and other matters which could be of relevance for the consolidated financial statements.

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
Expected credit losses ("ECL") on loans and advances and financial assets at amortised cost *Refer to the following notes to the consolidated and separate financial statements for disclosures relating to this:* › *Note 3.2 (Credit risk)* › *Note 4(a) (Critical accounting estimates and judgements in applying accounting policies)* › *Note 14 (Financial assets) and* › *Note 16 (Loans and advances to customers) to the consolidated and separate financial statements.* *This key audit matter is applicable to the consolidated and separate financial statements.* As at 30 June 2022, the Group recognised gross loans and advances to customers of N$44.6 billion against which ECL of N$1.4 billion was recognised. Gross financial assets at amortised cost amounted to N$1.0 billion against which ECL of N$113.3 million was recognised for the Group. Gross financial assets at amortised cost for the Company amount to N$555.4 million, against which ECL of N$ 109.0 million was recognised. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The Group writes off loans and advances, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The indicators which assist management in determining whether no reasonable expectation of recovery exists is disclosed in note 3.2.11 to the consolidated and separate financial statements. The Group also recognised post-model adjustments which are included in stage 2, which consists of short-term adjustments to its ECL balances to reflect updates to market data and expert credit judgements. These post model adjustments relate to risks associated with specific clients, where post model adjustments are necessary to ensure adequate provisions are held to cater for risks not adequately captured by the general models. We considered the ECL on loans and advances to customers to be a matter of most significance to our current year audit of the financial statements due to the following: › The significant judgement and assumptions applied by management in determining the ECL, write-off points and post model adjustments to be recognised; and › The effect that ECL has on the Group and Company's credit risk management processes; and › The magnitude of the consolidated and separate loans and advances balances and corresponding ECL balances and post model adjustments in relation to the consolidated and separate financial statements. › We determined the measurement of ECLs on loans and advances and financial assets at amortised cost to be a matter of most significance to our current year audit due to the degree of judgement and estimation applied by management in determining the ECLs.	Our audit procedures addressed the key areas of significant judgement and estimation in determining ECL on loans and advances as follows: **Evaluation of SICR** › Utilising our actuarial expertise, we assessed the appropriateness of the SICR thresholds by comparing the size of the SICR population to the transfer ratio. The SICR thresholds were found to be reasonable. › We reviewed the minutes of meetings of the credit risk team where the quantitative and qualitative criteria applied in the SICR determination were discussed. We noted no matters requiring further consideration. **Calibration of ECL statistical model components** We assessed the reasonableness of the inputs, assumptions and estimation techniques applied in the measurement of ECL by performing the following procedures: › Through discussions with management and inspection of Group's documented methodologies, we obtained an understanding of how the probability of default (PD), exposure at default (EAD) and loss given default (LGD) are applied in the measurement of ECL. Our understanding obtained, included how the ECL models are calibrated to use historical information and forward looking information to estimate future cash flows. › Utilising our actuarial expertise, we recalculated the ECL and compared this to management's ECL recognised. We noted differences which were the result of post-model adjustments made by management. Refer to the post model adjustment section below for procedures performed. **Determination of write-off point** We assessed the reasonableness of the indicators used in determining the write-off point by performing the following procedures: › We tested write-offs that took place during the current year on a sample basis by agreeing the amount written off to management's policy. No material exceptions were noted. › We considered if loans are included in the correct loan stage by recalculating the days in arrears for a sample of loans. We noted no material exceptions. › For collateral held, we inspected a sample of legal agreements and other underlying documentation to assess the existence and the Group's legal right to the collateral held. No material exceptions were noted. **Inclusion of forward looking information and macro-economic variables in the ECL calculation:** › We compared the assumptions used in the forward looking economic model to our own actuarial and economic statistics and independent market data.We noted no matters requiring further consideration. › Where ECL was raised for individual exposures,we tested uncertainties and assumptions made by management in their assessment of the recoverability of the exposure.For a sample of stage 3 exposures,we independently recalculated the ECL based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level.We noted no matters requiring further consideration. › On a sample basis,we assessed whether the loss event (that is the point at which exposures are classified as credit-impaired)had been identified in a timely manner by inspection of underlying documentation.We noted no matter requiring further consideration.

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
	For all clients on which post-model adjustments were made, we performed the below procedures: › We compared management's rationale provided for post model adjustments of specific clients with elevated risk, to supporting documentation. No material exceptions were noted. › We assessed the security values in place to confirm the unsecured exposure and, with reference to these we evaluated the reasonableness of the post model adjustments made. We noted no matters requiring further consideration. › With the assistance of our actuarial experts, we used lower and upper bound distressed PD's and a probability of write off per client sector, in order to recalculate ECL. › Utilising our actuarial expertise, we calculated a range of post adjusted ECLs and compared management's post-adjusted ECL recognised to our determined range of ECL values. We found management's ECL to be within our range of calculated post model adjusted ECL.

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled " 2022 Group Annual Financial Statements Capricorn Group"and " Integrated Annual Report 2022 Capricorn Group". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: Louis van der Riet
Partner

Windhoek
Date: 13 September 2022

Directors' report

for the year ended 30 June 2022

The directors herewith submit their report with the annual financial statements of Capricorn Group Ltd ('the company') for the year ended 30 June 2022.

1. General review

Capricorn Group is a Namibian registered investment holding company and has been listed on the Namibian Stock Exchange (NSX) since 20 June 2013. Its investments comprise 100% shareholdings in Bank Windhoek Ltd, Mukumbi Investments Ltd, Capricorn Capital (Pty) Ltd, Capricorn Investment Group (Pty) Ltd, Capricorn Mobile (Pty) Ltd, Capricorn Hofmeyer Property (Pty) Ltd, Namib Bou (Pty) Ltd, 95.7% in Capricorn Asset Management (Pty) Ltd and Capricorn Unit Trust Management Company Ltd, a 55.5% shareholding in Entrepo Holdings (Pty) Ltd and an 84.8% shareholding in Capricorn Investment Holdings (Botswana) Ltd, as at 30 June 2022. The company has 29.5% shareholding in Sanlam Namibia Holdings (Pty) Ltd, 28% in Santam Namibia Ltd and 30% in Paratus Group Holdings Ltd.

2. Business activities

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

Subsidiaries:

- Bank Windhoek Ltd (BW)
  - Banking
- Namib Bou (Pty) Ltd
  - Property development and property valuation
- Capricorn Unit Trust Management Company Ltd (CUTM)
  - Unit trust management
- Capricorn Asset Management (Pty) Ltd (CAM)
  - Asset management
- Capricorn Group Employee Share Ownership Trust
  - Special purpose entity for share incentive scheme
- Capricorn Group Employee Share Benefit Trust
  - Special purpose entity for share incentive scheme
- Capricorn Investment Holdings (Botswana) Ltd (CIHB)
  - Investment holding company
- Capricorn Capital (Pty) Ltd (CAP)
  - Financial consultancy
- Mukumbi Investments Ltd (Mukumbi)
  - Investment holding company
- Entrepo Holdings (Pty) Ltd (Entrepo)
  - Investment holding company
- Capricorn Investment Group (Pty) Ltd
  - Group support services
- Capricorn Mobile (Pty) Ltd
  - Dormant
- Capricorn Hofmeyer Property (Pty) Ltd
  - Property investment

Subsidiaries of Bank Windhoek Ltd:

- Bank Windhoek Nominees (Pty) Ltd (dormant)
  - Custodian of third-party investments
- BW Finance (Pty) Ltd
  - Term lending
- Bank Windhoek Properties (Pty) Ltd
  - Property investment
- Bank Windhoek EasyWallet Accounts Trust
  - Special purpose entity to protect E-money

2. Business activities continued

Subsidiaries of Capricorn Investment Holdings (Botswana) Ltd:

- Bank Gaborone Ltd (BG)
  - Banking
- BG Insurance Agency (Pty) Ltd (subsidiary of BG)
  - Insurance brokers
- CIH Insurance Brokers (Pty) Ltd (dormant)
  - Insurance broking
- Peo Finance (Pty) Ltd
  - Term lending
- Capricorn Asset Management (Botswana) (Pty) Ltd (dormant)
  - Asset management

Subsidiaries of Entrepo Holdings (Pty) Ltd

- Entrepo Finance (Pty) Ltd
  - Term lending
- Entrepo Life Ltd
  - Long-term insurance

Associates:

- Sanlam Namibia Holdings (Pty) Ltd
  - Long-term insurance
- Santam Namibia Ltd
  - Short-term insurance
- Paratus Group Holdings Ltd
  - ICT network solutions, satellite connectivity and infrastructure.

Registered address of Capricorn Group Ltd:

6th floor
Capricorn Group Building
Kasino Street
Windhoek
Namibia

Company registration number: 96/300

Country of incorporation: Republic of Namibia

3. Financial results and dividends

The directors report that the group's net profit after taxation from the above business activities for the year ended 30 June 2022 amounted to:

	2022 N$'000	2021 N$'000
Profit for the year	1,145,881	983,027

Normal dividends of N$363.4 million (2021: N$217.3 million) were declared and paid by the company during the year under review. Refer to note 34 to the consolidated annual financial statements for details on dividends per share.

Full details of the financial results of the company and the group are set out on pages 16 to 155.

Director's report continued

4. Share capital

4.1 Ordinary shares

The company's authorised share capital is 600,000,000 ordinary shares of 2.5 cents each.

For full details on the changes to issued ordinary share capital, refer to note 29 to these consolidated annual financial statements.

4.2 Preference shares

The company has 1,000,000 authorised preference shares of 1 cent each, 35,000 Class A preference shares and 30,000 Class B preference shares both of 1 cent shares.

For full details on the issued preference share capital and the change to issued preference share capital, refer to notes 24 and 29 to the consolidated annual financial statements.

4.3 Share analysis – ordinary shares

The following shareholders have a beneficial interest of five percent or more of the issued ordinary shares of the company at year-end:

	2022 %	2021 %
Capricorn Investment Holdings Ltd	44.4	44.3
Government Institutions Pension Fund	26.8	25.9
Nam-mic Financial Services Holdings (Pty) Ltd	8.1	8.1
Held by the public (88,862,215 ordinary shares (2021: 93,859,828))	17.1	18.1
Held by other non-public shareholders	3.6	3.6
– Directors and executive managements' direct and indirect shareholding other than companies mentioned above (14,939,603 ordinary shares (2021: 14,518,763))	1.6	1.6
– Capricorn Group Employee Share Ownership Trust (7,117,401 ordinary shares (2021: 7,927,328))	1.4	1.4
– Capricorn Group Employee Share Benefit Trust (3,420,000 ordinary shares (2021: 3,420,000))	0.6	0.6

4.4 Share analysis – preference shares

	2022 %	2021 %
Santam Namibia Ltd	2.8	2.5
Capricorn Investment Holdings Ltd	45.1	39.9
First National Bank of Namibia Ltd	52.1	57.6

4.5 Share incentive plans

The group operates two equity-settled share-based compensation plans: (1) a share appreciation rights plan (SAR) and (2) a conditional share plan (CSP), under which the entities within the group receive services from employees as consideration for equity instruments (shares) of Capricorn Group. All grants under the SAR and CSP plans are subject to approval by the Group Board Remuneration Committee ("Remco"). Refer to note 31 in the consolidated annual financial statements for more information.

The group also operates a share purchase scheme (note 16 to the consolidated annual financial statements) and the Capricorn Group Employee Share Benefit Trust. The Capricorn Group Employee Share Benefit Trust is intended as an incentive to employees on lower job levels to promote the continued growth of the group by giving them an opportunity to share in dividends distributed by the company, without beneficial rights to the shares.

5. Subsidiaries

For details relating to the subsidiaries of Capricorn Group refer to note 18 to the consolidated annual financial statements.

6. Associates

For details relating to the associates of Capricorn Group, refer to note 19 to the consolidated annual financial statements.

7. Management by third party

No business of the company or any part thereof or of a subsidiary has been managed by a third person or a company in which a director has an interest.

8. Directors and company secretary

The Capricorn Group board composition during the year was as follows:

Non-executive		Nationality	Date appointed	Date resigned
D G Fourie	Chairperson	Namibian	29 October 2015	
J C Brandt		Namibian	5 September 1996	
J J Swanepoel		Namibian	1 July 1999	
G Nakazibwe-Sekandi		Ugandan	30 November 2004	
D J Reyneke		South African	19 May 2017	
H M Gaomab II		Namibian	20 August 2018	
G Menetté		Namibian	23 November 2018	
E Solomon		South African	1 November 2019	
E Fahl		Namibian	16 September 2021	
D T Kali		Namibian	16 September 2021	
Executive				
M J Prinsloo	Group CEO	South African	4 March 2013	
J J Esterhuyse	Financial Director	South African	1 September 2018	28 February 2022

At the annual general meeting held on 27 October 2021, Messrs Fourie and Gaomab were unanimously re-elected as directors. All directors appointed since a previous annual general meeting have to be confirmed at the next annual general meeting, and the appointment of Ms Fahl and Mr Kali were unanimously confirmed.

The authorised but unissued ordinary and preference shares of the company are under the control of the directors of Capricorn Group, subject to the provisions of the Banking Institutions Act, section 229 of the Companies Act and the listing requirements of the Namibian Stock Exchange. This authority expires at the forthcoming annual general meeting, when this authority can be renewed.

H G von Ludwiger was the company secretary during the year under review. The business and postal addresses of the company secretary are:

Capricorn Group Building
Kasino Street
Windhoek
Namibia

P.O. Box 15
Windhoek
Namibia

9. Directors' interests

The directors' interests are disclosed in note 37.

Director's report continued

10. Auditor

PricewaterhouseCoopers will continue in office as auditor, until the next annual general meeting, in accordance with the Companies Act of Namibia.

11. Events subsequent to year-end

On 13 September 2022 a final dividend of 40 cents per ordinary share was declared for the year ended 30 June 2022, payable on 26 October 2022.

No other matters which are material to the financial affairs of the company and group have occurred between year-end and the date of approval of the consolidated annual financial statements.

12. Going concern

The board performed a rigorous assessment of whether the group and company are going concerns in the light of the prevailing economic conditions and other available information about future risks and uncertainties.

The projections of the group and company have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the date of approval of these consolidated and separate financial statements, including performing sensitivity analyses.

The group and company's projections and sensitivity analysis show that the group and company have sufficient capital, liquidity and positive future performance outlook to continue to be able to operate within the level of its current financing and as a result it is appropriate to prepare the consolidated and separate financial statements on a going concern basis.

Consolidated and separate statements of comprehensive income

for the year ended 30 June 2022

	Notes	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Interest and similar income		4,187,290	4,057,427	119,663	105,692
Interest and similar expenses		(1,850,174)	(1,802,124)	(120,461)	(121,828)
Net interest income	5.	2,337,116	2,255,303	(798)	(16,136)
Credit impairment losses	6.	(367,303)	(443,748)	(30)	(101,349)
Net interest income after credit impairment losses		1,969,813	1,811,555	(828)	(117,485)
Non-interest income	7.	1,668,966	1,475,911	559,173	392,543
Fee and commission income	7.1	1,139,735	1,049,765	–	–
Net trading income	7.2	210,630	99,170	(534)	8,462
Other operating income	7.3	41,092	40,443	559,707	384,081
Net insurance premium income	7.4	161,277	163,306	–	–
Net claims and benefits paid	7.5	(48,374)	(35,484)	–	–
Asset management and administration fees	7.6	164,606	158,711	–	–
Operating income		3,638,779	3,287,466	558,345	275,058
Operating expenses	9.	(2,131,123)	(1,996,935)	(132,850)	(147,138)
Operating profit		1,507,656	1,290,531	425,495	127,920
Share of associates' results after tax	10.	67,697	103,613	–	–
Profit before income tax		1,575,353	1,394,144	425,495	127,920
Income tax expense	11.	(429,472)	(369,843)	(466)	375
Profit from continuing operations		1,145,881	1,024,301	425,029	128,295
Loss from discontinued operations	41.	–	(41,274)	–	–
Profit for the period		1,145,881	983,027	425,029	128,295
Other comprehensive income					
Items that may be reclassified to profit or loss					
Change in value of debt instruments at fair value through other comprehensive income		(43,407)	(38,353)	(16,814)	–
Income tax expense	11.	8,510	12,273	–	–
Exchange differences on translation of foreign operations		18,515	(48,436)	–	–
Exchange differences on translation of discontinued operations		–	(30,834)	–	–
Items that will not be reclassified to profit or loss					
Change in value of equity instruments at fair value through other comprehensive income		(79)	(341)	–	–
Income tax expense	11.	25	109	–	–
Total comprehensive income for the year		1,129,445	877,445	408,215	128,295

Consolidated and separate statements of comprehensive income continued

for the year ended 30 June 2022

	Notes	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Profit attributable to:					
Equity holders of the parent entity		1,045,983	872,326	425,029	128,295
Non-controlling interests		99,898	110,701	–	–
		1,145,881	983,027	425,029	128,295
Total comprehensive income attributable to:					
Equity holders of the parent entity		1,027,140	773,623	408,215	128,295
Non-controlling interests		102,305	103,822	–	–
		1,129,445	877,445	408,215	128,295
Total comprehensive income attributable to:					
Continuing operations		1,129,445	949,553	408,215	128,295
Discontinued operations		–	(72,108)	–	–
		1,129,445	877,445	408,215	128,295
Earnings per ordinary share in respect of the profit from continuing operations attributable to the equity holders of the parent entity during the year:					
Basic (cents)	12.	204.9	178.7		
Fully diluted (cents)	12.	204.1	178.2		
Earnings per ordinary share in respect of the profit from discontinued operations attributable to the equity holders of the parent entity during the year:					
Basic (cents)	12.	–	(8.0)		
Fully diluted (cents)	12.	–	(8.0)		
Earnings per ordinary share for the profit attributable to the equity holders of the parent entity during the year:					
Basic (cents)	12.	204.9	170.7		
Fully diluted (cents)	12.	204.1	170.2		

Consolidated and separate statements of financial position

as at 30 June 2022

		Group			Company	
	Notes	2022 N$'000	2021 N$'000 (Restated)	2020 N$'000 (Restated)	2022 N$'000	2021 N$'000
ASSETS						
Cash and cash equivalents	13.	6,480,396	5,087,452	3,905,644	411,250	665,789
Financial assets at fair value through profit or loss	14.	2,183,179	2,050,729	2,314,333	120,648	79,316
Financial assets at amortised cost	14.	915,861	850,057	712,757	446,366	378,328
Financial assets at fair value through other comprehensive income	15.	5,397,626	5,120,236	5,773,633	949,518	802,328
Loans and advances to customers	16.	43,226,296	40,829,687	40,078,622	–	–
Other assets	17.	470,091	419,142	398,656	222,055	72,129
Current tax asset		85,867	122,694	110,404	204	5,123
Investment in subsidiaries	18.	–	–	–	1,416,898	1,416,898
Investment in associates	19.	554,895	524,938	581,800	342,458	342,458
Intangible assets	20.	368,891	284,789	287,451	–	–
Property and equipment	21.	639,913	609,798	602,494	–	–
Deferred tax asset	27.	116,617	113,469	54,938	10,626	11,092
Assets held for sale		–	–	1,250,365	–	–
Total assets		60,439,632	56,012,991	56,071,097	3,920,023	3,773,461
LIABILITIES						
Due to other banks	22.	708,212	762,313	969,143	–	–
Other borrowings	23.	618,017	692,719	861,502	313,839	142,884
Debt securities in issue	24.	6,244,612	6,050,509	5,642,291	2,114,650	2,187,750
Deposits	25.	43,647,452	40,179,699	39,323,264	–	–
Other liabilities	26.	1,405,933	1,199,498	1,297,597	47,802	43,077
Current tax liability		2,750	7,786	2,256	–	–
Deferred tax liability	27.	162	118	192	–	–
Post-employment benefits	28.	19,168	16,126	14,929	1,580	1,268
Liabilities held for sale		–	–	1,496,888	–	–
Total liabilities		52,646,306	48,908,768	49,608,062	2,477,871	2,374,979
EQUITY						
Share capital and premium	29.	719,096	714,575	718,078	764,071	758,544
Non-distributable reserves	32.	80,370	209,149	34,617	–	–
Distributable reserves	33.	6,487,421	5,690,210	5,288,381	678,081	639,938
		7,286,887	6,613,934	6,041,076	1,442,152	1,398,482
Non-controlling interests in equity		506,439	490,289	421,959	–	–
Total shareholders' equity		7,793,326	7,104,223	6,730,064	1,442,152	1,398,482
Total equity and liabilities		60,439,632	56,012,991	56,338,126	3,920,023	3,773,461

Consolidated and separate statements of changes in equity

for the year ended 30 June 2022

			Non-distributable reserves					Distributable reserves					
	Notes	Share capital and premium N$'000	Insurance fund reserve N$'000	Credit risk reserve N$'000	Margin entitlement reserve N$'000	NIIFSR*** N$'000	SBCR* N$'000	Fair value reserve N$'000	General banking reserve N$'000	FCTR** N$'000	Retained earnings N$'000	Non-controlling interests N$'000	Total equity N$'000
GROUP													
Balance at 1 July 2020 as previously stated		718,078	54,100	–	–	(19,483)	29,205	1,480	3,846,093	59,891	1,618,741	421,959	6,730,064
Prior period correction	1.3.1 (b)	–	–	–	–	–	–	–	–	–	(267,029)	–	(267,029)
Adjusted balance at the beginning of the year		718,078	54,100	–	–	(19,483)	29,205	1,480	3,846,093	59,891	1,351,712	421,959	6,463,035
Movement in treasury shares		(13,536)	–	–	–	–	–	–	–	–	–	–	(13,536)
Total comprehensive income for the year		–	–	–	–	–	–	(26,312)	–	(72,391)	872,326	103,822	877,445
Profit for the year		–	–	–	–	–	–	–	–	–	872,326	110,701	983,027
Other comprehensive income		–	–	–	–	–	–	(26,312)	–	(72,391)	–	(6,879)	(105,582)
Share-based payment charges	33.	–	–	–	–	–	13,938	–	–	–	–	–	13,938
Vesting of shares		10,033	–	–	–	–	(10,033)	–	–	–	–	–	–
Profit on sale of treasury shares		–	–	–	–	–	–	–	–	–	3,841	–	3,841
Transfer between reserves		–	1,890	153,159	–	–	–	25,971	676,143	–	(857,163)	–	–
Transfer of FCTR		–	–	–	–	–	–	–	–	(8)	–	8	–
Reclassification to retained earnings		–	–	–	–	19,483	–	–	–	–	(19,483)	–	–
Dividends	34.	–	–	–	–	–	–	–	–	–	(205,000)	(35,500)	(240,500)
Balance at 30 June 2021		714,575	55,990	153,159	–	–	33,110	1,139	4,522,236	(12,508)	1,146,233	490,289	7,104,223
Balance at 1 July 2021		714,575	55,990	153,159	–	–	33,110	1,139	4,522,236	(12,508)	1,146,233	490,289	7,104,223
Movement in treasury shares		(17,585)	–	–	–	–	–	–	–	–	–	–	(17,585)
Total comprehensive income for the year		–	–	–	–	–	–	(34,951)	–	16,108	1,045,983	102,305	1,129,445
Profit for the year		–	–	–	–	–	–	–	–	–	1,045,983	99,898	1,145,881
Other comprehensive income for the year		–	–	–	–	–	–	(34,951)	–	16,108	–	2,407	(16,436)
Share-based payment charges	33.	–	–	–	–	–	16,916	–	–	–	–	–	16,916
Vesting of shares		22,106	–	–	–	–	(22,106)	–	–	–	–	–	–
Profit on sale of treasury shares		–	–	–	–	–	–	–	–	–	21	–	21
Transfer between reserves		–	2,001	(130,837)	57	–	–	–	710,678	–	(581,899)	–	–
Change in ownership interest in subsidiary		–	–	–	–	–	–	–	–	–	–	–	–
Transfer of FCTR		–	–	–	–	–	–	–	–	–	–	–	–
Dividends	34.	–	–	–	–	–	–	–	–	–	(353,539)	(86,155)	(439,694)
Balance at 30 June 2022		719,096	57,991	22,322	57	–	27,920	(33,812)	5,232,914	3,600	1,256,799	506,439	7,793,326
Notes		29.	32.2	32.1	32.3		33.5	33.1	33.2	33.3	33.4		

* *Share-based compensation reserve (SBCR)*
** *Foreign currency translation reserve (FCTR)*
*** *Net investment in foreign subsidiary reserve (NIIFSR)*

	Notes	Share capital and premium N$'000	Non-distributable reserves NIIFSR*** N$'000	Distributable reserves SBCR* N$'000	Fair value reserve N$'000	Retained earnings N$'000	Total equity N$'000
COMPANY							
Balance at 1 July 2020		760,667	(19,483)	20,534	–	724,588	1,486,306
Movement in treasury shares		(5,710)	–	–	–	–	(5,710)
Share-based payment charges	33.	–	–	6,921	–	–	6,921
Vesting of shares		3,587	–	(3,587)	–	–	–
Reclassification to retained earnings		–	19,483	–	–	(19,483)	–
Total comprehensive income for the year		–	–	–	–	128,295	128,295
Profit for the year		–	–	–	–	128,295	128,295
Dividends	34.	–	–	–	–	(217,330)	(217,330)
Balance at 30 June 2021		758,544	–	23,868	–	616,070	1,398,482
Balance at 1 July 2021		758,544	–	23,868	–	616,070	1,398,482
Movement in treasury shares		(5,059)	–	–	–	–	(5,059)
Share-based payment charges	33.	–	–	3,944	–	–	3,944
Vesting of shares		10,586	–	(10,586)	–	–	–
Total comprehensive income for the year		–	–	–	(16,814)	425,029	408,215
Profit for the year		–	–	–	–	425,029	425,029
Other comprehensive income		–	–	–	(16,814)	–	(16,814)
Dividends	34.	–	–	–	–	(363,430)	(363,430)
Balance at 30 June 2022		764,071	–	17,226	(16,814)	677,669	1,442,152
Notes		29.		33.5		33.4	

* *Share-based compensation reserve (SBCR)*
** *Foreign currency translation reserve (FCTR)*
*** *Net investment in foreign subsidiary reserve (NIIFSR)*

Consolidated and separate statements of cash flows

for the year ended 30 June 2022

	Notes	Group 2022 N$'000	Group Restated 2021 N$'000	Company 2022 N$'000	Company Restated 2021 N$'000
Cash flows from operating activities					
Cash receipts from customers	35.1	6,159,551	5,557,562	48,293	92,910
Cash paid to customers, suppliers and employees	35.2	(3,805,371)	(3,824,485)	(252,345)	(269,184)
Cash generated from/(utilised in) operations	35.3	2,354,180	1,733,077	(204,052)	(176,274)
(Increase)/decrease in operating assets					
Financial assets at amortised cost		(65,803)	(137,299)	(13,756)	(122,777)
Proceeds from financial assets at fair value through OCI		5,259,445	7,313,661	–	–
Purchases of financial assets at fair value through OCI		(5,571,106)	(6,666,895)	(198,922)	(208,713)
Loans and advances to customers and banks		(2,763,912)	(1,196,868)	–	–
Other assets		(52,853)	(21,890)	(132,210)	(23,287)
Increase/(decrease) in operating liabilities					
Deposits from customers and due to other banks		3,408,225	461,283	–	–
Other liabilities		56,465	(54,285)	17,713	(5,255)
Net cash generated from/(utilised in) operations		2,624,641	1,430,784	(531,227)	(536,306)
Dividends received		58,303	87,615	507,742	349,477
Other interest received		939	632	18,255	12,433
Income taxes paid	35.4	(450,629)	(435,209)	–	–
Income taxes refunds	35.4	53,972	–	–	–
Net cash generated from/(utilised in) operating activities		2,287,226	1,083,822	(5,230)	(174,396)
Cash flows from investing activities					
Additions to property and equipment	21.	(142,427)	(187,831)	–	–
Additions to intangible assets	20.	(139,040)	(64,170)	–	–
Proceeds on sale of subsidiary	35.5	–	738	–	738
Proceeds on sale of associate	35.6	–	96,466	–	96,466
Redemption of unit trust investments		361,621	1,999,737	346,621	1,279,608
Investments of unit trust investments		(494,071)	(1,755,821)	(293,000)	(618,600)
Net cash (utilised in)/generated from investing activities		(413,917)	89,119	53,621	758,212
Cash flows from financing activities					
Treasury shares acquired		(26,145)	(15,842)	(16,487)	(5,714)
Treasury shares sold		25,687	20,370	5,558	–
Proceeds from other borrowings	23.	331,177	231,198	295,922	166,229
Redemption of other borrowings	23.	(431,781)	(362,579)	(149,586)	(164,020)
Redemption of debt securities in issue	24.	(311,002)	(951,000)	(75,000)	(75,000)
Proceeds from the issue of debt securities	24.	540,000	1,441,104	–	–
Lease payments made	26.	(83,142)	(90,607)	–	–
Dividends paid	34.	(353,539)	(240,500)	(363,430)	(217,330)
Net cash generated from/(utilised in) financing activities		(308,745)	32,144	(303,023)	(295,835)
Net increase/(decrease) in cash and cash equivalents from continuing operations		1,564,564	1,205,085	(254,632)	287,981
Cash and cash equivalents at the beginning of the year		5,087,452	3,905,644	665,789	387,857
Effects of exchange rate changes on cash and cash equivalents		(171,620)	(23,277)	93	(10,049)
Cash and cash equivalents at the end of the year	13.	6,480,396	5,087,452	411,250	665,789

See note 1.3.1(a) for details regarding the restatement.

* *Interest and similar income of N$4.19 million (2021: N$4.02 million) is included in the receipts from customers line item. Interest and similar expenses of N$1.44 million (2021: N$1.42 million) is included in the payment to customers, suppliers and employees line item.*

Notes to the consolidated and separate annual financial statements

for the year ended 30 June 2022

1. Basis of presentation

The consolidated annual financial statements of Capricorn Group (the group or the company) for the year ended 30 June 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) effective at the time of preparing these statements and in the manner required by the Namibian Companies Act and the Namibian Stock Exchange. The consolidated annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income and financial liabilities held at fair value through profit or loss and all derivative contracts.

The preparation of consolidated annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual financial statements, are disclosed in note 4.

The level of rounding used for the amounts presented in the annual financial statements is N$'000, unless indicated otherwise.

1.1. Going concern

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current financing. The group continues to adopt the going concern basis in preparing its consolidated annual financial statements.

1.2. Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated annual financial statements are presented in Namibian dollar, which is the functional and presentation currency of the company and the presentation currency of the group.

1.3. Standards and interpretations issued

1.3.1 STANDARDS AND INTERPRETATIONS ISSUED AFFECTING AMOUNTS REPORTED AND DISCLOSURES IN THE CURRENT YEAR

Title of standard	Nature of change	Impact	Mandatory application/date of adoption by group
Amendments to interest rate benchmark reform Phase 2 on: IAS 39 Financial Instruments: Recognition and Measurement; IFRS 7 – Financial Instruments: Disclosures and IFRS 9 – Financial Instruments	Interest rate benchmark reform phase 2: The amendments to IAS 39, IFRS 7 and IFRS 9, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. > The amendments enable (and require) entities to continue hedge accounting in the circumstances when changes arise because of the IBOR reform by requiring companies to amend their hedging relationships to reflect: Designating an alternative benchmark rate as the hedged risk; changing the description of hedged item, including the designated portion, and changing the description of how the entity would assess hedge effectiveness. > The amendment to IFRS 7 requires an entity to make additional disclosures in its financial statements so that investors can better understand the effects of IBOR reform. > The amendments to IFRS 9 enable an entity to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform.	The old benchmark rates have been contractually agreed until maturity. For any new contracts a new benchmark will be used.	Mandatory for financial periods commencing on or after 1 January 2021. Adoption date by the group: 1 July 2021

Notes to the consolidated and separate annual financial statements continued

1. Basis of presentation continued

1.3. Standards and interpretations issued continued

1.3.1 STANDARDS AND INTERPRETATIONS ISSUED AFFECTING AMOUNTS REPORTED AND DISCLOSURES IN THE CURRENT YEAR CONTINUED

Title of standard	Nature of change	Impact	Mandatory application/date of adoption by group
Amendment to IFRS 4 – Insurance contracts	The amendment covers the interest rate benchmark reform phase 2: The amendment enables an insurer applying the temporary exemption from IFRS 9 to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform.	The group assessed these amendments to have no impact.	Mandatory for financial periods commencing on or after 1 January 2021. Adoption date by the group: 1 July 2021.
Amendment to IFRS 16 – Leases	Interest rate benchmark reform phase 2: The amendment enables an entity to apply a practical expedient to account for a lease modification required by the IBOR reform.	The group assessed this amendment to have no impact.	Mandatory for financial periods commencing on or after 1 January 2021. Adoption date by the group: 1 July 2021.
Amendment to IFRS 16 – Leases COVID-19 related rent concessions	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. The amendment was to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. This amendment is only available if an entity chose to apply the May 2020 optional practical expedient.	The group assessed these amendments to have no impact.	Mandatory for financial periods commencing on or after 1 April 2022. Adoption date by the group: 1 July 2021.

1.3.1 (a) Prior period restatement

The composition of cash and cash equivalents as reflected in the statement of financial position and in the statement of cash flows was re-evaluated during the current financial year, which upon re-assessment, resulted in certain balances having to be amended through reclassifying these balances into the correct financial statement line items for presentation purposes in the statement of financial position and cash flows, respectively. These reclassification adjustments had no impact on previously reported profits or on the earnings or diluted earnings per share of the company and the group as previously stated. The reclassifications also had no impact on the liquidity of the group as it merely relates to the IAS 7 definition of cash and cash equivalents and its relating impacts on the statement of financial position and the cash flows, respectively. Full details of the reclassifications have been listed below:

Statement of Financial Position

Group	Notes	30 June 2021 N$'000	Impact of changes N$'000	Restated 30 June 2021 N$'000
Consolidated statement of financial position (extract)				
Assets				
Cash and balances with central bank	(i)	1,319,389	(1,319,389)	–
Financial assets at fair value through profit or loss	(ii)	2,250,127	(199,398)	2,050,729
Due from other banks	(i)	3,568,665	(3,568,665)	–
Cash and cash equivalents		–	5,087,452	5,087,452
		7,138,181	–	7,138,181

Group		30 June 2020 N$'000	Impact of changes N$'000	Restated 30 June 2020 N$'000
Consolidated statement of financial position (extract)				
Assets				
Cash and balances with central bank	(i)	909,117	(909,117)	–
Due from other banks	(i)	2,996,527	(2,996,527)	–
Cash and cash equivalents		–	3,905,644	3,905,644
		3,905,644	–	3,905,644

(i) During the current year, upon re-assessment and taking into account the nature of Cash and bank balances with the central bank and due from other banks, these line items were concluded to represent cash and cash equivalents and were amended accordingly.

(ii) Reverse repurchase agreements were previously classified as financial assets at fair value through profit or loss. Reverse repurchase agreements are mainly entered into for purposes of liquidity management and are considered part of the group's cash management strategies in its daily business operations.

1. Basis of presentation continued

1.3. Standards and interpretations issued continued

1.3.1 STANDARDS AND INTERPRETATIONS ISSUED AFFECTING AMOUNTS REPORTED AND DISCLOSURES IN THE CURRENT YEAR CONTINUED

1.3.1(a) Prior period restatement continued

Statement of Financial Position continued

During the current year the classification was amended and these instruments, amounting to N$199 million were thus classified as cash and cash equivalents in accordance with the requirements of IAS 7.

All items of cash and cash equivalents were assessed in accordance with IAS 7, and the entire line item in the statement of financial position has consequently been updated.

Statement of Cash Flows

Group - Impact on Cash and cash equivalents balance	Notes	30 June 2021 N$'000	Impact of changes N$'000	Restated 30 June 2021 N$'000
Cash balances with the central banks	(iii)	947,471	371,918	1,319,389
Treasury bills and government stock with a maturity of less than 90 days	(iv)	966,475	(966,475)	–
Unit trust investments	(v)	2,050,729	(2,050,729)	–
Repurchase agreements	(vi)	–	199,398	199,398
Placement with other banks		3,568,665	–	3,568,665
Borrowings from other banks	(vii)	(762,313)	762,313	–
Cash and cash equivalents		6,771,027	(1,683,575)	5,087,452

Company - Impact on Cash and cash equivalents balance	Notes	30 June 2021 N$'000	Impact of changes N$'000	Restated 30 June 2020 N$'000
Cash balances with the central banks	(iii)	665,789	–	665,789
Unit trust investments	(v)	79,316	(79,316)	–
Cash and cash equivalents		745,105	(79,316)	665,789

This resulted in a decrease in the cash and cash equivalents line for the cash flow statements.

(iii) Mandatory reserve deposits with the respective central banks, which is subject to restrictions and limitations, is available for use by the group and therefore forms part of cash and cash equivalents.

(iv) The treasury bills and government stock are classified as cash if the maturity date is 90 days or less after original investment date. All treasury bills and government stock at the respective reporting dates have a maturity date greater than 90 days from original investment date and therefore do not qualify as cash and cash equivalents.

(v) Unit trust investments are classified based on the weighted average maturity dates of the funds. After investigation, the unit trust investments all have a weighted averaged maturity date greater than 90 days on the fund fact sheets and should therefore not be classified as part of cash and cash equivalents. In addition, receipts from customers were amended to exclude interest earned on unit trust investments not received in cash.

(vi) Reverse repurchase agreements are classified as cash as the instrument matures within 3 months of investment.

(vii) Borrowings from other banks are not used in the management of the group's cash flows and have been reclassified from cash and cash equivalents as a result.

Notes to the consolidated and separate annual financial statements continued

1. Basis of presentation continued

1.3. Standards and interpretations issued continued

1.3.1 STANDARDS AND INTERPRETATIONS ISSUED AFFECTING AMOUNTS REPORTED AND DISCLOSURES IN THE CURRENT YEAR CONTINUED

1.3.1(a) Prior period restatement continued

Certain items were reclassified during the current year under review in accordance with the disclosure requirements of IAS 7, the impact on the statement of cash flow is summarised below:

Statement of Cash Flows continued

Group - Impact on the statement of cash flows	Notes	30 June 2021 N$'000	Impact of changes N$'000	Restated 30 June 2021 N$'000
Consolidated statement of cash flows (extract)				
Cash flows from operating activities				
Receipts from customers	(v)	5,595,914	(38,352)	5,557,562
Payments to customers, suppliers and employees	(viii)	(3,799,894)	(24,591)	(3,824,485)
Cash generated from operations		1,796,020	(62,943)	1,733,077
(Increase)/decrease in operating assets				
Financial assets at fair value	(vi)	(224,888)	199,398	(25,490)
Financial assets at amortised cost		(137,299)		(137,299)
Proceeds from financial assets at fair value through OCI	(ix)	–	7,313,661	7,313,661
Purchases of financial assets at fair value through OCI	(ix)	–	(6,666,895)	(6,666,895)
Loans and advances to customers and banks		(1,196,868)	401	(1,196,467)
Other assets		(21,890)	–	(21,890)
Increase/(decrease) in operating liabilities				
Deposits and due from other banks	(vii)	825,312	(364,029)	461,283
Other liabilities		(54,285)	–	(54,285)
Net cash generated from operations		986,102	419,593	1,405,695
Dividends received		87,615	–	87,615
Other interest received		632		632
Income taxes paid		(435,209)	–	(435,209)
		639,140	419,593	1,058,733
Cash flows from investing activities				
Redemption of unit trust investments	(v)	–	1,999,737	1,999,737
Investment of unit trust investments	(v)	–	(1,755,821)	(1,755,821)
		–	243,916	243,916

(iv) The treasury bills and government stock are classified as cash if the maturity date is 90 days or less after original investment date. All treasury bills and government stock at the respective reporting dates have a maturity date greater than 90 days from original investment date and therefore do not qualify as cash and cash equivalents.

(v) Unit trust investments are classified based on the weighted average maturity dates of the funds. After investigation, the unit trust investments all have a weighted averaged maturity date greater than 90 days on the fund fact sheets and should therefore not be classified as part of cash and cash equivalents. In addition, receipts from customers were amended to exclude interest earned on unit trust investments not received in cash.

(vi) Reverse repurchase agreements are classified as cash as the instrument matures within 3 months of investment.

(vii) Borrowings from other banks are not used in the management of the group's cash flows and have been reclassified from cash and cash equivalents as a result.

(viii) The principal payments on lease liabilities are shown net of the cash flow relating to finance charges.

(ix) Financial assets at fair value through other comprehensive income were reported on a gross basis in the restated cash flow statement.

1. Basis of presentation continued

1.3. Standards and interpretations issued continued

1.3.1 STANDARDS AND INTERPRETATIONS ISSUED AFFECTING AMOUNTS REPORTED AND DISCLOSURES IN THE CURRENT YEAR CONTINUED

1.3.1(a) Prior period restatement continued

Statement of Cash Flows continued

Company – Impact on the statement of cash flows	Notes	30 June 2021 N$'000	Impact of changes N$'000	Restated 30 June 2021 N$'000
Consolidated statement of cash flows (extract)				
Cash flows from operating activities				
Receipts from customers	(v)	107,352	(14,442)	92,910
Payments to customers, suppliers and employees		(260,255)	(8,929)	(269,184)
Cash generated from operations		(152,903)	(23,371)	(176,274)
(Increase)/decrease in operating assets				
Financial assets at fair value	(x)	(208,713)	208,713	–
Financial assets at amortised cost		(122,777)	–	(122,777)
Purchases of financial assets at fair value through OCI	(ix)	–	(208,713)	(208,713)
Other assets		(23,287)	–	(23,287)
Increase/(decrease) in operating liabilities				–
Other liabilities		(5,255)	–	(5,255)
Net cash generated from operations		(512,935)	(23,371)	(536,306)
Dividends received		349,477	–	349,477
Other interest received		12,433	–	12,433
Income taxes paid		–	–	–
		(151,025)	(23,371)	(174,396)
Cash flows from investing activities				
Redemption of unit trust investments	(v)	–	1,279,608	1,279,608
Investment of unit trust investments	(v)	–	(618,600)	(618,600)
		–	661,008	661,008

(v) Unit trust investments are classified based on the weighted average maturity dates of the funds. After investigation, the unit trust investments all have a weighted averaged maturity date greater than 90 days on the fund fact sheets and should therefore not be classified as part of cash and cash equivalents. In addition, receipts from customers were amended to exclude interest earned on unit trust investments not received in cash.

(ix) Financial assets at fair value through other comprehensive income were reported on a gross basis in the restated cash flow statement.

(x) Reallocation from the financial assets at fair value line item to the purchases of financial assets at fair value through OCI line item.

1.3.1 (b) Restatement of retained earnings opening balance at 1 July 2020

When Cavmont Capital Holdings Zambia Plc ("CCHZ") was acquired on 31 December 2016, Capricorn Group held preference shares in the amount of N$267 million in Cavmont Bank Limited, a wholly owned subsidiary of CCHZ. The net asset value acquired was, however, not adjusted to exclude these preference shares, resulting in the group retained earnings having been misstated since 30 June 2017. When Cavmont Bank Limited was disposed of on 4 January 2021, the misstatement was corrected by an adjustment of N$267 million directly to retained earnings on the disposal date, as opposed to adjusting the opening balance of retained earnings as at 1 July 2020. Apart from the disclosure of the adjustment to the retained earnings balance at 1 July 2020 in the statement of changes in equity, this prior period misstatement has no impact on the group annual financial statements for the year ended 30 June 2022 and the retained earnings balances as at 30 June 2022 and 30 June 2021 are correctly stated.

Notes to the consolidated and separate annual financial statements continued

1. Basis of presentation continued

1.3. Standards and interpretations issued continued

1.3.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE THAT IS EXPECTED TO BE RELEVANT TO THE GROUP

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
Amendments to IAS 1 – Presentation of Financial Statements	These amendments require the following changes to presentation: › Classification of liabilities as current or non-current: Narrow-scope amendments to clarify how to classify debt and other liabilities as current or non-current. › Disclosure of accounting policies: Entities should disclose material accounting policy information rather than significant accounting policies. Additional guidance added to explain how an entity can identify this.	The group is not expecting a material impact.	Mandatory for financial periods commencing on or after 1 January 2024. Expected date of adoption: 1 July 2024.
Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors	› The definition of accounting estimates changed: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. › The new definition: accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting prospectively remain unchanged.	The group is not expecting a material impact.	Mandatory for financial periods commencing on or after 1 January 2023. Expected date of adoption: 1 July 2023.
Amendments to IAS 12 – Income Taxes: Deferred Tax	The amendment requires entities to recognise deferred tax on single transactions that, on initial recognition gives rise to equal amounts of taxable and deductible temporary differences.	The group is not expecting a material impact.	Mandatory for financial periods commencing on or after 1 January 2023. Expected date of adoption: 1 July 2023.
Amendments to IAS 16 – Property, Plant and Equipment	Proceeds before intended use on property, plant and equipment: › The amendments prohibit an entity from deducting from the cost of an item any proceeds from selling such items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. › Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	The group is not expecting a material impact.	Mandatory for financial periods commencing on or after 1 January 2022. Expected date of adoption: 1 July 2022.
Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets .	Onerous contracts – cost of fulfilling a contract: › The amendments specify which costs should be included in an entity’s assessment whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of ‘costs to fulfil a contract’. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.	The group is currently assessing the impact of the amendment.	Mandatory for financial periods commencing on or after 1 January 2022. Expected date of adoption: 1 July 2022.
Amendment to IFRS 3 – Business combinations	Reference to the Conceptual Framework: › The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination, without changing the accounting requirements for business combinations.	The group is not expecting a material impact.	Mandatory for financial periods commencing on or after 1 January 2022. Expected date of adoption: 1 July 2022.

1. Basis of presentation continued

1.3. Standards and interpretations issued continued

1.3.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE THAT IS EXPECTED TO BE RELEVANT TO THE GROUP CONTINUED

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
IFRS 17, 'Insurance Contracts'	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.	The group is currently assessing the impact of the new rules.	Mandatory for financial years commencing on or after 1 January 2023. Expected date of adoption by the group: 1 July 2023.

Notes to the consolidated and separate annual financial statements continued

1. Basis of presentation continued

1.3. Standards and interpretations issued continued

1.3.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE THAT IS EXPECTED TO BE RELEVANT TO THE GROUP CONTINUED

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by group
Annual improvements to IFRS Standards 2018 to 2020.	These amendments include minor changes to: › IFRS 1 – First-time adoption of International Financial Reporting Standards – Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture. › IFRS 9 – Financial Instruments – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. Fees paid to third parties are excluded from this calculation. › IFRS 16 – Leases – The amendment requires to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatments of lease incentives. › IAS 41 – Agriculture – The amendment aligns the requirement for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.	The group is not expecting a material impact.	Mandatory for financial periods commencing on or after 1 January 2022. Expected date of adoption: 1 July 2022.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated annual financial statements, which complies with International Financial Reporting Standards (IFRS) and the Companies Act of Namibia, are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Consolidation

2.1.1 SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2. Summary of significant accounting policies continued

2.1 Consolidation continued

2.1.1 SUBSIDIARIES CONTINUED

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

In the company, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

2.1.2 COMMON CONTROL TRANSACTIONS

A common control transaction is defined as a business combination in which all of the combining entities are ultimately controlled by the same party, both before and after the business combination, and control is not transitory. Common control transactions fall outside the scope of IFRS 3 – 'Business Combinations', and therefore the group has elected to apply predecessor accounting in the accounting of these transactions.

The cost of an acquisition of a subsidiary under common control is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Any costs directly attributable to the acquisition are written off against reserves. On acquisition, the carrying values of assets and liabilities are not restated to fair value. The acquirer incorporates assets and liabilities at their pre-combination carrying amounts at the highest level of consolidation prior to transfer.

Any excess or deficit of the purchase price over the pre-combination recorded ultimate holding company's net asset value of the subsidiary is adjusted directly to equity. Any differences to values of the subsidiary's underlying assets and liabilities compared with those presented by the ultimate holding company and adjustments to achieve harmonisation of accounting policies will be adjusted in the records of the acquired company prior to consolidation.

In common control transactions, the group has elected to incorporate the acquired entity's results from the date of the business combination. As a consequence, comparative information is not restated. The principles of when control arises are the same as those for interests in subsidiaries, where purchase price accounting is applied.

2.1.3 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant shares acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated statement of comprehensive income as profit or loss attributable to non-controlling interests.

2.1.4 DISPOSAL OF SUBSIDIARIES

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the consolidated and separate annual financial statements continued

2. Summary of significant accounting policies continued

2.1 Consolidation continued

2.1.5 ASSOCIATES

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines, at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of associates' results' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the consolidated annual financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

Investments in associates are measured at cost less impairment in the company's financial statements. For summarised financial information on the group's associates accounted for on the equity method, refer to note 19.

When the group increases its stake in an associate it applies the 'cost-of-each-purchase' method. Under this method the cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of the investee's profits and other equity movements. Any acquisition-related costs are treated as part of the investment in the associate. The notional fair value for the additional stake (including notional goodwill arising on the purchase of the additional stake) is calculated using fair value information at the date when the additional interest is acquired.

2.2 Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated annual financial statements are presented in Namibian dollar (N$), which is the group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss under trading income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

2. Summary of significant accounting policies continued

2.3 Financial instruments

2.3.1 MEASUREMENT METHODS

Amortised cost and effective interest

The financial assets or financial liabilities are measured at the amount recognised at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider the expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

When the group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

The carrying value of loans and advances to customers is based on the calculation of the effective interest rate (EIR). This EIR is used in the IFRS 9 expected credit loss model for calculating provisions and to amortise any unearned loan origination fees over the contractual life of loans and advances.

The loan repayment calculation is based on the contractual rate, term, and capital amount including the loan origination fee. This adjusted instalment including the loan origination fee is used to determine the effective interest rate of the loan. The carrying value of loans and advances to customers is calculated using this effective interest rate.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets. Interest on financial assets classified as stage 3 under IFRS 9 is calculated using the effective interest rate on the net carrying amount of the financial assets.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a part to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset.

At initial recognition, the group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference immediately when the fair value is based on quoted price in an active market for an identical asset of liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss. In the event that fair value is not based on level 1 inputs, the fair value adjustment is deferred. The deferral is then amortised over the life of the instrument or realised when settled.

Financial assets that have subsequently become credit-impaired (or 'stage 3'), interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Notes to the consolidated and separate annual financial statements continued

2. Summary of significant accounting policies continued

2.3 Financial instruments continued

2.3.2 FINANCIAL ASSETS

(i) Classification and subsequent measurement

The group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds as well as exchange traded funds.

Classification and subsequent measurement of debt instruments depend on:

(i) The group's business model for managing the asset; and

(ii) The cash flow characteristics of the asset.

Based on these factors, the group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance at recognition date and also subsequent measurement. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented within the 'Non-operating income' in the period in which it arises. The group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest that are not designated at FVPL are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Non-operating income'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Business model: The business model reflects how the group manages the assets in order to generate cash flows. That is, whether the group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows arising from the sale of assets. If neither is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the financial instruments' cash flow represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

2. Summary of significant accounting policies continued

2.3 Financial instruments continued

2.3.2 FINANCIAL ASSETS CONTINUED

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The group's management has elected, at initial recognition, to irrevocably designate the investment security portfolio at fair value through other comprehensive income. These investments are held for purposes other than to generate investment returns. Fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

All other equity instruments are recognised at fair value through profit and loss.

(ii) Impairment

The group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan commitments and financial guarantee contracts. The group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by using the expected credit model;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

Note 3.2.2 provides more detail of how the expected credit loss allowance is measured.

(iii) Modification of loans

The group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. A substantial modification of the contractual cash flows results in the group derecognising the original financial asset and recognising a 'new asset' at fair value and recalculating a new effective interest rate for the asset. If modified contractual cashflows differs by more than 10% from original contractual cashflows, the modification will be deemed to be substantial. The date of renegotiation is consequently considered to the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and whether (i) the group transfers substantially all the risks and rewards of ownership, or (ii) the group neither transfers nor retains substantially all the risks and rewards of ownership and the group has not retained control.

Collateral furnished by the group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the group retains substantially all the risks and rewards on the basis of the predetermined repurchase price and the criteria for derecognition are therefore not met.

Notes to the consolidated and separate annual financial statements continued

2. Summary of significant accounting policies continued

2.3 Financial instruments continued

2.3.3 FINANCIAL LIABILITIES

(i) Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss: This classification is applied to derivatives. Financial guarantee contracts and loan commitments (see note 2.11)

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

2.3.4 DETERMINATION OF FAIR VALUE

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date; and
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

2.3.5 DERECOGNITION

The group derecognises a financial asset when:

- the contractual rights to the asset expire; or where there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or
- the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and rewards associated with the asset.

Where the group retains substantially all the risks and rewards of ownership of the financial asset, the group continues to recognises the financial asset in its entirety and recognises a financial liability for the consideration received. These financial assets and the related financial liabilities may not be offset.

Where the group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the group determines whether it has retained control of the financial asset. In this case:

- if the group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; or
- if the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. A substantial modification of the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

2.3.6. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2. Summary of significant accounting policies continued

2.3 Financial instruments continued

2.3.7 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, which include discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when its fair value is positive and as liabilities when its fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the group and company recognises profits on day one.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

The group's derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and the derivatives are disclosed separately in the statement of financial position.

2.3.8 INTEREST CAPITALISED ON STAGE 3 IMPAIRED LOANS AND ADVANCES

IFRS 9 requires that interest income for loans and advances classified as stage 3 be calculated on the net carrying amount, which will result in a portion of contractual interest being suspended. Interest capitalised on stage 3 loans and advances, therefore, does not impact the net carrying amount of the financial asset as presented on the statement of financial position.

2.3.9 SALE AND REPURCHASE AGREEMENTS

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities borrowed are not recognised in the consolidated and separate annual financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

2.4. Intangible assets

2.4.1 GOODWILL

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill on acquisition of subsidiaries is included in "intangible assets" and carried at cost less accumulated impairment losses. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating-units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Notes to the consolidated and separate annual financial statements continued

2. Summary of significant accounting policies continued

2.4 Intangible assets continued

2.4.2 COMPUTER SOFTWARE AND DEVELOPMENT COSTS

Intangible assets are initially recognised at cost. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Intangible assets in development are carried at cost.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use. Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by management.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives as follows:

Purchased software	3 – 7 years
Internally generated software	3 – 5 years

2.5 Property and equipment

Land and buildings mainly comprise branches and offices. All property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Motor vehicles	5 – 14 years
Furniture, fittings and other office equipment	7 – 16 years
Computer and other equipment	3 – 11.74 years
Buildings	24 – 47 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in profit or loss.

Investment properties held by group companies and which are occupied by other group companies are recognised as property and equipment in the consolidated annual financial statements.

2.6 Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed property is included under other assets as inventory as it is held for sale in the ordinary course of business, at the lower of cost or net realisable value, and is derecognised when the asset is sold to a third party.

2. Summary of significant accounting policies continued

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.8. Leases

2.8.1 IFRS 16 LEASES

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- the contract involves the use of an identified asset;
- the group has the right to obtain substantially all of the economic benefits associated with the use of the asset throughout the period of use; and
- the group has the right to direct or use the asset. The group has the right to direct or use the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lessee accounting

The group leases various offices, branches and houses (buildings). Rental contracts are typically made for fixed periods of 3 to 10 years, but may have extension options.

Depreciation on right of use assets is calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

Buildings	3 – 10 years

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Right-of-use assets are presented as part of 'property and equipment', while lease liabilities are presented as part of 'other liabilities' on the statement of financial position.

Initial recognition

At the commencement date a lessee recognises a right-of-use asset and a lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index rate or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

Notes to the consolidated and separate annual financial statements continued

2. Summary of significant accounting policies continued

2.8. Leases continued

2.8.1 IFRS 16 LEASES CONTINUED

Subsequent measurement

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Depreciation starts at the commencement date of the lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be repayable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in any way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Discount rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Generally, the group uses the lessee's incremental borrowing rate as the discount rate.

Short-term and leases of low-value assets

Payments associated with short-term leases of equipment and vehicles and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Lessor accounting

The group is not part of lease contracts where it is the lessor.

2.9 Cash and cash equivalents

Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, balances with less than three months' maturity from the reporting date, including cash and non-restricted balances with the central bank, treasury bills with a maturity date less than three months and other eligible bills, and placements with other banks.

2.10 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 will be required to settle the obligation; and the amount has been reliably estimated.

Provisions for restructuring costs and legal claims 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 will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as an interest expense.

2. Summary of significant accounting policies continued

2.11 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in note 3.2.2); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15

Loan commitments provided by the group are measured as the amount of the loss allowance (calculated as described in note 3.2.2). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

2.12 Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid leave, sick leave and bonuses) are recognised in the period in which the service is rendered and are not discounted.

2.12.1 PENSION OBLIGATIONS

The group operates a defined contribution plan. The plan is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity.

The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as assets to the extent that a cash refund or a reduction in the future payments is available. The group provides no other post-retirement benefits to their retirees.

2.12.2 SEVERANCE PAY PROVISION

In terms of the Labour Act of Namibia, the group is required to make payments (or provide other benefits) to employees when it terminates their employment. The implication of this requirement is that severance pay has to be paid to all employees when the employee:

i) is dismissed (except if due to misconduct or poor performance);

ii) dies while employed

iii) retires upon reaching the age of 65.

The group therefore has an obligation, more specifically a defined benefit, in terms of IAS 19 ‘Employee benefits’. The benefit is unfunded and is valued using the projected unit credit method as prescribed by IAS 19 ‘Employee benefits’. Refer to note 29 for assumptions made in the determination of the group’s liability with respect to severance pay.

2.12.3 LEAVE PAY

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

2.12.4 PERFORMANCE BONUSES

The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit before tax after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the consolidated and separate annual financial statements continued

2. Summary of significant accounting policies continued

2.13 Share-based payments

The group operates two equity-settled share-based compensation plans: 1) a share appreciation rights plan; and 2) a conditional share plan, under which the entities within the group receive services from employees as consideration for equity instruments (shares) of Capricorn Group Ltd (refer to the directors' report and remuneration report (unaudited) for more details of each plan). Equity-settled share purchase schemes are valued at grant date. The fair value of the employee services received in exchange for the grant of the shares and share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares and share options granted:

- including any market performance conditions (e.g. an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.14 Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.14.1 DEFERRED INCOME TAX

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts and tax losses carried forward and, in relation to acquisitions, from the difference between the fair values of the net assets acquired and their tax base.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liabilities, 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. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

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 that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

Deferred tax related to fair value re-measurement of investments held at fair value through other comprehensive income are is also recognised in other comprehensive income and is subsequently recognised in profit or loss together with the deferred gain or loss.

2.14.2 CURRENT INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2. Summary of significant accounting policies continued

2.15 Revenue recognition

Revenue from customers is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail, microlending and corporate banking services	The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group.	Revenue from account services and servicing fees are recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.
Asset management service	The Group provides asset management services. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis.	Revenue from asset management services is recognised over time as the services are provided.

2.15.1 NET TRADING INCOME

Net trading income comprises all gains and losses from changes in the fair value of financial assets and liabilities at fair value through profit or loss as well as foreign exchange gains and losses arising from instruments held at fair value through profit or loss.

2.15.2 INTEREST INCOME AND EXPENSES

Interest income and expenses are recognised in profit or loss for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (e.g. prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income and dividend income on financial assets at fair value through other comprehensive income are included in 'net interest income' or 'dividend income', respectively.

When a financial asset is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial assets is recognised using the original effective interest rate.

2.15.3 FEE AND COMMISSION INCOME

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Notes to the consolidated and separate annual financial statements continued

2. Summary of significant accounting policies continued

2.15 Revenue recognition continued

2.15.4 OTHER INCOME

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements. Dividend income is recognised when the right to receive payment is established.

Other income from the sale of residential units comprises the fair value of the consideration received or receivable, shown net of value-added tax, returns, rebates and discounts. Income is recognised on a stage-of-completion basis. Other income from consultations and valuations are recognised as services are delivered.

2.16 Share capital

2.16.1 SHARE ISSUE

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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

2.16.2 TREASURY SHARES

Where any group company purchases the company's (Capricorn Group company) equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Shares held by the employee share trusts and other group companies, which form part of the consolidated group, are deducted from total shareholders' equity until the shares are sold.

2.17 Inventory

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), as well as borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventory include the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of raw materials.

2.18 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the consolidated annual financial statements in the period in which the dividends are declared by the board of directors.

Dividends for the year that are declared after the reporting date are dealt with in the events subsequent to year-end note in the directors' report.

2.19 Fiduciary activities

The group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated annual financial statements, as they are not assets of the group.

2.20 Operating segments

The group considers its banking operations in Namibia and Botswana as two operating segments. The other major operating segment is the microlending activities in Namibia. Other components include property development, asset management and unit trust management. However these components each contribute less than 10% to the group revenue, assets and profit for the year. Therefore, the group has no significant components other than banking and microlending in Namibia and Botswana. This is in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the Chief Executive Officer of the group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

In assessing the performance of the banking operations, the Group Chief Executive Officer reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to the banking activities, which have been disclosed in the various notes to the consolidated annual financial statements.

2. Summary of significant accounting policies continued

2.21 Insurance contracts

2.21.1 POLICYHOLDER INSURANCE CONTRACTS

Policyholder insurance contracts are classified in accordance with IFRS 4.

The Entrepo group is licensed as a long-term insurer in Namibia in accordance with the Long-term Insurance Act (the Act) of 1998, as amended. The Act requires the determination of assets, liabilities and capital requirements for statutory purposes in accordance with generally accepted actuarial standards and principles.

In terms of IFRS 4, defined insurance liabilities are allowed to be measured under existing local practice. The group has adopted the Namibian Standards of Actuarial Practice (NSAP) issued by the Society of Actuaries of Namibia (SAN) to determine the liability in respect of insurance contracts. The following NSAP is relevant to the determination of policyholder liabilities:

- NSAP 104: Calculation of the Value of the Assets, Liabilities and Solvency Capital Requirement of Long-term Insurers.

Where applicable, the NSAPs are referred to in the accounting policies and notes to the financial statements.

Classification of insurance contracts

The group issued contracts that transfer insurance risk. The group classifies these contracts as insurance contracts.

Insurance contracts

Insurance contracts are those contracts where the group (as insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects them. Such contracts may also transfer financial risk. As a general guideline, the group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Profit and loss impact of movements

Adjustments to the amounts of policyholder liabilities for policies established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately if material.

Outstanding insurance contract claims

Provision is made on a prudent basis for the estimated final costs of:

- claims notified but not settled at year end, using the best information available at that time. The estimate includes an amount of the direct claims expenses and assessment charges arising from the settlement of claims

2.21.2 GROSS PREMIUMS

Gross premiums written comprise the premiums on contracts entered into during the year, and includes all premiums for the period of risk covered by the policy, regardless of whether or not these are due for payment in the accounting period.

2.21.3 CLAIMS PAID

Claims paid are recognised in the financial statements when the liability arises and are expensed accordingly.

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management

Any business that requires a return on capital investment is exposed to financial risks. Managing these risks continues to play a pivotal role within the group to ensure an appropriate balance is reached between risks and returns. The board of directors is ultimately responsible to manage risks that may either have a positive or negative impact on its financial performance, and which may ultimately have an adverse effect on the continued operations of the group. However, it is the responsibility of management to identify risks, whether real or anticipated, within their business units, and take appropriate actions.

Management's approach to risk management is to ensure all significant risks are identified and managed, and the returns are balanced with the risks taken. Compliance with a set of comprehensive risk management policies is an integral part of the group's day-to-day activities and systems of internal controls have been implemented to prevent and detect risks.

The key principles forming the foundation of the group's risk management process include:

- adoption of a risk management framework which applies to all business units and risk types;
- risk assessment, measurement, monitoring and reporting;
- independent reviews and assessment; and
- risk governance processes.

The following subcommittees have been formed to assist the board audit, risk and compliance committee (BARC) to manage risks:

Board credit committee (BCC) and board lending committee (BLC)

One of the group's primary activities is lending to retail and commercial borrowers. The group accepts deposits from customers or borrows money from investors at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in quality assets. The BCC and BLC are tasked to ensure this objective is achieved through the sanctioning of credit and thereby ensuring credit exposures remain within an acceptable range of credit standing. Such exposures involve not only loans and advances reflected on the statement of financial position, but also guarantees and other commitments such as letters of credit.

Asset and liability committee (ALCO)

The primary responsibility of the ALCO is the management of market and liquidity risks within set risk capacity, appetite and tolerance thresholds whilst at the same time optimising the group's profitability and capital position. The ALCO reviews the macro-economic environment, as well as historical financial and strategic performance as inputs in a strategy development process, which is supported by simulations and forecasting. The group trades in financial instruments where it takes positions in traded instruments, including derivatives, to take advantage of, and hedge against adverse, short-term market movements in bonds and in foreign currency, interest rate and commodity prices. Amongst other responsibilities, ALCO is tasked to monitor the risks associated with these activities.

Risk management includes the setting of trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. In addition, with the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

The ALCO also carries the primary responsibility of monitoring the group's liquidity position, as well as formulating the funding strategy. The interest rate subcommittee reviews the economic environment and recommends interest rate views to ALCO. ALCO activities are reported to the BARC.

Risk committee

In addition to the mentioned committees, the risk committee, comprising of members of the executive management team and reporting to the BARC, was established. Its primary responsibilities are to:

- evaluate the risk management model employed by the group in terms of effectiveness and efficient deployment of resources (i.e. cost versus benefit);
- discuss and identify gaps and weaknesses in the management information system to enable management to make the correct decisions;
- discuss the findings and recommendations of the group's risk functions and evaluate whether appropriate action has been taken when necessary;
- enhance general risk awareness within the group;
- monitor the management of risks to ensure that the group complies with the Bank of Namibia's guidelines for effective risk management; and
- discuss in detail any identified, unidentified and potential risks that are material to the group.

3. Financial risk management continued

Credit risk forum (CRF)

The purpose of the CRF is to have an oversight of credit risk management in accordance with the board approved credit risk framework, in order to achieve and maintain an acceptable credit risk profile and an adequate risk and control framework.

On portfolio credit risk level, the scope of the CRF includes:

- portfolio analysis and performance;
- key risk indicators and trends;
- risk adjusted pricing performance on portfolio level;
- discuss and review credit portfolio risk and recommend to the business units risk enhancement;
- product and pricing strategies;
- discuss and review of annual risk appetites and stress testing of the credit portfolio before submission to the risk committee; and
- discuss and review collateral and recommend necessary improvements.

The CRF facilitates compliance with:

- Basel and other best practices for credit risk management;
- applicable legislative acts;
- Bank of Namibia determinations; and
- group credit policies.

IFRS 9 committee

The IFRS 9 committee is the main forum where specific matters that cause deterioration in credit risk are discussed. At this meeting decisions are made on the risk associated with the prevailing and forecasted macroeconomic conditions and the impact on specific sectors in the applicable economies.

The IFRS 9 committee is established to make the following decisions at each reporting period in terms of the impairment allowance model utilised by the group:

1. Assumptions
2. Inputs, including macro-economic variables
3. Results
4. Movements in sectors/regions
5. Sign-off total impairments for the reporting period

Significant risks to which the group are exposed are discussed below.

3.1 Analysis of assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on pages 26 to 41 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.1 Analysis of assets and liabilities continued

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore measured. The table includes non-financial assets and liabilities to reconcile to the statement of financial position excluding assets/liabilities held for sale:

	2022				
Group	Financial assets/ liabilities at fair value through profit or loss N$'000	Financial assets/ liabilities at amortised cost N$'000	Financial assets at fair value through other comprehensive income N$'000	Non-financial assets/ liabilities N$'000	Total N$'000
ASSETS					
Cash and cash equivalents	668,202	5,812,194	–	–	6,480,396
Financial assets at fair value through profit or loss	2,183,179	–	–	–	2,183,179
Financial assets at amortised cost	–	915,861	–	–	915,861
Financial assets at fair value through other comprehensive income	–	–	5,397,626	–	5,397,626
Loans and advances to customers	–	43,226,296	–	–	43,226,296
Other assets	–	221,568	–	248,523	470,091
Current tax asset	–	–	–	85,867	85,867
Investment in associates	–	–	–	554,895	554,895
Intangible assets	–	–	–	368,891	368,891
Property and equipment	–	–	–	639,913	639,913
Deferred tax asset	–	–	–	116,617	116,617
Total assets	2,851,381	50,175,919	5,397,626	2,014,706	60,439,632
LIABILITIES					
Due to other banks	–	708,212	–	–	708,212
Other borrowings	–	618,017	–	–	618,017
Debt securities in issue	–	6,244,612	–	–	6,244,612
Deposits	–	43,647,452	–	–	43,647,452
Other liabilities	–	1,160,409	–	245,524	1,405,933
Current tax liability	–	–	–	2,750	2,750
Deferred tax liability	–	–	–	162	162
Post-employment benefits	–	–	–	19,168	19,168
Total liabilities	–	52,378,702	–	267,604	52,646,306

3. Financial risk management continued

3.1 Analysis of assets and liabilities continued

Company	2022 Financial assets/ liabilities at fair value through profit or loss N$'000	Financial assets/ liabilities at amortised cost N$'000	Financial assets at fair value through other comprehensive income N$'000	Non-financial assets/ liabilities N$'000	Total N$'000
ASSETS					
Cash and cash equivalents	–	411,250	–	–	411,250
Financial assets at fair value through profit or loss	120,648	–	–	–	120,648
Financial assets at amortised cost	–	446,366	–	–	446,366
Financial assets at fair value through other comprehensive income	–	–	949,518	–	949,518
Other assets	–	221,243	–	812	222,055
Current tax asset	–	–	–	204	204
Investment in subsidiaries	–	–	–	1,416,898	1,416,898
Investment in associates	–	–	–	342,458	342,458
Deferred tax	–	–	–	10,626	10,626
Total assets	120,648	1,078,859	949,518	1,770,998	3,920,023
LIABILITIES					
Other borrowings	–	313,839	–	–	313,839
Debt securities in issue	–	2,114,650	–	–	2,114,650
Other liabilities	–	17,389	–	30,413	47,802
Post-employment benefits	–	–	–	1,580	1,580
Total liabilities	–	2,445,878	–	31,993	2,477,871

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.1 Analysis of assets and liabilities continued

	2021				
Group	Financial assets/ liabilities at fair value through profit or loss N$'000	Financial assets/ liabilities at amortised cost N$'000	Financial assets at fair value through other comprehensive income N$'000	Non-financial assets/ liabilities N$'000	Total N$'000
ASSETS					
Cash and cash equivalents	199,398	4,888,054	–	–	5,087,452
Financial assets at fair value through profit or loss	2,050,729	–	–	–	2,050,729
Financial assets at amortised cost	–	850,057	–	–	850,057
Financial assets at fair value through other comprehensive income	–	–	5,120,236	–	5,120,236
Loans and advances to customers	–	40,829,687	–	–	40,829,687
Other assets	–	284,849	–	134,293	419,142
Current tax asset	–	–	–	122,694	122,694
Investment in associates	–	–	–	524,938	524,938
Intangible assets	–	–	–	284,789	284,789
Property and equipment	–	–	–	609,798	609,798
Deferred tax asset	–	–	–	113,469	113,469
Total assets	2,250,127	46,852,647	5,120,236	1,789,981	56,012,991
LIABILITIES					
Due to other banks	–	762,313	–	–	762,313
Other borrowings	–	692,719	–	–	692,719
Debt securities in issue	–	6,050,509	–	–	6,050,509
Deposits	–	40,179,699	–	–	40,179,699
Other liabilities	6,511	1,125,520	–	67,467	1,199,498
Current tax liability	–	–	–	7,786	7,786
Deferred tax liability	–	–	–	118	118
Post-employment benefits	–	–	–	16,126	16,126
Total liabilities	6,511	48,810,760	–	91,497	48,908,768

3. Financial risk management continued

3.1 Analysis of assets and liabilities continued

	2021				
Company	Financial assets/ liabilities at fair value through profit or loss N$'000	Financial assets/ liabilities at amortised cost N$'000	Financial assets at fair value through other comprehensive income N$'000	Non-financial assets/ liabilities N$'000	Total N$'000
ASSETS					
Cash and cash equivalents	–	665,789	–	–	665,789
Financial assets at fair value through profit or loss	79,316	–	–	–	79,316
Financial assets at amortised cost	–	378,328	–	–	378,328
Financial assets at fair value through other comprehensive income	–	–	802,328	–	802,328
Other assets	–	70,822	–	1,307	72,129
Current tax asset	–	–	–	5,123	5,123
Investment in subsidiaries	–	–	–	1,416,898	1,416,898
Investment in associates	–	–	–	342,458	342,458
Deferred tax asset	–	–	–	11,092	11,092
Total assets	79,316	1,114,939	802,328	1,776,878	3,773,461
LIABILITIES					
Other borrowings	–	142,884	–	–	142,884
Debt securities in issue	–	2,187,750	–	–	2,187,750
Other liabilities	–	39,908	–	3,169	43,077
Post-employment benefits	–	–	–	1,268	1,268
Total liabilities	–	2,370,542	–	4,437	2,374,979

3.2 Credit risk

The group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Significant changes in the economy of a particular industry segment that represents a concentration in the group's portfolio, could result in losses that are different from those provided for at the reporting date. Credit risk, together with large exposures, is monitored by the board audit, risk and compliance committee.

In addition to credit risk through a loan, the group is exposed to counterparty credit risk, which is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Unlike credit exposures to loans, exposures to counterparty credit could result in a positive or negative impact to the financial performance of the group, depending on the underlying market factors. Such risk is associated primarily with derivative transactions.

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.1 CREDIT RISK MEASUREMENT

(a) Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The group has developed statistical models to support the quantification of credit risk. These quantitative models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring the credit risk of loans and advances at a counterparty level, the group considers three components, namely: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the group derives the 'exposure at default' (EAD); and (iii) the expected loss on the defaulted obligations the 'loss given default' (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9 (note 3.2.2).

These credit risk measurements, which reflect expected loss (the 'expected loss model'), are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee) and are embedded in the group's daily operational management.

i. Probability of default (PD)

The probability of default is an indication of the probability that a given loan will default. Under Basel II and IFRS 9 the elements that make up a loss are defined as economic loss and will include direct and indirect costs associated with collecting on the exposure such as allocations of internal overheads and other non-cash costs. The PD in Basel II and IFRS 9 is calculated using historical data of defaults as well apply forward looking adjustments to the historical PD to align the PD to the expected future economic conditions.

ii. Exposure at default (EAD)

The exposure at default under Basel II and IFRS 9 will take into account an expectation of future draw-downs until the default event has occurred by utilising loan run down for amortising products and a credit conversion factor for non-amortising products. For example, for a loan this is the face value at the default date. For a commitment, the group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

iii. Loss given default (LGD)

Loss given default or loss severity represents the group's expectation of the extent of loss on a claim should default occur (1 – recovery rate). It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. The measurement of exposure at default and loss given default is based on the risk parameters standard under Basel II and IFRS 9. The LGD is calculated using historical data.

(b) Financial assets measured at amortised cost

Assets in this category mainly relate to investments in financial instruments that have an external credit rating. Implied probability of defaults have been benchmarked against published estimates by external credit rating agencies. LGD's were benchmarked against Basel best practice. The implied PD's and LGD's are used to calculate expected credit losses for these assets.

Credit risk grading

The group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The group use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of is fed into the rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

The credit grades are calibrated such that the risk of default increases exponentially at each risk grade.

The following are additional considerations for each type of portfolio held by the group:

i. Retail

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness – such as unemployment and previous delinquency history – is also incorporated into the behavioural score. This score is mapped to a PD.

3. Financial risk management continued

3.2 Credit risk continued

3.2.1 CREDIT RISK MEASUREMENT CONTINUED

ii. Corporate

For wholesale business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit systems on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

The group's rating method comprises 9 rating levels for instruments not in default (CG1 to CG9). The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

iii. Treasury

For debt securities in the treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on released default rates over the prior 12 months, as published by the rating agency.

Rating	Meaning	Implied PD
CG1	Virtually no risk	3.39 %
CG2	Low risk	3.85 %
CG3	Moderate risk	8.07 %
CG4	Acceptable risk	7.80 %
CG5	Borderline	16.51 %
CG6	Special Mention	28.64 %
CG7	Substandard	44.73 %
CG8	Doubtful	58.71 %
CG9	Loss	60.63 %

3.2.2 EXPECTED CREDIT LOSS MEASUREMENT

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer to note 3.2.2.1 for a description of how the group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 3.2.2.2 for a description of how the group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 3.2.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should incorporate forward-looking information. Note 3.2.2.4 includes an explanation of how the group has incorporated this in its ECL models.

Further explanation is also provided of how the group determines appropriate groupings when ECL is measured on a collective basis (refer to note 3.2.2.5).

The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.2 EXPECTED CREDIT LOSS MEASUREMENT CONTINUED

The key judgements and assumptions adopted by the group in addressing the requirements of the standard are discussed below:

3.2.2.1 Significant increase in credit risk (SICR)

The group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The credit rating at the reporting date has deteriorated significantly (moved down two rating levels e.g. CG1 to CG3), compared to the credit rating at initial recognition of the account. The thresholds for the significant increase in credit risk are determined by mapping the SICR roll rates to the actual historical arrears roll rates. An account can move back to stage 1 if its credit score improves again.

Qualitative criteria

Accounts are classified on a watch list when there is qualitative information available on the client's credit risk increasing. These accounts are moved over to stage 2.

The qualitative criteria used to determine whether accounts have increased in credit risk include, but is not limited to:

- Repayment ability of clients
- Collateral valuations
- Sector in which the client operates
- Natural events (i.e. drought)
- Debtors not paying across industries

The criteria used to identify SICR are monitored and reviewed periodically for the appropriateness by the independent Credit Risk team. Once the above matters improved sufficiently, an account can be moved back to stage 1.

Backstop

A backstop is applied and the financial instruments considered to have experienced a significant increase in credit risk if the borrower is 30 or more days past due on its contractual payments.

An account can move back to stage 1 if it is less than 30 days past due.

The group has not used the low credit risk exemption for any financial instruments in the year ended 30 June 2022 and 30 June 2021. This was also not applied at transition.

Climate-related risk consideration

Climate change is the change in the pattern of weather and changes in the oceans and sea levels, impacting ice sheets and available land surfaces. Climate change occurs over time scales of decades or longer.

Climate change will have an impact on most businesses as more frequent events are causing major impacts on products and services, as well as supply chains, loss of asset values and market dislocations.

Forward-looking climate-related risks that could potentially impact an entity is classified as physical risks and transition risks. The banking industry faces both physical and transition risks.

Physical risks

With a constant rise in temperatures, climate change has an impact on farmers and other agricultural industries. Later rain seasons and longer periods of drought also has a significant impact on various sectors.

3. Financial risk management continued

3.2 Credit risk continued

3.2.2 EXPECTED CREDIT LOSS MEASUREMENT CONTINUED

3.2.2.1 Significant increase in credit risk continued

Transition risk

Market risk – With higher temperatures and an increase in sea levels, it is expected to have an impact on the cost of available natural resources. This will increase the burden placed on existing systems such as roads, pipelines, water supplies to areas, water treatment, power line and other facilities. This will increase the stress placed on governments to spend more to keep current systems running and increase costs in running and maintaining resources.

Reputational risk – Increased expectations on how businesses respond to climate change might hold reputational risks for large entities and might result in loss of revenue, should entities not respond accordingly to expectations raised.

The above risks might have an impact on various sectors of the country and disrupt revenue streams.

The group has taken climate-related risks into consideration with the determination of:

- Estimations of fair values of assets within level 3 of the fair value hierarchy;
- Going concern considerations;
- Useful lives of assets;
- Provisions, contingent liabilities and contingent assets;
- Credit risk and
- Appropriate insurance.

The group has invested in different products such as green bonds to contribute to counteract some climate risks.

3.2.2.2 Definition of default and credit-impaired assets

The group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Qualitative criteria

The borrower is more than 90 days past due on its contractual payments.

Quantitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is insolvent
- The borrower is in breach of financial covenants
- It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all financial instruments held by the group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria and it is fully paid up for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions. This is in line with regulatory requirements. When an account has been fully paid up for six months it is moved back to stage 1.

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.2 EXPECTED CREDIT LOSS MEASUREMENT CONTINUED

3.2.2.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation.
- EAD is based on the amount the group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For a revolving commitment, the group includes the current drawn balance plus any further amount that is to be expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of financial product or asset segmentation. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12 month PD. The maturity profile looks at how defaults develop on a portfolio from the point of observation throughout the remainder of the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio segment. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortisation products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. This is supported by historical analysis of recoveries per portfolio segment, including the discounting of the recoveries to the default date as well as the recovery costs accounted for.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

3.2.2.4 Forward-looking information incorporated in the ECL models

The measurement of the expected credit loss (ECL) allowance for financial assets requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring ECL, including:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

IFRS 9 outlines a 'three-stage' model for impairment based on changes on credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

3. Financial risk management continued

3.2 Credit risk continued

3.2.2 EXPECTED CREDIT LOSS MEASUREMENT CONTINUED

3.2.2.4 Forward-looking information incorporated in the ECL models continued

Stage 3

The bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Qualitative criteria

The borrower is more than 90 days past due on its contractual payments.

Quantitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

a. The borrower is in long-term forbearance
b. The borrower is insolvent
c. The borrower is in breach of financial covenants
d. It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all financial instruments held by the group and are consistent with the definition of default used for internal credit risk management purposes.

The Group estimates provision for impairments for stage 3 (non-performing loans) on an individual loan basis. Each loan's impairment is calculated as exposure less a discounted value of collateral held.

Stage 1 and 2

The assessment and calculation of ECL incorporates forward-looking information (FLI). The forecast of economic variables, regression analysis and expert judgement is applied and confirmed through internal governance structures to apply a forward looking view for the ECL calculation. With the simultaneous impact of a multi-year recession as well as COVID-19 pandemic on the Southern African region, statistical inference needs to be supplemented by qualitative expert judgment and input to ensure reliable and plausible forecasts are achieved. The group has performed historical analysis and identified key macro-economic inputs impacting the default rates of the group's assets and in determining key credit risk ratios and overlays. Historical relationships between macro-economic data and default rates have been identified as inputs into the FLI model. These relationships are used to project future default rates based on current macro-economic forecasts. The group mainly applied forecasted domestic macro-economic conditions as FLI. Regression modelling techniques were used for this purpose.

The group applied GDP changes as the main macro-economic indicator in the FLI modelling process. Changes in monetary interest rates were excluded from the modelling process. As part of COVID-19 stimulus packages, the central banks of Botswana and Namibia reduced interest rates to stimulate GDP growth. The effect of monetary policy rates is therefore encapsulated in the GDP forecasts applied in the modelling process.

The group applies a 'sensitivity factor' (the rate of change of default rates relative to the average default rate during the PD calibration period) to forecasted GDP growth. The calibration spans from January 2012 to June 2019. PD's were calibrated to historical GDP growth rates on an annual basis using regression modelling. Negative GDP growth is mostly associated with an increase in default rates, while positive GDP growth is associated with a reduction in default rates. The sensitivity factor is used to compute a scalar to the current default rates of each type of loan product that the group has. The scaler was applied to the current PDs per product type for all stage 1 and stage 2 exposures.

The following table shows the GDP growth assumptions used in calculating the scalar in the forward-looking model:

	Namibia		Botswana	
	2022	2021	2022	2021
Growth in next 12 months	3.75 %	1.00 %	5.54 %	3.90 %
Growth in following 12 months	2.96 %	3.60 %	7.51 %	4.50 %

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2. Credit risk continued

3.2.2 EXPECTED CREDIT LOSS MEASUREMENT CONTINUED

3.2.2.4 Forward-looking information incorporated in the ECL models continued

Qualitative factors influencing FLI

Expert judgement was applied to determine factors other than GDP that could influence future default rates. The Group has offered financial relief to clients in the form of restructured exposures as well as deferral of payments for up to 3 months at a time. All clients to who relief was offered were assessed on an individual basis. Where the financial relief was deemed sufficient to assist the client in servicing debt again in future, its staging and probability of default remained unchanged. Should the financial relief be considered not to be of a temporary nature, the client is treated as distressed and a higher probability of default is assigned as per the base and FLI ECL models.

Sensitivity Analysis

Expected credit losses calculated for stage 1 and 2 after applying the sensitivity factor above was as follows:

	Allowances for credit losses	
Sensitivity Analysis	2022 N$'000	2021 N$'000
Base ECL for stage 1 and 2	470,154	386,610
Base ECL for stage 3	628,770	593,443
Had the GDP forecast been 10% better or 10% worse, the ECL for stage 1 and 2 would be reflected as follows:		
GDP 10% improvement	356,818	270,079
GDP 10% deterioration	569,525	513,040
Had the GDP forecast been 10% better or 10% worse, the ECL for stage 3 would be reflected as follows:		
GDP 10% improvement	550,174	472,012
GDP 10% deterioration	675,928	579,901

Significant Increase in Credit Risk

Even though COVID-19 had a negative impact on all the economies in which the group operates, it did not impact all industries and all clients equally. For this reason, COVID-19 was not seen as an indicator of SICR for the entire loan book. Clients seeking financial relief were assessed on an individual basis to determine if an indicator of SICR was present.

For the sensitivity analysis on the SICR rules the quantitative SICR rules were adjusted. The SICR movements per scenario are shown below:

- Base – 2 credit grades move downwards since origination
- Lower – 3 credit grades move downwards since origination (less stringent)
- Upper – 1 credit grade move downwards since origination (more stringent)

	Allowances for credit losses	
Sensitivity Analysis	2022 N$'000	2021 N$'000
ECL	1,442,160	1,290,149
SICR rules		
Lower	1,429,835	1,172,757
Upper	1,509,405	1,230,870

3. Financial risk management continued

3.2 Credit risk continued

3.2.2 EXPECTED CREDIT LOSS MEASUREMENT CONTINUED

3.2.2.5 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within the group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the group has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

- Product type
- Repayment type
- Collateral type

The groupings above only applies to stage 1 and stage 2 credit impairments.

All stage 3 exposures are assessed individually.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the IFRS 9 committee.

3.2.3 LOSS ALLOWANCE

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 3.2.10)

Post model adjustments

Post model adjustment are short-term adjustments to the ECL balances as part of the year-end reporting process to reflect the late updates to market data, expert credit judgement.

Specific to the group, the idiosyncratic risk associated to the specific client, where post model adjustments are necessary to ensure adequate provisions are held to cater for risk not adequately captured by the general models.

The post model adjustment is quantified by comparing the exposure on the identified clients versus the present value of the security available and the provisions kept by the current models. Any exposure above this value is then additionally kept as a post model adjustment outside of the model.

The group had post model adjustments in the current year included in stage 2.

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2. Credit risk continued

3.2.3 LOSS ALLOWANCE CONTINUED

The following table explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Group	2022 Opening ECL 1 July 2021	Total transfer between stages	Net impairments raised	Impaired accounts written-off	Exchange and other movements	Closing ECL 30 June 2022
Overdrafts	370,412	–	83,029	(27,840)	181	425,782
Stage 1	34,951	11,705	(8,152)	–	54	38,558
Stage 2	80,582	(16,040)	5,251	–	28	69,821
Stage 3	254,879	4,335	85,930	(27,840)	99	317,403
Term loans	389,381	–	178,835	(48,593)	669	520,292
Stage 1	80,898	8,290	(4,860)	–	242	84,570
Stage 2	49,119	(6,270)	119,631	–	83	162,563
Stage 3	259,364	(2,020)	64,064	(48,593)	344	273,159
Mortgages	447,373	–	3 638	(27,149)	230	424,092
Stage 1	35,042	10,180	(22,447)	–	37	22,812
Stage 2	70,910	(9,501)	(4,504)	–	9	56,914
Stage 3	341,421	(679)	30,589	(27,149)	184	344,366
Instalment finance	81,516	–	(5,900)	(6,888)	169	68,897
Stage 1	21,833	3,657	(4,520)	–	85	21,055
Stage 2	11,808	(1,695)	640	–	11	10,764
Stage 3	47,875	(1,962)	(2,020)	(6,888)	73	37,078
Preference shares and guarantees	1,467	–	1,630	–	–	3,097
Stage 1	1,467	–	1,630	–	–	3,097
Total loans and advances	1,290,149	–	261,232	(110,470)	1,249	1,442,160
Other financial instruments	99,232	–	(1,482)	–	15,578	113,328
Stage 1	94,519	–	25	–	15,578	110,122
Stage 2	4,713	–	(1,507)	–	–	3,206
Total	1,389,381	–	297,245	(147,965)	16,827	1,555,488

Company	2022 Opening ECL 1 July 2021	Total transfer between stages	Net impairments raised	Impaired accounts written-off	Exchange and other movements	Closing ECL 30 June 2022
Financial assets at amortised cost	93,506	–	–	–	15,578	109,084
Stage 1	93,506	–	–	–	15,578	109,084
Other assets	25,986	–	30	–	5,783	31,799
Stage 1	15,298	–	30	–	–	15,328
Stage 2	–	–	–	–	–	–
Stage 3	10,688	–	–	–	5,783	16,471
Total	119,492	–	30	–	21,361	140,883

3. Financial risk management continued

3.2 Credit risk continued

3.2.3 LOSS ALLOWANCE CONTINUED

	2021					
Group	Opening ECL 1 July 2020	Total transfer between stages	Net impairments raised	Impaired accounts written-off	Exchange and other movements[1]	Closing ECL 30 June 2021
Overdrafts	295,678	–	101,085	(23,247)	(3,104)	370,412
Stage 1	43,135	4,736	(11,476)	–	(1,444)	34,951
Stage 2	39,357	(12,025)	53,258	–	(8)	80,582
Stage 3	213,186	7,289	59,303	(23,247)	(1,652)	254,879
Term loans	373,309	–	171,040	(118,660)	(36,308)	389,381
Stage 1	88,484	2,578	(1,509)	–	(8,655)	80,898
Stage 2	26,554	(5,749)	28,811	–	(497)	49,119
Stage 3	258,271	3,171	143,738	(118,660)	(27,156)	259,364
Mortgages	278,406	–	187,095	(15,081)	(3,047)	447,373
Stage 1	15,367	6,127	13,933	–	(385)	35,042
Stage 2	22,152	(2,328)	51,171	–	(85)	70,910
Stage 3	240,887	(3,799)	121,991	(15,081)	(2,577)	341,421
Instalment finance	94,141	–	5,967	(14,829)	(3,763)	81,516
Stage 1	34,478	1,175	(11,315)	–	(2,505)	21,833
Stage 2	12,187	(1,682)	1,563	–	(260)	11,808
Stage 3	47,476	507	15,719	(14,829)	(998)	47,875
Preference shares and guarantees	1,765	–	(298)	–	–	1,467
Stage 1	1,765	–	(298)	–	–	1,467
Total loans and advances	1,043,299	–	464,889	(171,817)	(46,222)	1,290,149
Other financial instruments	10,839	–	(5,113)	–	93,506	99,232
Stage 1	700	–	313	–	93,506	94,519
Stage 2	10,139	–	(5,426)	–	–	4,713
Total	1,054,138	–	459,776	(171,817)	47,284	1,389,381

[1] *Exchange and other movements includes forex movements and the removal of the operating segment classified as a discontinued operation.*

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.3 LOSS ALLOWANCE CONTINUED

	2021					
Company	Opening ECL 1 July 2020	Total transfer between stages	Net impairments raised	Impaired accounts written-off	Exchange and other movements	Closing ECL 30 June 2021
Financial assets at amortised cost	167,416	–	99,705	(167,416)	(6,199)	93,506
Stage 1	–	–	99,705	–	(6,199)	93,506
Stage 2	167,416	–	–	(167,416)	–	–
Other assets	32,065	–	1,644	–	(7,723)	25,986
Stage 3	32,065	–	1,644	–	(7,723)	25,986
Total	199,481	–	101,349	(167,416)	(13,922)	119,492

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

Overdrafts

- Gross overdrafts decreased by N$11.9 million (0.19%) from the prior period. Despite the decrease year-on-year, the expected credit loss allowance increased year-on-year by N$55.4 million (14.9%), mainly driven by an increase in stage 3 net impairments raised of N$85.9 million offset by the write-off of overdrafts of N$27.8 million.
- Non-performing overdrafts increased year-on-year to N$637.6 million. The non-performing overdrafts are well secured with a fair value of security of N$347.7 million.

Term Loans

- Term loans increased by N$961.3 million (7.1%) from the prior period, mainly driven by growth in commercial loans.
- The expected credit loss allowance increased by N$130.9 million (33.6%) mainly as a result of an increase in the stage 2 net impairments raised of N$119.6 million.

Mortgages

- Mortgages grew by N$1.16 billion (6.2%) over the prior period.
- Non-performing mortgage loans decreased by N$17.9 million (1.6%) year-on-year.
- The non-performing mortgage loans remain well secured with a fair value of security of N$750.3 million.

Instalment finance

- Gross instalment finance loans grew by N$603.7 million (18.2%) year-on-year.
- The non-performing instalment finance loans are well secured with a fair value of security of N$46.3 million.

Preference shares and guarantees

- Impairments raised against preference shares and guarantees increased by N$1.6 million (111.1%) during the year under review. Total impairment raised at year end amounts to N$3.1 million.

Financial assets at amortised cost and other assets

- The movement during the year is mainly due to changes in the exchange rate.

3. Financial risk management continued

3.2 Credit risk continued

3.2.4 MAXIMUM EXPOSURE TO CREDIT RISK BEFORE COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

The table represents a worst-case scenario of credit risk exposure to the group as at 30 June 2022 and 2021, without taking account of any collateral held or other credit enhancements attached. For all assets listed on the statement of financial position, the exposures set out below are based on carrying amounts as reported.

3.2.4.1 Maximum exposure to credit risk – All Financial instruments

Group	Notes	Maximum exposure 2022 N$'000	Maximum exposure 2021 N$'000 (Restated)
Credit risk exposures relating to on-statement of financial position assets are as follows:			
Cash and cash equivalents	13.	6,480,396	5,087,452
Financial assets at fair value through profit or loss	14.	2,183,179	2,050,729
– Unit trust investments		2,183,179	2,050,729
Financial assets at amortised cost	14.	915,861	850,057
– Treasury bills		18,645	–
– Government stock		744,846	735,720
– Preference shares		152,370	114,337
Financial assets at fair value through other comprehensive income	15.	5,397,626	5,120,236
– Investment Securities		7,831	28,309
– Treasury bills		3,830,964	3,745,868
– Government stock		543,053	468,984
– Tradable instruments		949,518	802,328
– Exchange traded funds		62,346	60,371
– Corporate bonds		3,914	14,376
Loans and advances to customers	16.	43 226 296	40 829 687
– Overdrafts		6,185,939	6,197,794
– Term loans		14,484,243	13,522,974
– Mortgages		20,018,492	18,856,923
– Instalment finance		3,927,985	3,324,257
– Preference shares		230,449	362,135
– Impairment		(1,442,160)	(1,290,149)
– Effective interest rate impact per IFRS 9		(178,652)	(144,247)
Other assets*	17.	221,568	284,849
Total exposure on statement of financial position		58,424,926	54,223,010
Credit risk exposure relating to off-statement of financial position items are as follows:			
Liabilities under guarantees	36.	2,538,568	1,977,216
Letters of credit	36.	196,643	317,295
Loan commitments	36.	2,808,400	2,959,618
Total exposure off statement of financial position		5,543,611	5,254,129
Total credit risk exposure		63,968,537	59,477,139

* *Other assets exposed to credit risk include insurance fund asset, accounts receivable, derivatives as well as clearing and settlement accounts.*

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.4 MAXIMUM EXPOSURE TO CREDIT RISK BEFORE COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS CONTINUED

3.2.4.1 Maximum exposure to credit risk – All Financial instruments continued

		Maximum exposure	
Company	Notes	**2022 N$'000**	**2021 N$'000**
Cash and cash equivalents	13.	411,250	665,789
Financial assets at fair value through profit or loss	14.	120,648	79,316
– Money market investments		120,648	79,316
Gross financial assets at amortised cost	14.	446,366	378,328
– Preference shares		446,366	378,328
Financial assets at fair value through other comprehensive income	15.	949,518	802,328
– Tradable instruments		949,518	802,328
Other assets*		221,243	70,822
Total exposure on statement of financial position		2,149,025	1,996,583
Total credit risk exposure		2,149,025	1,996,583

* *Other assets exposed to credit risk include insurance fund asset, accounts receivable, derivatives as well as clearing and settlement accounts.*

The most significant exposures are derived from loans and advances to banks and customers.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the group resulting from both its loans and advances portfolio and other securities based on the following:

- The group employs a range of policies and practices to mitigate credit risk. Refer to note 3.2.3.
- Mortgage loans, which represent the biggest group in the loans and advances to customers portfolio, are backed by collateral.
- All financial assets, other than loans and advances, are neither past due nor impaired.

3.2.4.2 Maximum exposure to credit risk – Financial instruments subject to the impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the group's maximum exposure to credit risk on these assets.

	2022			
Group	**Stage 1 12-month ECL N$'000**	**Stage 2 Lifetime ECL N$'000**	**Stage 3 Lifetime ECL N$'000**	**Total N$'000**
Credit grade – Loans and advances				
Low Risk (CG1 – CG2)	(126,868)	(83,860)	(142,464)	(353,192)
Medium Risk (CG3 – CG5)	(43,224)	–	–	(43,224)
Special monitoring (CG6 – CG7)	–	(216,202)	–	(216,202)
Doubtful (CG8 – CG9)	–	–	(829,542)	(829,542)
Loss allowance	(170,092)	(300,062)	(972,006)	(1,442,160)
Gross carrying amount[1]	39,814,245	2,594,823	2,438,040	44,847,108
Carrying amount	39,644,153	2,294,761	1,466,034	43,404,948

[1] *Excludes the IFRS 9 effective interest.*

3. Financial risk management continued

3.2 Credit risk continued

3.2.4 MAXIMUM EXPOSURE TO CREDIT RISK BEFORE COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS CONTINUED

3.2.4.2 Maximum exposure to credit risk – Financial instruments subject to the impairment continued

Financial instruments at amortised cost

Group	2022 Stage 1 12-month ECL N$'000	Stage 2 Lifetime ECL N$'000	Stage 3 Lifetime ECL N$'000	Total N$'000
Credit grade				
Low risk (CG1)	(110,123)	(3,205)	–	(113,328)
Loss allowance	(110,123)	(3,205)	–	(113,328)
Gross carrying amount	715,956	313,233	–	1,029,189
Carrying amount	605,833	310,028	–	915,861

Group	2021 Stage 1 12-month ECL N$'000	Stage 2 Lifetime ECL N$'000	Stage 3 Lifetime ECL N$'000	Total N$'000
Credit grade – Loans and advances				
Low Risk (CG1 – CG2)	(136,297)	(33,921)	(97,900)	(268,118)
Medium Risk (CG3 – CG5)	(37,894)	–	–	(37,894)
Special monitoring (CG6 -CG7)	–	(178,498)	–	(178,498)
Doubtful (CG8 – CG9)	–	–	(805,639)	(805,639)
Loss allowance	(174,191)	(212,419)	(903,539)	(1,290,149)
Gross carrying amount[1]	37,663,272	2,140,491	2,460,320	42,264,083
Carrying amount	37,489,081	1,928,072	1,556,781	40,973,934

[1] *Excludes the IFRS 9 effective interest.*

Financial instruments at amortised cost

Group	2021 Stage 1 12-month ECL N$'000	Stage 2 Lifetime ECL N$'000	Stage 3 Lifetime ECL N$'000	Total N$'000
Credit grade				
Low risk (CG1)	(94,519)	(4,713)	–	(99,232)
Loss allowance	(94,519)	(4,713)	–	(99,232)
Gross carrying amount	608,793	340,496	–	949,289
Carrying amount	514,274	335,783	–	850,057

The Company does not make use of the internal credit risk gradings, thus no figures are disclosed for the Company.

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.5 RISK LIMIT CONTROL AND MITIGATION POLICIES

The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a monthly basis and are subject to regular review. Limits on the level of credit risk by country are approved by the board of directors. The exposure to any one borrower, including banks and brokers, is further restricted by sub-limits covering on and off-statement of financial position exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts.

Exposure to credit risk is managed up front when an application for credit is received. The credit risk management model is utilised by the group and assesses the three components of safety, desirability and profitability. Throughout the lifespan of the credit facility, regular analyses of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations are assessed and lending limits are changed where appropriate. Exposure to credit risk is also managed in part by obtaining collateral, insurance and corporate and personal guarantees. The amount the group is willing to lend unsecured is restricted and approved by the board.

Placements with banks, including loans and advances to banks, are subject to the normal credit process. The credit limits to these banks take into consideration ratings performed by external rating agencies.

Other specific control and mitigation measures are outlined below:

(a) Collateral

The group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. Within the credit risk area, mandates are predetermined in order to ensure that the applicable level of authority provides guidance and approval for advances. Risk exposure to advances is reduced by obtaining approved security as defined by the board credit committee and listed in the advance instruction manual.

The group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation and the principal collateral types for loans and advances are:

- Cash deposited with and ceded to the group;
- Deposits with any registered financial institution and ceded to the group;
- Life insurance policies with a confirmed surrender value; and
- Any other form of tangible collateral security subject to approval by the board credit committee.
- Covering mortgage bonds over physical property.

Collateral per class of loans and advances:

Mortgages:

- First, second and third covering bond; and
- Cession of fire policy.

Instalment finance:

- The instalment finance contract binds the underlying article as security.

The following security can be given for any loan class depending on the circumstances and purpose of the loan:

- Suretyships;
- Registered cession of life insurance policy;
- Any other form of tangible collateral security subject to approval by the board credit committee; and
- Cession of fixed deposits, notice deposits, bills, bonds, shares, investments or debtors.

Valuation methodologies (which include applying a hair-cut to the fair value of collateral depending on a number of factors) and the period of validity on collateral are outlined in established policies, which are approved by the board.

The group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the group since the prior period.

The group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

3. Financial risk management continued

3.2 Credit risk continued

3.2.5 RISK LIMIT CONTROL AND MITIGATION POLICIES CONTINUED

(a) Collateral continued

	2022			
	Gross exposure N$'000	Impairment allowance N$'000	Carrying amount N$'000	Fair value of collateral held N$'000
Credit-impaired assets				
– Overdrafts	637,608	(317,403)	320,205	347,707
– Term Loans	633,532	(273,158)	360,374	402,065
– Mortgages	1,087,017	(344,367)	742,650	750,321
– Instalment finance	79,881	(37,078)	42,803	46,257
Total credit-impaired assets	2,438,038	(972,006)	1,466,032	1,546,350

	2021			
	Gross exposure N$'000	Impairment allowance N$'000	Carrying amount N$'000	Fair value of collateral held N$'000
Credit-impaired assets				
– Overdrafts	630,107	(254,387)	375,720	417,922
– Term Loans	634,173	(261,146)	373,027	452,101
– Mortgages	1,104,923	(340,498)	764,425	864,969
– Instalment finance	91,117	(47,508)	43,609	52,228
Total credit-impaired assets	2,460,320	(903,539)	1,556,781	1,787,220

The value of tangible collateral disclosed above is limited to the outstanding balance, therefore any over-collateralised portion of a loan is excluded from the value of tangible collateral. Impairments are raised for under-collateralised non-performing loans, resulting in a net exposure of nil.

Property valuation

In the case where a property is offered as security in the form of covering a mortgage bond, the valuation of the property is valid for two years in the banking book (excluding residential properties offered for home loans). A revaluation of the property needs to be done when there is an indication that the value of the property has declined. A revaluation of the property by an approved valuator is required when a further advance or additional mortgage is applied for, when the mortgage defaults, when an application for the release of collateral or any additional security is received or for properties in possession. Homeowners comprehensive insurance is compulsory for all mortgage loans. All articles financed by the group must be comprehensively insured.

Life insurance valuation

Life insurance that is used as security for loans taken out at the group is ceded to the group and the cession is registered by the insurance company. The values of the life insurance policies ceded to the group must be updated at least annually to determine the security value and to establish whether premiums are up to date.

Credit life insurance

In the case of micro-loans, the customer signs a formal loan agreement and sufficient credit life insurance is ceded to the group. A formal payroll agreement between the applicant's employer and the group is also signed. Non-government applicants must sign an acknowledgement of debt and cede their surplus benefits (e.g. unpaid leave) payable on termination of service to the group.

Long-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss, the group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Although revolving individual credit facilities are generally unsecured, these are only granted to clients after stringent credit reviews.

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.5 RISK LIMIT CONTROL AND MITIGATION POLICIES CONTINUED

(b) Financial instruments subject to master netting arrangements (MNA) and similar agreements

In accordance with IAS 32 the group offsets financial assets and financial liabilities and presents the net amount in the statement of financial position only if there is both a legally enforceable right to offset and there is an intention to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously. The group is subject to a MNA in the form of ISDA agreements with counterparties. ISDA agreements, under which swaps and derivatives are traded, may not be legally enforceable as one transaction to enforce post insolvency set-off and netting within Namibia, thus the IAS 32 set off requirements are not met. Consequently no financial assets and financial liabilities, subject to MNA's, have been presented on the net amount in the statement of financial position.

(c) Derivatives

The group maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the group (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the group requires margin deposits from counterparties.

(d) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurance that the group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the group on behalf of a customer authorising a third party to draw drafts on the group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

3.2.6 CREDIT QUALITY OF LOANS AND ADVANCES AND OTHER FINANCIAL INSTRUMENTS

i. Credit quality and management of loans and advances

Initial applications

The banks (Bank Windhoek and Bank Gaborone) are the largest contributors to the group's credit risk. The banks apply a standardised approach when assessing applications for credit. All applications are completed according to the banks' risk model, which covers all information required to make an informed decision when granting advances. The risk model has the main components of safety, desirability and profitability which is further broken down as:

- Background;
- Needs;
- Financial position;
- Security;
- Desirability;
- Profitability; and
- Recommendation – positive/negative aspects.

Internal scoring models are used except for the micro-loans book, where the Delphi score forms part of the assessment.

3. Financial risk management continued

3.2 Credit risk continued

3.2.6 CREDIT QUALITY OF LOANS AND ADVANCES AND OTHER FINANCIAL INSTRUMENTS CONTINUED

Subsequent credit assessments

Management information system reports were developed over time in order to effectively monitor and manage the quality of the loan portfolio and pro-actively identify problem accounts and trends. The following reports are generated:

- Excesses are reported on a daily basis and reviewed annually.
- The branches submit a monthly report on specific issues in order to take remedial actions on dormant accounts, suspended accounts, irregular accounts (outstanding 30 days and longer), outstanding security, special mention accounts, guarantees, letters of credit and foreign exchange contracts, floor plans, savings accounts in overdraft and bad debts written off within branch mandates.
- The credit department submits a monthly report to the executive management team and a more detailed report to the board of directors on a quarterly basis regarding the status of the credit portfolio of the group.
- Monthly statistics per product are used to monitor the quality and management of the loan portfolio per branch.
- All clients with exposures approved above branch level are interviewed by credit before non-performing accounts are transferred to the legal collections branch.
- All transfers to the legal collections branch with a material impairment are scrutinised by the credit department and categorised under:
  - poor assessment;
  - poor management;
  - poor collateral management;
  - economic reasons; and
  - other.

The banks have a process to proactively manage potential problem accounts to prevent possible losses. These advances are identified with assistance of the branches and are part of monthly credit reporting processes. Impairments on these active accounts are raised in accordance with regulatory requirements under the special mention category.

The table below shows the loans and advances age analysis as required by the Banking Institutions Act:

Group	Stage 1 Not past due N$'000	0 – 30 days N$'000	Stage 2 31 – 60 days N$'000	61 – 90 days N$'000	Stage 3 More than 90 days N$'000	Total N$'000
As at 30 June 2022						
Overdrafts	5,020,647	359,168	139,029	29,485	637,610	6,185,939
Term loans	13,308,602	274,562	124,361	143,186	633,532	14,484,243
Mortgages	17,537,349	938,984	321,921	133,221	1,087,017	20,018,492
Instalment finance	3,717,198	78,636	34,314	17,956	79,881	3,927,985
Preference shares	230,449	–	–	–	–	230,449
Total gross loans and advances[1]	39,814,245	1,651,350	619,625	323,848	2,438,040	44,847,108
Impairments raised	(170,092)	(190,960)	(71,653)	(37,449)	(972,006)	(1,442,160)
Net loans and advances[1]	39,644,153	1,460,390	547,972	286,399	1,466,034	43,404,948

[1] *Excludes the IFRS 9 effective interest rate impact.*

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.6 CREDIT QUALITY OF LOANS AND ADVANCES AND OTHER FINANCIAL INSTRUMENTS CONTINUED

Group	Stage 1 Not past due N$'000	Stage 2 0 – 30 days N$'000	31 – 60 days N$'000	61 – 90 days N$'000	Stage 3 More than 90 days N$'000	Total N$'000
As at 30 June 2021						
Overdrafts	5,243,036	222,230	45,773	56,648	630,107	6,197,794
Term loans	12,354,651	310,167	138,453	85,530	634,173	13,522,974
Mortgages	16,588,710	695,632	335,010	132,648	1,104,923	18,856,923
Instalment finance	3,114,740	51,620	51,568	15,212	91,117	3,324,257
Preference shares	362,135	–	–	–	–	362,135
Total gross loans and advances[1]	37,663,272	1,279,649	570,804	290,038	2,460,320	42,264,083
Impairments raised	(174,191)	(126,990)	(56,646)	(28,783)	(903,539)	(1,290,149)
Net loans and advances[1]	37,489,081	1,152,659	514,158	261,255	1,556,781	40,973,934

[1] *Excludes the IFRS 9 effective interest rate impact.*

Further information of the impairment allowance for loans and advances to customers is provided in note 17.

ii. Non-performing loans and advances

Loans and advances are managed with reference to the days in arrears. Days in arrears are calculated based on the amount past due relative to the instalment amount. Loans and advances outstanding for longer than 90 days are considered non-performing and are included in stage 3 for the loss allowance calculation. As determined by the regulatory requirements, any asset which is overdue 30 days or more but less than 90 days shall be classified as special mention, at a minimum and is subject to impairment in accordance with the stage 2 calculations. The group follows a more conservative approach than the regulators and already classifies loans in 0 – 30 days on a watchlist, where, on a case-by-case basis, indicators of a possible future loss event exist. Additionally, loans that are made to a specific industry or individuals that are not past due, but we deem to be risky are assessed and in certain instances subject to impairment in accordance with the stage 2 calculations. Loans categorised on the watchlist are performing but subject to the impairment in accordance to the IFRS 9 calculations.

Non-performing loans and advances to customers before taking into consideration the cash flows from collateral held is N$2.4 billion (2021: N$2.5 billion). The increase in non-performing loans and advances is mainly due to the deterioration of the macro-economic environment.

Refer to note 3.2.3 a) for the range of collateral policies and practices in place.

iii. Non-performing loans and advances by geographical area

Geographical area	2022 N$'000	2021 N$'000
Namibia	1,963,576	2,056,332
Botswana	452,447	387,980
Zambia	22,017	16,008
	2,438,040	2,460,320

3. Financial risk management continued

3.2 Credit risk continued

3.2.6 CREDIT QUALITY OF LOANS AND ADVANCES AND OTHER FINANCIAL INSTRUMENTS CONTINUED

iv. Credit quality of financial assets other than loans and advances

As at 30 June the following financial instruments are neither past due nor impaired:

	Group		Company	
	2022 N$'000	2021 N$'000 (Restated)	2022 N$'000	2021 N$'000
Cash and cash equivalents	6,480,396	5,087,452	411,250	665,789
Financial assets at fair value through profit or loss	2,183,179	2,050,729	120,648	79,316
Financial assets at fair value through other comprehensive income	5,397,626	5,120,236	949,518	802,328
Other assets	220,732	284,849	221,243	70,822

Balances with the central bank, treasury bills and government stock (financial assets at fair value through other comprehensive income) are subject to counterparty limits. Balances due from other banks are also subject to counterparty limits and together with credit ratings are factors in determining the investment decision.

The group applies credit ratings in line with regulatory requirements to reflect the credit risk of financial instruments. External credit ratings from reputable international rating agencies are utilised for cross border exposures, which is augmented with thorough internal credit and financial analyses in the determination and setting of exposure limits. Distinction between two broad credit quality classes are made, i.e. investment grade (AAA to BBB) and speculative/high-yield (BB and lower). If no ratings are available (i.e. certain African countries) these exposures are classified as unrated and are subject to much stricter lending criteria.

The following section summarises the credit quality of financial assets and exposures to corresponding and counterparty banks for 30 June.

Group	Investment grade AAA N$'000	Investment grade AA N$'000	Investment grade A N$'000	Investment grade BBB N$'000	Speculative grade BB N$'000	Speculative grade CCC N$'000	Unrated N$'000	Total N$'000
As at 30 June 2022								
Cash and cash equivalents	538,312	–	–	141,823	5,713,615	–	41,383	6,480,396
Financial assets at fair value through profit or loss	–	–	–	–	2,183,179	–	–	2,183,179
– Unit Trust and money market investments	–	–	–	–	2,183,179	–	–	2,183,179
Financial assets at amortised cost	–	–	–	–	915,861	–	–	915,861
– Treasury bills	–	–	–	–	18,645	–	–	18,645
– Government stock	–	–	–	–	744,846	–	–	744,846
– Preference shares	–	–	–	–	152,370	–	–	152,370
Financial assets at fair value through other comprehensive income	–	–	–	–	5,325,404	–	72,222	5,397,626,
– Investment securities	–	–	–	–	1,869	–	5,962	7,831
– Treasury bills	–	–	–	–	3,830,964	–	–	3,830,964
– Government stock	–	–	–	–	543,053	–	–	543,053
– Tradable instruments	–	–	–	–	949,518	–	–	949,518
– Exchange traded funds	–	–	–	–	–	–	–	62,346
– Corporate bonds	–	–	–	–	–	–	3,914	3,914
Other assets	–	–	–	221,568	–	–	–	221,568
Non-financial assets	2,014,706	–	–	–	–	–	–	2,014,706
Total assets (excluding loans and advances)	2,553,018	–	141,823	266,831	14,138,059	–	113,605	17,213,336

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.6 CREDIT QUALITY OF LOANS AND ADVANCES AND OTHER FINANCIAL INSTRUMENTS CONTINUED

Group	Investment grade AAA N$'000	Investment grade AA N$'000	Investment grade A N$'000	Investment grade BBB N$'000	Speculative grade BB N$'000	Speculative grade CCC N$'000	Unrated N$'000	Total N$'000
As at 30 June 2021								
Cash and cash equivalents	705,351	–	165.327	6,240	3,539,719	33	670,782	5,087,4452
Financial assets at fair value through profit or loss	–	–	–	–	2,050,729	–	–	2,050,729
– Unit Trust and money market investments	–	–	–	–	2,050,729	–	–	2,050,729
Financial assets at amortised cost	–	–	–	–	850,057	–	–	850,057
– Government stock	–	–	–	–	735,720	–	–	735,720
– Preference shares	–	–	–	–	114,337	–	–	114,337
Financial assets at fair value through other comprehensive income	–	–	–	–	5,042,849	–	77,387	5,120,236
– Investment securities	–	–	–	–	25,669	–	2,640	28,309
– Treasury bills	–	–	–	–	3,745,868	–	–	3,745,868
– Government stock	–	–	–	–	468,984	–	–	468,984
– Tradable instruments	–	–	–	–	802,328	–	–	802,328
– Exchange traded funds	–	–	–	–	–	–	60,371	60,371
– Corporate bonds	–	–	–	–	–	–	14,376	14,376
Other assets	–	–	–	284,849	–	–	–	284,849
Non-financial assets	1,789,981	–	–	–	–	–	–	1,789 ,981
Total assets (excluding loans and advances)	2,495,332	–	165,327	291,089	11,483,354	33	748,169	15,183,304

Unrated exposures consist mainly of cash balances, due from other banks and other assets, which are short-term and highly liquid in nature. The creditworthiness of government and large commercial banks' money market instruments are of high quality, which poses low credit risk. Other assets consist of accounts receivable, insurance fund asset, derivatives as well as clearing and settlement accounts. Rated and unrated exposures are not collateralised and foreign currency exposures are hedged.

For the company, all financial assets are rated at investment grade (AAA to BBB) for the current period and prior period, except for preference shares and other assets, which are unrated.

The following risk weightings are applied for due from other banks when calculating the risk-based capital ratios:

(a) Long-term claims

Exposures to banks assigned a credit risk assessment rating of AAA to AA-	20%
Exposures to banks assigned a credit assessment rating of A+ to BBB- or unrated	50%
Exposures to banks assigned a credit assessment rating of BB+ to B-	100%
Exposures to banks assigned a credit assessment rating of below B-	150%

(b) Short-term claims

Claims denominated and funded in domestic currency with an original maturity of three months or less, assigned a credit assessment rating of AAA to BBB- or unrated	20%
Exposures to banks assigned a credit risk assessment rating of AAA to AA-	20%
Exposures to banks assigned a credit assessment rating of A+ to BBB- or unrated	20%
Claims to banks assigned a credit assessment rating of BB+ to B- or unrated	50%
Claims to banks assigned a credit assessment rating of below B-	150%

Unchanged from prior period risk weightings.

3. Financial risk management continued

3.2 Credit risk continued

3.2.7 REPOSSESSED COLLATERAL

The group obtains assets by taking possession of collateral held as security. The value of the assets still on the statement of financial position for 30 June 2022 was N$144.2 million (30 June 2021: N$63.4 million). Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the statement of financial position as other assets.

3.2.8 CREDIT RISK WEIGHTED AMOUNTS

The following risk-weighted amounts, including related impairments and write-offs, have been assigned to the components of credit risk for the group, as defined in BID 5 – 'Determination on capital adequacy'. The figures below will not reconcile to the statement of financial position as it represents statutory, risk-weighted amounts.

	Exposure N$'000	Impairment N$'000	Risk-weighted amounts N$'000	Written off N$'000
As at 30 June 2022				
Counterparties				
Sovereign and central bank	6,909,743	–	–	–
Security firms	9,756	–	9,756	–
Public sector entities	187,423	–	67,307	–
Banks	3,403,574	–	804,470	–
Corporate	14,019,097	208,331	14,013,105	–
Retail	10,688,289	657,858	7,730,934	42,452
Residential mortgage properties	12,549,226	68,219	6,339,374	–
Commercial real estate	7,484,349	89,834	7,532,832	–
Other assets	6,788,707	–	4,903,926	–
Included in other assets:				
– Listed shares	1,869	–	1,869	–
	62,040,164	1,024,242	41,401,704	42,452
Commitments	5,481,302	57,225	2,361,623	–

	Exposure N$'000	Impairment N$'000	Risk-weighted amounts N$'000	Written off N$'000
As at 30 June 2021				
Counterparties				
Sovereign and central bank	5,510,903	–	–	–
Security firms	11,377	–	11,377	
Public sector entities	217,743	–	84,597	–
Banks	3,401,072	–	950,012	–
Corporate	13,514,188	200,839	13,551,608	–
Retail	9,673,116	671,057	6,970,038	40,206
Residential mortgage properties	11,825,893	68,608	6,052,642	–
Commercial real estate	7,088,026	76,824	7,176,945	–
Other assets	6,434,974	–	4,482,113	–
Included in other assets:				
– Listed shares	28,309	–	28,309	–
	57,677,292	1,017,328	39,279,332	40,206
Commitments	5,354,208	64,794	2,233,961	–

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.8 CREDIT RISK WEIGHTED AMOUNTS CONTINUED

Only claims on banks are risk-weighted based on external credit assessment for capital adequacy calculations. The group utilises available external rating agencies' ratings on both short-term and long-term exposures. No amounts are deducted from the group's capital. The Bank of Namibia does not have its own credit rating. The sovereign and central bank credit risk weighting has been 0% for local currency issued and controlled by the central bank. The long-term country credit ratings by an external credit rating agency for Namibia and Botswana were as follows:

	2022	2021
Namibia long-term local currency issuer default rating	BB-	BB+
Namibia long-term issuer default rating	BB-	BB+
Botswana long-term local currency issuer default rating	BBB+	BBB+
Botswana long-term issuer default rating	BBB+	BBB+

3.2.9 CREDIT CONCENTRATION RISK

The group manages credit concentration risk by imposing credit risk concentration caps on the exposure for different loans and advances classifications, such as product classes, regions and industry. The credit risk concentration caps are directly linked to the board-approved risk capacity, appetite and tolerance thresholds, and are managed as part of the risk management process. The credit concentration risk is also further assessed using stress testing and scenario analyses quantitative models.

The following table breaks down the group's main credit exposure at their gross amounts, as categorised by the industry sectors of counterparties:

Group	Cash and cash equivalents N$'000	Financial assets at fair value through other comprehensive income N$'000	Financial assets at fair value through profit or loss N$'000	Financial assets at amortised cost N$'000	Loans and advances to customers N$'000	Other assets[2] N$'000	Total N$'000
As at 30 June 2022							
Agriculture and forestry	–	–	–	–	3,924,716	–	3,924,716
Fishing	–	–	–	–	1,265,401	–	1,265,401
Mining	–	–	–	–	1,219,847	–	1,219,847
Manufacturing	–	–	–	–	1,116,619	–	1,116,619
Building and construction	–	–	–	–	2,442,117	–	2,442,117
Electricity, gas and water	–	–	–	–	1,564,698	–	1,564,698
Trade and accommodation[1]	–	–	–	–	6,345,169	–	6,345,169
Transport and communication	–	–	–	–	1,661,992	–	1,661,992
Finance and insurance	4,618,322	1,023,609	2,183,179	–	3,217,754	–	11,042,864
Real estate and business services	–	–	–	–	13,580,042	–	13,580,042
Government	1,862,074	4,374,017	–	1,029,189	2,847,291	–	10,112,571
Individuals	–	–	–	–	5,354,490	–	5,354,490
Other	–	–	–	–	306,972	221,568	528,540
Impairment	–	–	–	(113,328)	(1,442,160)	–	(1,555,488)
Effective interest rate impact	–	–	–	–	(178,652)	–	(178,652)
	6,480,396	5,397,626	2,183,179	915,861	43,226,296	221,568	58,424,926

[1] *Trade and accommodation includes all loans and advances granted to individuals that acquire property for residential purposes through closed corporation entity types, e.g. residential mortgage loans and advances granted to hotels, lodges, restaurants and the related.*

[2] *Other assets include the insurance fund asset, accounts receivable, derivatives as well as clearing and settlement accounts.*

3. Financial risk management continued

3.2 Credit risk continued

3.2.9 CREDIT CONCENTRATION RISK CONTINUED

	Cash and cash equivalents N$'000	Financial assets at fair value through other compre-hensive income N$'000	Financial assets at fair value through profit or loss N$'000	Financial assets at amortised cost N$'000	Loans and advances to customers N$'000	Other assets[2] N$'000	Total N$'000
As at 30 June 2021							
Agriculture and forestry	–	–	–	–	2,043,943	–	2,043,943
Fishing	–	–	–	–	788,365	–	788,365
Mining	–	–	–	–	848,007	–	848,007
Manufacturing	–	–	–	–	839,336	–	839,336
Building and construction	–	–	–	–	1,609,216	–	1,609,216
Electricity, gas and water	–	–	–	–	1,576,205	–	1,576,205
Trade and accommodation[1]	–	–	–	–	3,432,101	–	3,432,101
Transport and communication	–	–	–	–	1,374,337	–	1,374,337
Finance and insurance	4,462,762	905,384	2,050,729	–	2,111,485	–	9,530,360
Real estate and business services	–	–	–	–	7,506,891	–	7,506,891
Government	624,690	4,214,852	–	949,289	5,015,969	–	10,804,800
Individuals	–	–	–	–	8,454,781	–	8,454,781
Other	–	–	–	–	6,663,447	284,849	6,948,296
Impairment	–	–	–	(99,232)	(1,290,149)	–	(1,389,381)
Effective interest rate impact	–	–	–	–	(144,247)	–	(144,247)
	5,087,452	5,120,236	2,050,729	850,057	40,829,687	284,849	54,223,010

[1] *Trade and accommodation includes all loans and advances granted to individuals that acquire property for residential purposes through closed corporation entity types, e.g. residential mortgage loans and advances granted to hotels, lodges, restaurants and the related.*

[2] *Other assets include the insurance fund asset, accounts receivable, derivatives as well as clearing and settlement accounts. 3.2.10 Credit risk concentration by geographical area*

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.10 CREDIT RISK CONCENTRATION BY GEOGRAPHICAL AREA

Group	Cash and cash equivalents N$'000	Financial assets at fair value through other compre-hensive income N$'000	Financial assets at fair value through profit or loss N$'000	Loans and advances to customers N$'000	Financial assets at amortised cost N$'000	Other assets N$'000	Total N$'000
As at 30 June 2022							
Namibia	2,853,480	4,385,762	1,632,154	35,805,278	763,491	221,568	45,661,733
Botswana	2,684,707	–	312,101	7,033,259	–	–	10,030,067
South Africa	150,756	1,011,864	–	–	–	–	1,162,620
United Kingdom	26,219	–	–	19,198	–	–	45,417
United States of America	614,908	–	–	288,863	–	–	903,771
Zambia	82	–	–	5,546	152,370	–	157,998
Other countries[1]	150,244	–	238,924	74,152	–	–	463,320
	6,480,396	5,397,626	2,183,179	43,226,296	915,861	221,568	58,424,926

Group	Cash and cash equivalents N$'000	Financial assets at fair value through other compre-hensive income N$'000	Financial assets at fair value through profit or loss N$'000	Loans and advances to customers N$'000	Financial assets at amortised cost N$'000	Other assets N$'000	Total N$'000
As at 30 June 2021							
Namibia	1,969,459	4,317,908	1,535,141	34,522,107	735,720	243,683	43,324,018
Botswana	2,028,093	–	307,030	6,291,572	–	41,166	8,667,861
South Africa	150,662	802,328	–	–	–	–	952,990
United Kingdom	14,163	–	–	–	–	–	14,163
United States of America	769,085	–	–	–	–	–	769,085
Zambia	32	–	–	16,008	114,337	–	130,377
Other countries[2]	155,958	–	208,558	–	–	–	364,516
	5,087,452	5,120,236	2,050,729	40,829,687	850,057	284,849	54,223,010

There are no exposures to other foreign countries which are not recorded on the statement of financial position.

[1] *Other foreign currency exposures relate mainly to exposures to the European Union Euro: N$153.7 million due from other banks and exposure to Mauritius: N$208.6 million, financial assets at fair value through profit or loss.*

[2] *Other foreign currency exposures relate mainly to exposures to the European Union Euro: N$67.9 million due from other banks.*

3. Financial risk management continued

3.2 Credit risk continued

3.2.11 WRITE-OFF POLICY

The group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators revealing no reasonable expectation of recovery, include (i) ceasing enforcement activity, (ii) where the group and company's recovery method is foreclosing on the collateral and (iii) collateral value is very low relative to the outstanding capital exposure.

The group categorizes a receivable for write off when there is no collateral or security to cover the debt and not necessarily based on the timeframe that the debtor is unable to pay debt. Below is the detailed policy for secured and unsecured financial assets:

- Secured financial assets: Ensure that all collateral security is realised and perform research on any additional collateral to be used. If the collateral value does not exceed the financial asset value, the irrecoverable portion will be written off.
- Unsecured financial assets: The long outstanding financial assets will be handed over to debt collectors and if no recovery is made within 1 year and 6 months (debt below N$150k) or 2 years (debt above N$150k), the unrecoverable portion will be written off.

Where financial assets have been written off, the group and company continues to engage in enforcement activities (accounts are handed over to debt collectors for a further period of 6 months) attempting to recover the receivable due. The total contractual amount outstanding on financial assets that were written off during the year under review, but is still subject to enforcement activities is N$159.2 million (2021: N$104.0 million).

3.2.12 MODIFICATION OF FINANCIAL ASSETS

The group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to the term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the under the original terms at initial recognition, when the modifications are not substantial and so does not result in derecognition of the original asset. The group monitors the subsequent performance of modified assets. The group may determine that the credit risk has significantly improved after the restructuring, so that the assets are moved from Stage 3 to Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The group continues to monitor subsequent significant increases in credit risk in relation to such assets through the use of specific models for modified assets.

3.3 Market risk

The group takes on exposure to market risks. Market risks arise from net open positions in interest rate, foreign currency and commodity products, all of which are exposed to general and specific market movements. It is the group's policy not to enter into long-term, unhedged fixed interest rate contracts for loans and advances. Interest rate structures of deposits reflect the interest rate view and strategy of the ALCO and maturity structures of term deposits are in line with the ALCO policy. Interest rate structures are addressed on a monthly basis by the ALCO. External market resources are used in the determination of interest rate views by the interest rate subcommittee.

3.3.1 MARKET RISK MEASUREMENT TECHNIQUES

The group employs several measurement techniques to assess potential exposures to market change. Sensitivity analysis is applied to measure the impact of changes in interest rates. This measure is important in assessing the exposure of the group's trading portfolio and the effect of such changes on the interest margin.

Other measurement techniques include comprehensive analysis of maturities, both from the advances and funding perspective.

3.3.2 FOREIGN CURRENCY RISK

The group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk is managed through the market risk framework as well as the treasury dealing policy, both of which are approved by the board.

Market risk is managed by closely monitoring the limits as set out in the market risk framework. The group follows a conservative approach to the products it deals with, and the approved products as well its limits are detailed in the dealing limits policy. The board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored continuously.

The traders' limits are a function of responsibility, experience and qualifications. Foreign currency risk management is achieved through an automated risk management system, and the limit management is independently administered by the middle office risk function within the risk department. All traders are required to sign off on the applicable policies, must be knowledgeable on its contents, and have them on hand when trading. All excesses on limits are immediately flagged, investigated, mitigated, and escalated if required.

Models and stress tests are used to gain an increased understanding of the market risk environment. In addition, foreign exchange positions are managed via stop loss orders and closing or hedging out unwanted exposure via derivatives or in the spot market. Additionally, it is the group's policy to close out all forward and option foreign currency transactions via back-to-back forward and option foreign currency transactions with counterparty banks, which is also diligently monitored by the independent middle office risk function.

The table below summarises the group's exposure to foreign currency exchange rate risk at year-end. Included in the table are the group's financial instruments at the carrying amounts, categorised by currency:

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.3 Market risk continued

3.3.2 FOREIGN CURRENCY RISK CONTINUED

Concentration of foreign currency denominated financial instruments

Group	NAD N$'000	ZMW N$'000	US$ N$'000	€ N$'000	BWP N$'000	ZAR[1] N$'000	Other[2] N$'000	Total N$'000
As at 30 June 2022								
ASSETS								
Cash and cash equivalents	2,853,480	82	614,908	148,209	2,684,707	150,756	28,254	6,480,396
Financial assets at fair value through profit or loss	1,632,154	–	238,924	–	312,101	–	–	2,183,179
Financial assets at amortised cost	763,491	–	–	–	–	152,370	–	915,861
Financial assets at fair value through other comprehensive income	4,385,762	–	–	–	–	1,011,864	–	5,397,626
Loans and advances to customers	35,805,278	5,546	288,863	74,152	7,033,259	–	19,198	43,226,296
Other assets	221,568	–	–	–	–	–	–	221,568
Total financial assets	45,661,733	5,628	1,142,695	222,361	10,030,067	1,314,990	47,452	58,424,926
Non-financial assets	2,014,706	–	–	–	–	–	–	2,014,706
Total assets	47,676,439	5,628	1,142,695	222,361	10,030,067	1,314,990	47,452	60,439,632
LIABILITIES								
Due to other banks	65,125	–	308,596	–	610	333,881	–	708,212
Other borrowings	216,756	–	162,419	–	82,103	156,739	–	618,017
Debt securities in issue	4,625,222	–	–	–	367,371	1,252,019	–	6,244,612
Deposits	34,003,818	29	797,892	223,051	8,595,387	–	27,275	43,647,452
Other liabilities	1,188,169	–	–	–	–	(27,760)	–	1,160,409
Total financial liabilities	40,099,090	29	1,268,907	223,051	9,045,471	1,714,879	27,275	52,378,702
Non-financial liabilities	267,604	–	–	–	–	–	–	267,604
Total liabilities	40,366,694	29	1,268,907	223,051	9,045,471	1,714,879	27,275	52,646,306
Total equity (including NCI)	7,793,326	–	–	–	–	–	–	7,793,326
Total equity and liabilities	48,160,020	29	1,268,907	223,051	9,045,471	1,714,879	27,275	60,439,632
Net financial position of financial instruments	5,562,643	5,599	(126,212)	(690)	984,596	(399,889)	20,177	6,046,224
Credit commitments	–	–	96,612	8,962	–	3,500	–	109,074

[1] *The Namibian dollar is pegged to the South African rand and is therefore not exposed to currency risk.*

3. Financial risk management continued

3.3 Market risk continued

3.3.2 FOREIGN CURRENCY RISK CONTINUED

Company	NAD N$'000	ZMW N$'000	US$ N$'000	BWP N$'000	ZAR[1] N$'000	Total N$'000
As at 30 June 2022						
ASSETS						
Cash and cash equivalents	313,632	–	–	97,618	–	411,250
Financial assets at fair value through profit or loss	69,157	–	–	–	51,491	120,648
Financial assets at fair value through other comprehensive income	–	–	–	–	949,518	949,518
Financial assets at amortised cost	–	28,959	123,412	293,995	–	446,366
Other assets	60,059	5,546	–	154,378	1,260	221,243
Total financial assets	442,848	34,505	123,412	545,991	1,002,269	2,149,025
Non-financial assets	1,770,998	–	–	–	–	1,770,998
Total assets	2,213,846	34,505	123,412	545,991	1,002,269	3,920,023
LIABILITIES						
Other borrowings	151,420	–	162,419	–	–	313,839
Debt securities in issue	1,943,745	–	–	170,905	–	2,114,650
Other liabilities	17,389	–	–	–	–	17,389
Total financial liabilities	2,112,554	–	162,419	170,905	–	2,445,878
Non-financial liabilities	31,993	–	–	–	–	31,993
Total liabilities	2,144,547	–	162,419	170,905	–	2,477,871
Total equity (including NCI)	1,442,152	–	–	–	–	1,442,152
Total equity and liabilities	3,586,699	–	162,419	170,905	–	3,920,023
Net financial position of financial instruments	(1,669,706)	34,505	(39,007)	375,086	1,002,269	(296,853)

[1] *The Namibian dollar is pegged to the South African rand and is therefore not exposed to currency risk.*

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.3 Market risk continued

3.3.2 FOREIGN CURRENCY RISK CONTINUED

Group	NAD N$'000	ZMW N$'000	US$ N$'000	€ N$'000	BWP N$'000	ZAR[1] N$'000	Other[2] N$'000	Total N$'000
As at 30 June 2021								
ASSETS								
Cash and cash equivalents	1,969,459	32	769,085	170,121	2,028,093	150,662	–	5,087,452
Financial assets at fair value through profit or loss	1,743,699	–	–	–	307,030	–	–	2,050,729
Financial assets at amortised cost	735,720	6,218	108,119	–	–	–	–	850,057
Financial assets at fair value through other comprehensive income	4,317,908	–	–	–	–	802,328	–	5,120,236
Loans and advances to customers	34,418,198	–	87,480	19,517	6,291,572	–	12,920	40,829,687
Other assets	243,683	–	–	–	41,166	–	–	284,849
Total financial assets	43,428,667	6,250	964,684	189,638	8,667,861	952,990	12,920	54,223,010
Non-financial assets	1,789,981	–	–	–	–	–	–	1,789,981
Total assets	45,218,648	6,250	964,684	189,638	8,667,861	952,990	12,920	56,012,991
LIABILITIES								
Due to other banks	15,123	–	522,835	–	224,291	–	64	762,313
Other borrowings	56,790	–	142,884	–	53,731	439,314	–	692,719
Debt securities in issue	4,642,965	–	–	–	337,228	1,070,316	–	6,050,509
Deposits	32,271,280	16	498,492	117,147	7,265,489	–	27,275	40,179,699
Other liabilities	941,041	–	–	–	184,479	6,511	–	1,132,031
	37,927,199	16	1,164,211	117,147	8,065,218	1,516,141	27,339	48,817,271
Non-financial liabilities	91,497	–	–	–	–	–	–	91,497
Total liabilities	38,018,696	16	1,164,211	117,147	8,065,218	1,516,141	27,339	48,908,768
Total equity (including NCI)	7,104,223	–	–	–	–	–	–	7,104,223
Total equity and liabilities	45,122,919	16	1,164,211	117,147	8,065,218	1,516,141	27,339	56,012,991
Net financial position of financial instruments	5,501,468	6,234	(199,527)	72,491	602,643	(563,151)	(14,419)	5,405,739
Credit commitments	5,000	–	178,614	35,532	–	3,500	–	222,646

[1] *The Namibian dollar is pegged to the South African rand and is therefore not exposed to currency risk.*

[2] *Other foreign currency exposures relate mainly to exposures to the Pound Sterling N$26.2 million (2021: N$14.2 million) due from other banks as well as N$19.2 million (2021: N$12.9 million) foreign currency loans and advances to customers.*

3. Financial risk management continued

3.3 Market risk continued

3.3.2 FOREIGN CURRENCY RISK CONTINUED

Company	NAD N$'000	ZMW N$'000	US$ N$'000	BWP N$'000	ZAR[1] N$'000	Total N$'000
As at 30 June 2020						
ASSETS						
Cash and cash equivalents	622,708	–	–	43,081	–	665,789
Financial assets at fair value through profit or loss	–	–	–	–	79,316	79,316
Financial assets at fair value through other comprehensive income	–	–	–	–	802,328	802,328
Financial assets at amortised cost	–	6,218	108,119	263,991	–	378,328
Other assets	62,907	4,005	2,201	–	1,709	70,822
Total financial assets	685,615	10,223	110,320	307,072	883,353	1,996,583
Non-financial assets	1,776,878	–	–	–	–	1,776,878
Total assets	2,462,493	10,223	110,320	307,072	883,353	3,773,461
LIABILITIES						
Other borrowings	–	–	142,884	–	–	142,884
Debt securities in issue	2,017,174	–	–	170,576	–	2,187,750
Other liabilities	39,908	–	–	–	–	39,908
Total financial liabilities	2,057,082	–	142,884	170,576	–	2,370,542
Non-financial liabilities	4,437	–	–	–	–	4,437
Total liabilities	2,061,519	–	142,884	170,576	–	2,374,979
Total equity (including NCI)	1,398,482	–	–	–	–	1,398,482
Total equity and liabilities	3,460,001	–	142,884	170,576	–	3,773,461
Net financial position of financial instruments	(1,371,467)	10,223	(32,564)	136,496	883,353	(373,959)

[1] *The Namibian dollar is pegged to the South African rand and is therefore not exposed to currency risk.*

The following exchange rates (number of units of Namibian dollar per unit of foreign currency) were used on conversion of foreign currency monetary items at the reporting date:

	2022	2021
USD	16.24	14.34
GBP	19.71	19.84
EUR	16.99	17.05
ZAR	1.00	1.00
ZMW	0.95	0.63
BWP	1.32	1.31

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.3 Market risk continued

3.3.2 FOREIGN CURRENCY RISK CONTINUED

	Group Effect on profit for the year		Company Effect on profit for the year	
The following is a sensitivity analysis, monitored on the following major currencies of non-equity instruments, had a 5% change arisen on the various currencies:	**2022 N$'000**	**2021 N$'000**	**2022 N$'000**	**2021 N$'000**
US dollar/Namibian dollar	(6,310)	(9,977)	(1,950)	(1,628)
– Foreign currency financial assets	57,135	48,234	6,171	5,516
– Foreign currency financial liabilities	(63,445)	(58,211)	(8,121)	(7,144)
Euro/Namibian dollar	(35)	3,625	–	–
– Foreign currency financial assets	11,118	9,482	–	–
– Foreign currency financial liabilities	(11,153)	(5,857)	–	–
Botswana Pula/Namibian dollar	49,229	30,132	18,755	6,825
– Foreign currency financial assets	501,503	433,393	27,300	15,354
– Foreign currency financial liabilities	(452,274)	(403,261)	(8,545)	(8,529)
Kwacha/Namibian dollar	280	312	1,725	511
– Foreign currency financial assets	281	313	1,725	511
– Foreign currency financial liabilities	(1)	(1)	–	–

	Group Effect on other comprehensive income		Company Effect on other comprehensive income	
	2022 N$'000	**2021 N$'000**	**2022 N$'000**	**2021 N$'000**
The following effect of 5% change would arise on equity instruments:				
Effect of US dollar denominated equity instrument	–	–	–	–

3.3.3 INTEREST RATE RISK

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly.

Assets and liabilities are classified as interest sensitive if the interest rate is floating (classified in the 'up to 1 month' bucket), or if the interest rate applied to the outstanding principal balance fluctuates contractually during its lifespan (classified at the earliest of reprise or maturity). The key assumption made is that when an asset or liability matures within a certain bucket, the principal amount will be reprised. If an asset matures the proceeds are reinvested and when any liability matures the liability is replaced with new funding. Balances classified as 'non-interest sensitive' are not affected by changes in interest rates, e.g. statutory cash balances with the Bank of Namibia, which carries no interest. The balances included in the buckets are therefore exposed to both cash flow risk (to the extent that interest rates are floating) and fair value risk (to the extent that interest rates are fixed until reprised). This is in the manner consistent with information communicated to key management.

3. Financial risk management continued

3.3 Market risk continued

3.3.3 INTEREST RATE RISK CONTINUED

The table below summarises the group's exposure to interest rate risks. It includes the group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

i) Interest rate risk analysis

Group	Up to 1 month N$'000	1 – 3 months N$'000	3 – 12 months N$'000	More than 1 year N$'000	Non-interest sensitive N$'000	Total N$'000
As at 30 June 2022						
ASSETS						
Cash and cash equivalents	5,741,892	–	–	–	738,504	6,480,396
Financial assets at fair value through profit or loss	2,159,249				23,930	2,183,179
Financial assets at amortised cost	–	–	18,645	1,010,544	(113,328)	915,861
Financial assets at fair value through other comprehensive income	1,475,858	918,514	2,483,370	512,053	7,831	5,397,626
Loans and advances to customers	35,794,883	6,896	204,033	5,967,563	1,252,921	43,226,296
Other assets	59,097	–	–	–	162,471	221,568
Total financial assets	45,230,979	925,410	2,706,048	7,490,160	2,072,329	58,424,926
Non-financial assets	–	–	–	–	2,014,706	2,014,706
Total assets	45,230,979	925,410	2,706,048	7,490,160	4,087,035	60,439,632
LIABILITIES						
Due to other banks	708,212	–	–	–	–	708,212
Other borrowings	–	618,017	–	–	–	618,017
Debt securities in issue	136,088	5,179,514	125,137	412,871	391,002	6,244,612
Deposits	21,973,715	7,621,303	8,854,825	5,197,609	–	43,647,452
Other liabilities	(23,736)	–	–	–	1,156,385	1,132,649
Total financial liabilities	22,794,279	13,418,834	8,979,962	5,610,480	1,547,387	52,350,942
Total non-financial liabilities	–	–	–	–	1,160,409	1,160,409
Total liabilities	22,818,015	13,418,834	8,979,962	5,610,480	1,551,411	52,378,702
Total equity (including NCI)	–	–	–	–	267,604	267,604
Total equity and liabilities	22,818,015	13,418,834	8,979,962	5,610,480	1,819,015	52,646,306
Interest sensitivity gap (financial instruments)	22,412,964	(12,493,424)	(6,273,914)	1,879,680	520,918	6,046,224
Cumulative interest sensitivity gap (financial instruments)	22,412,964	9,919,540	3,645,626	5,525,306	6,046,224	
As at 30 June 2021						
Interest sensitivity gap (financial instruments)	19,997,818	(7,806,065)	(10,127,642)	1,731,594	1,610,034	5,405,739
Cumulative interest sensitivity gap (financial instruments)	19,997,818	12,191,753	2,064,111	3,795,705	5,405,739	

The interest rate sensitivity gap is determined based on methodology applied when reviewing interest rate risk. The interest rate sensitivity gap is measured and monitored at the ALCO monthly.

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.3 Market risk continued

3.3.3 INTEREST RATE RISK CONTINUED

ii) Interest rate sensitivity analysis

An interest sensitivity analysis shows how net interest income will perform under a variety of scenarios. The sensitivities below measure the effect of overall changes in interest rates on profit or loss (net interest income) as defined by the banks' interest rate modelling tool. The extent of the shock (50, 100 or 200 basis points) is applied to all interest rates in the system and the effects of these shocks are detailed below.

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
The following interest-rate sensitivity is based on the effect of changes to the interest rate over a twelve-month period on net interest income:				
50 basis points increase	57,998	80,712	(3,652)	(5,107)
– Increase in interest income	256,779	253,183	8,245	6,867
– Increase in interest expense	(198,782)	(172,471)	(11,898)	(11,974)
50 basis points decrease	(55,340)	(78,088)	3,652	5,107
– Decrease in interest income	(246,619)	(242,588)	(8,245)	(6,867)
– Decrease in interest expense	191,280	164,500	11,898	11,974
100 basis points increase	112,911	146,390	(7,305)	(10,213)
– Increase in interest income	513,638	506,628	16,491	13,735
– Increase in interest expense	(400,727)	(360,238)	(23,796)	(23,948)
100 basis points decrease	(111,642)	(157,322)	7,305	10,213
– Decrease in interest income	(493,178)	(484,851)	(16,491)	(13,735)
– Decrease in interest expense	381,536	327,529	23,796	23,948
200 basis points increase	223,441	273,115	(14,609)	(20,426)
– Increase in interest income	1,027,666	1,015,472	32,982	27,470
– Increase in interest expense	(804,225)	(742,357)	(47,591)	(47,896)
200 basis points decrease	(224,391)	(331,650)	14,609	20,426
– Decrease in interest income	(986,039)	(968,474)	(32,982)	(27,470)
– Decrease in interest expense	761,648	636,824	47,591	47,896

3. Financial risk management continued

3.3 Market risk continued

3.3.4 PRICE RISK

The following fair value financial instruments expose the group to price risk: derivative financial instruments, treasury bills, government stock and unit trust investments measured at fair value through profit or loss, corporate bonds, exchange traded funds and equity securities measured at fair value through other comprehensive income. The group generally does not undertake equity exposure. The exposure arose due to specific circumstances and are managed individually.

	Group	
Sensitivity analysis	**2022 N$'000**	**2021 N$'000**
i) Investment securities		
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of equity securities had the following changes arisen on the significant inputs:		
10 % increase in share price (effect on other comprehensive income)	5,717	2,182
10 % decrease in share price (effect on other comprehensive income)	(5,717)	(2,182)
ii) Derivative financial instruments		
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of derivative instruments had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate (effect on profit or loss)	(175)	246
100 basis points decrease in discount rate (effect on profit or loss)	177	(246)
iii) Financial assets at fair value		
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of treasury bills had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate (effect on profit or loss)	(15,288)	(18,439)
100 basis points decrease in discount rate (effect on profit or loss)	15,461	18,673
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of government stock had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate (effect on profit or loss)	(11,850)	(31,685)
100 basis points decrease in discount rate (effect on profit or loss)	12,407	33,662

3.3.5 MARKET RISK CAPITAL CHARGE

The following capital charges have been assigned to the components of market risk for the banking group, as defined in BID 5 – 'Determination on capital adequacy':

	Capital charges	
	2022 N$'000	**2021 N$'000**
Interest rate risk	47,911	51,032
Foreign exchange risk	20,796	20,689

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.4 Liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

Liquidity risk is inherent in the group's business endeavours and represents the ability of the group to fund increases in assets and meet its financial obligations in a timely manner as they become due without incurring excessive costs, while complying with all statutory and regulatory requirements. The banks are the largest contributors to the group's liquidity risk. The liquidity risk framework and Contingency Funding Plan (CFP) sets out the minimum liquidity risk management requirements for the banks, and explains the low-level internal control processes. Under the policy, the banks are required to manage current and future liquidity positions in a prudent manner. This framework formalises the liquidity risk management processes of the banks, the goal of which is to:

- Maintain liquidity risk at a manageable level through assessment and monitoring;
- Assess and advise against any permanent or temporary adverse changes to the liquidity position of the banks;
- Set and monitor limits for funding mix, investment products and client exposures;
- Monitor all applicable financial and statutory ratios; and
- Identify those liquidity triggers that may entail the activation of the CFP.

The framework sets out rules to effectively control liquidity risk within the risk-return parameters dictated by the board of directors' risk appetite. The banks also, from time to time, conduct external-assisted CFP testing to evaluate the effectiveness thereof, while also continuously enhancing the risk management processes.

The framework aims to protect depositors, creditors, shareholders and other stakeholders of the banks by establishing rules and guidelines for identifying and managing the resolution of possible serious liquidity problems.

Asset liquidity risk represents the availability of sufficient assets in liquid form to meet pressing obligations. In situations where liquid assets on hand could be utilised to earn a higher return instead of paying current obligations, the opportunity cost also plays a role (i.e. potential higher return less the cost of obtaining replacement liquidity). Liquidity management must attempt to match the most appropriate available liquidity to the most appropriate maturing liabilities.

Funding liquidity risk relates to an enterprise's capability to generate funding at short notice at reasonable expense to meet pressing liquidity requirements.

The group's liquidity management process is outlined in the group liquidity risk framework which includes, inter alia, the group's funding strategy. Procedures, as set out in this policy, include the:

- daily monitoring of liquid assets;
- proactive identification of liquidity requirements and maturing assets;
- liquid asset minimum limit;
- proactive identification of short, medium and long-term liquidity requirements; and
- relationship management with other financial institutions.

In general the banks do not engage in complex activities or structures and therefore it is considered unnecessary to employ sophisticated and expensive models when determining liquidity needs under various scenarios. A basic but thorough forward-looking analysis is conducted daily, as well as monthly analysis of liquidity positions, needs and risks. Limits and rules stipulated in the liquidity risk management policy and by ALCO form the basis for daily quotes on deposits to ensure that an optimal mix and concentrations are maintained.

As part of the banks' strategy, the banks continuously focuses on diversifying their funding sources and reducing their reliance on large depositors, which is a common occurrence in the southern African financial markets. That said, the banks utilise a broad range of deposit and funding products to attract clients from all spheres and has strong market share representation in all categories.

Refer to note 23 for other borrowings obtained during the year and, note 24 for the redemption and additions to debt securities.

The banks must at all times hold an adequate liquid asset surplus which:

- includes a buffer portion;
- is additional to credit lines;
- is adequate to cater for unexpected outflows; and
- is simultaneously limiting the effect this surplus has on interest margins.

3. Financial risk management continued

3.4 Liquidity risk continued

LIQUIDITY RISK ANALYSIS

The table below presents the cash flows payable by the group by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows, hence it does not reconcile to the values reflected on the statement of financial position:

	Contractual undiscounted cash-flows					
Group	**Call to 1 month N$'000**	**1 – 3 months N$'000**	**3 – 12 months N$'000**	**1 – 5 years N$'000**	**Over 5 years N$'000**	**Total N$'000**
As at 30 June 2022						
FINANCIAL LIABILITIES						
Due to other banks	708,212	–	–	–	–	708,212
Other borrowings	200,839	162,419	125,143	191,904	–	680,305
Debt securities in issue	36,478	524,781	725,633	5,897,115	376,979	7,560,986
Deposits	21,472,720	4,409,405	12,366,132	4,333,373	1,603,578	44,185,208
Other liabilities	1,160,409	–	–	–	–	1,160,409
Total liabilities (contractual maturity dates)	23,578,658	5,096,605	13,216,908	10,422,392	1,980,557	54,295,120
Commitments	5,543,611	–	–	–	–	5,543,611
Loan commitments	2,808,400	–	–	–	–	2,808,400
Liabilities under guarantees	2,538,568	–	–	–	–	2,538,568
Letters of credit	196,643	–	–	–	–	196,643

	Contractual undiscounted cash-flows					
Company	**Call to 1 month N$'000**	**1 – 3 months N$'000**	**3 – 12 months N$'000**	**1 – 5 years N$'000**	**Over 5 years N$'000**	**Total N$'000**
As at 30 June 2022						
FINANCIAL LIABILITIES						
Other borrowings	151,420	162,419	–	–	–	313,839
Debt securities in issue	36,478	51,116	150,653	2,277,536	–	2,515,783
Other liabilities	17,389	–	–	–	–	17,389
Total liabilities (contractual maturity dates)	205,287	213,535	150,653	2,277,536	–	2,847,011

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.4 Liquidity risk continued

LIQUIDITY RISK ANALYSIS CONTINUED

Group	Contractual undiscounted cash-flows Call to 1 month N$'000	1 – 3 months N$'000	3 – 12 months N$'000	1 – 5 years N$'000	Over 5 years N$'000	Total N$'000
As at 30 June 2021						
FINANCIAL LIABILITIES						
Due to other banks	762,313	–	–	–	–	762,313
Other borrowings	185,196	142,884	167,272	203,571	–	698,923
Debt securities in issue	2,373	90,333	498,324	3,923,117	2,816,937	7,331,084
Deposits	19,404,101	5,375,077	11,080,700	3,204,611	1,760,029	40,824,518
Other liabilities	742,286	111,078	66,774	157,561	54,332	1,132,031
Total liabilities (contractual maturity dates)	21,096,269	5,719,372	11,813,070	7,488,860	4,631,298	50,748,869
Commitments	5,254,129	–	–	–	–	5,254,129
Loan commitments	2,959,618	–	–	–	–	2,959,618
Liabilities under guarantees	1,977,216	–	–	–	–	1,977,216
Letters of credit	317,295	–	–	–	–	317,295

Company	Contractual undiscounted cash-flows Call to 1 month N$'000	1 – 3 months N$'000	3 – 12 months N$'000	1 – 5 years N$'000	Over 5 years N$'000	Total N$'000
As at 30 June 2021						
FINANCIAL LIABILITIES						
Other borrowings	–	142,884	–	–	–	142,884
Debt securities in issue	2,373	40,346	150,606	1,346,606	1,046,008	2,585,939
Other liabilities	17,646	22,262	–	–	–	39,908
Total liabilities (contractual maturity dates)	20,019	205,492	150,606	1,346,606	1,046,008	2,768,731

3. Financial risk management continued

3.4 Liquidity risk continued

LIQUIDITY RISK ANALYSIS CONTINUED

In terms of BID 18 'Public disclosures for banking institutions' the maturity breakdown of a banking institution's whole credit portfolio should be disclosed. This disclosure, for Capricorn Group, is detailed below:

	Contractual discounted cash-flows						
Group	**Carrying value N$'000**	**Call to 1 month N$'000**	**1 – 3 months N$'000**	**3 – 12 months N$'000**	**1 – 5 years N$'000**	**Over 5 years N$'000**	**Total N$'000**
As at 30 June 2022							
ASSETS							
Cash and cash equivalents	–	6,480,396	–	–	–	–	6,480,396
Financial assets at fair value through profit or loss	–	2,183,179	–	–	–	–	2,183,179
Gross financial assets at amortised cost	–	–	–	18,645	572,112	438,432	1,029,189
Financial assets at fair value through other comprehensive income	–	1,466,278	918,514	2,490,141	449,081	73,612	5,397,626
Gross loans and advances to customers		5,982,181	420,611	861,633	13,480,754	24,101,929	44,847,108
Other assets	–	221,568	–	–	–	–	221,568
Non-financial instruments	2,014,706	–	–	–	–	–	2,014,706
Effective interest rate impact per IFRS 9	(178,652)	–	–	–	–	–	(178,652)
Impairment	(1,555,488)	–	–	–	–	–	(1,555,488)
Total assets	280,566	16,333,602	1,339,125	3,370,419	14,501,947	24,613,973	60,439,632
LIABILITIES							
Due to other banks	–	708,212	–	–	–	–	708,212
Other borrowings	–	151,419	162,419	113,390	190,789	–	618,017
Debt securities in issue	–	18,750	454,338	471,172	5,226,976	73,376	6,244,612
Deposits	–	21,973,715	3,924,496	12,551,632	4,200,500	997,109	43,647,452
Other liabilities	–	1,133,689	26,720	–	–	–	1,160,409
Non-financial instruments	267,604	–	–	–	–	–	267,604
Total liabilities	267,604	23,985,785	4,567,973	13,136,194	9,618,265	1,070,485	52,646,306
Net liquidity gap	12,962	(7,652,183)	(3,228,848)	(9,765,775)	4,883,682	23,543,488	7,793,326
Cumulative liquidity gap	12,962	(7,639,221)	(10,868,069)	(20,633,844)	(15,750,162)	7,793,326	

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.4 Liquidity risk continued

LIQUIDITY RISK ANALYSIS CONTINUED

Company	Carrying value N$'000	Contractual discounted cash-flows Call to 1 month N$'000	1 – 3 months N$'000	3 – 12 months N$'000	1 – 5 years N$'000	Over 5 years N$'000	Total N$'000
As at 30 June 2022							
ASSETS							
Cash and cash equivalents	–	411,250	–	–	–	–	411,250
Financial assets at fair value through profit or loss	–	120,648	–	–	–	–	120,648
Financial assets at fair value through other comprehensive income	–	949,518	–	–	–	–	949,518
Financial assets at amortised cost	–	–	–	–	446,366	–	446,366
Other assets	–	221,243	–	–	–	–	221,243
Non-financial instruments	1,770,998	–	–	–	–	–	1,770,998
Total assets	1,770,998	1,702,659	–	–	446,366	–	3,920,023
LIABILITIES							
Other borrowings	–	151,420	162,419	–	–	–	313,839
Debt securities in issue	–	18,750	33,628	67,272	1,995,000	–	2,114,650
Other liabilities	–	17,389	–	–	–	–	17,389
Non-financial instruments	31,993	–	–	–	–	–	31,993
Total liabilities	31,993	187,559	196,047	67,272	1,995,000	–	2,477,871
Net liquidity gap	1,739,005	1,515,100	(196,047)	(67,272)	(1,548,634)	–	1,442,152
Cumulative liquidity gap	1,739,005	3,254,105	3,058,058	2,990,786	1,442,152	1,442,152	

3. Financial risk management continued

3.4 Liquidity risk continued

LIQUIDITY RISK ANALYSIS CONTINUED

Group	Carrying value N$'000	Call to 1 month N$'000	1 – 3 months N$'000	3 – 12 months N$'000	1 – 5 years N$'000	Over 5 years N$'000	Total N$'000
		Contractual discounted cash-flows					
As at 30 June 2021							
ASSETS							
Cash and cash equivalents	–	5,087,452	–	–	–	–	5,087,452
Financial assets at fair value through profit or loss	–	2,050,729	–	–	–	–	2,050,729
Financial assets at amortised cost	–	–	–	39,631	486,639	423,019	949,289
Financial assets at fair value through other comprehensive income	–	1,046,382	807,572	2,812,175	388,167	65,940	5,120,236
Gross loans and advances to customers		6,547,645	134,216	539,943	13,239,391	21,802,888	42,264,083
Other assets	–	228,159	–	–	56,690	–	284,849
Non-financial instruments	1,789,981	–	–	–	–	–	1,789,981
Effective interest rate impact	(144,247)	–	–	–	–	–	(144,247)
Impairment	(1,389,381)	–	–	–	–	–	(1,389,381)
Total assets	256,353	14,960,367	941,788	3,391,749	14,170,887	22,291,847	56,012,991
LIABILITIES							
Due to other banks	–	762,313	–	–	–	–	762,313
Other borrowings	–	–	142,884	352,468	197,367	–	692,719
Debt securities in issue	–	2,373	20,774	290,201	3,765,778	1,971,383	6,050,509
Deposits	–	19,783,494	4,311,331	11,490,809	3,049,456	1,544,609	40,179,699
Other liabilities	–	513,854	133,618	95,249	295,019	94,291	1,132,031
Non-financial instruments	91,497	–	–	–	–	–	91,497
Total liabilities	91,497	21,062,034	4,608,607	12,228,727	7,307,620	3,610,283	48,908,768
Net liquidity gap	164,856	(6,101,667)	(3,666,819)	(8,836,978)	6,863,267	18,681,564	7,104,223
Cumulative liquidity gap	164,856	(5,936,811)	(9,603,630)	(18,440,608)	(11,577,341)	7,104,223	

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.4 Liquidity risk continued

LIQUIDITY RISK ANALYSIS CONTINUED

Company	Carrying value N$'000	Contractual discounted cash-flows Call to 1 month N$'000	1 – 3 months N$'000	3 – 12 months N$'000	1 – 5 years N$'000	Over 5 years N$'000	Total N$'000
As at 30 June 2021							
ASSETS							
Cash and cash equivalents	–	665,789	–	–	–	–	665,789
Financial assets at fair value through profit or loss	–	79,316	–	–	–	–	79,316
Financial assets at fair value through other comprehensive income	–	802,328	–	–	–	–	802,328
Financial assets at amortised cost	–	–	–	–	378,328	–	378,328
Other assets	–	70,822	–	–	–	–	70,822
Non-financial instruments	1,776,878	–	–	–	–	–	1,776,878
Total assets	1,776,878	1,618,255	–	–	378,328	–	3,773,461
LIABILITIES							
Other borrowings	–	–	142,884	–	–	–	142,884
Debt securities in issue	–	2,373	20,774	102,822	1,061,781	1,000,000	2,187,750
Other liabilities	–	17,646	22,262	–	–	–	39,908
Non-financial instruments	4,437	–	–	–	–	–	4,437
Total liabilities	4,437	20,019	185,920	102,822	1,061,781	1,000,000	2,374,979
Net liquidity gap	1,772,441	1,598,236	(185,920)	(102,822)	(683,453)	(1,000,000)	1,398,482
Cumulative liquidity gap	1,772,441	3,370,677	3,184,757	3,081,935	2,398,482	1,398,482	

The table above represents the group's maturity mismatch between assets and liabilities based on contractual maturities, which represents a worst-case scenario and is therefore not representative of business as usual. Policies and procedures are in place to mitigate liquidity risk, which is detailed in the narrative above, as well as the risk and compliance report. Due to the composition of the liquidity market in Namibia, a negative maturity mismatch between assets and liabilities is an industry norm.

3.5 Fair values of financial assets and liabilities

(a) Fair value estimation

The group is presumed to be a going concern and the fair value methodology is therefore appropriate. Fair value is the current price to purchase an asset or to transfer a liability. Such a transaction is characterised by an arm's length and orderly transaction in a free market (neither party is compelled to act), between hypothetical willing, able and well-informed market participants. In addition, the fair value methodology is utilised to accurately reflect the current market conditions and the appropriate market price of such a transaction on the reporting date.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives, trading and available-for-sale securities) is based on quoted market prices at the reporting date. The active market are characterised by sufficient supply and demand by market participants, supported by adequate frequency and volumes to accurately approximate the true market price of such a transaction on an ongoing basis. The quoted market price used for financial assets held by the group is the price within the current bid-ask price, which is the most representative of fair value.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques to approximate the fair value. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These valuation techniques include quoted market prices or dealer quotes for similar instruments in active and inactive markets, and discounted cash flow valuation techniques.

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

(a) Fair value estimation continued

i. Cash and cash equivalents

Due to its short-term nature, the carrying amount approximates the fair value of these financial assets.

ii. Derivative financial instruments (included in other assets/liabilities)

Derivative financial instruments are classified as fair value through profit or loss using valuation techniques supported by observable market prices or rates (exchange traded). Over-the-counter (OTC) transactions are also measured at fair value based on the following valuation techniques:

- Forward contracts are valued based on the daily mark-to-market value of the forward contract. The market rates are obtained from the Thompson Reuters foreign currency rate platform. Spot foreign currency transactions not yet matured are marked-to-market based on end of trading day quoted Thompson Reuters market rates.
- Interest rate swaps are valued by discounting the expected future fixed and floating interest rate cash flow streams with the applicable South African money market yield curves. The future fixed rate cash flows are based on the terms of the contractual agreements, while the floating rate cash flows are approximated using the estimated forward rate yield curve in line with contractual agreements.
- Option contract values are determined using the Black-Scholes pricing model, utilising real-time market data on the required inputs.

iii. Financial assets at fair value

Treasury bills

Treasury bills are measured at fair value through other comprehensive income based on the discounted valuation technique using quoted market prices and rates.

Government stock

Government stock and other bonds guaranteed by the Namibian, South African or Botswana governments are measured at fair value through other comprehensive income based on the discounted valuation technique using quoted market prices. The Bond Exchange of South Africa bond pricing model is utilised to determine the fair value.

Unit trust investments

The fair value of unit trust investments is determined with reference to the daily published market prices.

Money market investments

For money market investments, the carrying value approximates its fair value.

Other debt securities

Corporate bonds

Corporate bonds guaranteed by the respective corporates are measured at fair value through other comprehensive income based on the discounted valuation technique using quoted market prices.

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

(a) Fair value estimation continued

iv. Financial assets at amortised cost

Treasury bills

Treasury bills, without the intention to trade, are classified as held to maturity and recognised at amortised costs. The fair value is determined for disclosure purposes based on the discounted valuation technique using quoted market prices and rates.

Government stock

Government stock and other bonds guaranteed by either the Namibian or South African governments, without the intention to trade, are classified as held to maturity and recognised at amortised cost. The fair value is determined for disclosure purposes based on the discounted valuation technique using quoted market prices. The Bond Exchange of South Africa bond pricing model is utilised to determine the fair value.

v. Investment securities

Listed

For listed investment securities, the fair value is derived by using stock market prices, adjusted for any restrictions on its tradability.

vi. Due to and from other banks

Amounts due to other banks include interbank placements. The carrying amount of overnight deposits represents its fair value, as it is short-term and callable on demand.

vii. Loans and advances to customers

The loans and advances to customers are recognised at amortised cost. The fair value is determined for disclosure purposes by discounting the future expected cash flows using observable market inputs, such as the prime rate, as appropriate. For short maturity loans and advances the carrying value approximates the fair value. Unobservable market inputs are developed using the best information available that market participants would use when pricing the loan. The credit risk will be approximated by the carrying values of defaulted and impaired accounts. Refer to note 3.5(b) for the disclosure of the fair value of loans and advances.

viii. Other assets and liabilities

The nominal values less impairment of other assets and liabilities are assumed to approximate their fair value, due to the short-term nature of these assets and liabilities.

ix. Other borrowings

Other borrowings are recognised at amortised cost. The fair value is determined for disclosure purposes by discounting the future expected cash flows using observable market inputs, such as the JIBAR money market rate, as appropriate. Refer to note 3.5(b) for the disclosure of the fair value of other borrowings.

x. Debt securities in issue

Financial instruments included in this category include senior debt, callable bonds and preference shares issued. The fair value of issued debt securities for disclosure purposes is estimated by discounting the future contractual cash flows at the available market interest rate. Quoted prices for similar instruments are utilised in the event that active prices are not available. The fair values of these instruments were N$6.3 billion (2021: N$6.0 billion), refer to note 3.5(b). The fair value of the issued preference shares approximates the carrying value, due to the floating rate nature of the instruments. Refer to note 24.

xi. Deposits

The carrying amount approximates the fair value of these financial liabilities, except for promissory notes and replica notes. The fair value of promissory notes and replica notes for disclosure purposes is estimated by discounting the future contractual cash flows at the available market interest rate. Quoted prices for similar instruments are utilised in the event that active prices are not available. The fair value of these instruments is nil (2021: N$497.3 million), refer to note 3.5(b).

xii. Financial instruments not recorded on the statement of financial position

The estimated fair values of the financial instruments not recorded on the statement of financial position are based on market prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

(b) Fair value hierarchy

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like JIBAR yield curve or counterparty credit risk are Bloomberg and Reuters.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible.

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2022				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Unit trust and money market investments	–	2,183,179	–	2,183,179
Financial assets at fair value through other comprehensive income	64,215	5,327,449	5,962	5,397,626
Treasury bills	–	3,830,964	–	3,830,964
Government stock	–	543,053	–	543,053
Corporate bonds	–	3,914	–	3,914
Tradable instruments	–	949,518	–	949,518
Exchange traded funds	62,346	–	–	62,346
Investment securities – listed	1,869	–	–	1,869
Investment securities – unlisted	–	–	5,962	5,962
	64,215	7,510,628	5,962	7,580,805
Financial assets for which the fair value is disclosed				
Loans and advances to customers	–	–	44,224,469	44,224,469
Financial assets at amortised cost	–	772,466	152,370	924,836
Treasury bills	–	18,597	–	18,597
Government stock	–	753,869	–	753,869
Preference shares	–	–	152,370	152,370
Director's valuation of investment in associates	–	1,024,984	–	1,024,984
	–	1,797,450	44,376,839	46,174,289
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments (included in other liabilities)	–	(27,760)	–	(27,760)
Financial liabilities for which the fair value is disclosed				
Other borrowings	–	–	619,499	619,499
Debt securities in issue	–	–	6,290,340	6,290,340
Senior debt	–	–	4,329,818	4,329,818
Preference shares	–	–	932,773	932,773
Debentures	–	–	1,027,749	1,027,749
Deposits	–	–	43,647,452	43,647,452
Deposits	–	–	43,647,452	43,647,452
	–	–	50,557,291	50,557,291

No significant transfers between level 1, level 2 or level 3 fair value measurements occurred during the year under review.

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2021				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Unit trust and money market investments	–	2,050,729	–	2,050,729
Financial assets at fair value through other comprehensive income	86,040	5,031,556	2,640	5,120,236
Treasury bills	–	3,745,868	–	3,745,868
Government stock	–	468,984	–	468,984
Corporate bonds	–	14,376	–	14,376
Tradable instruments	–	802,328	–	802,328
Exchange traded funds	60,371	–	–	
Investment securities – listed	25,669	–	–	25,669
Investment securities – unlisted	–	–	2,640	2,640
	86,040	7,082,285	2,640	7,170,965
Financial assets for which the fair value is disclosed				
Loans and advances to customers	–	–	41,624,541	41,624,541
Financial assets at amortised cost	–	922,769	–	922,769
Treasury bills	–	808,432	–	808,432
Government stock	–	114,337	–	114,337
Director's valuation of investment in associates	–	1,035,685	–	1,035,685
	–	1,958,454	41,624,541	43,582,995
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments (included in other liabilities)	–	6,511	–	6,511
Financial liabilities for which the fair value is disclosed				
Other borrowings	–	–	688,076	688,076
Debt securities in issue	–	–	6,019,707	6,019,707
Five-year callable bonds	–	–	63,427	63,427
Senior debt	–	–	3,916,016	3,916,016
Preference shares	–	–	1,007,587	1,007,587
Debentures	–	–	1,032,677	1,032,677
Deposits	–	–	40,179,699	40,179,699
Current, Savings, Demand, Term and notice, NCDs, Foreign	–	–	39,682,416	39,682,416
Promissory notes	–	–	497,283	497,283
	–	–	46,887,482	46,887,482

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

Company	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2022				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Unit trust and money market investments	–	120,648	–	120,648
Financial assets at fair value through other comprehensive income				
Tradable instruments	–	949,518	–	949,518
	–	1,070,166	–	1,070,166
Financial assets for which the fair value is disclosed				
Financial assets at amortised cost				
Preference shares	–	–	446,366	446,366
	–	–	446,366	446,366
Financial liabilities for which the fair value is disclosed				
Other borrowings	–	–	313,839	313,839
Debt securities in issue	–	–	2,114,650	2,114,650
Senior debt	–	–	170,905	170,905
Preference shares	–	–	932,773	932,773
Bonds and debentures	–	–	1,010,972	1,010,972
	–	–	2,428,489	2,428,489

Company	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2021				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Unit trust and money market investments	–	79,316	–	79,316
Financial assets at fair value through other comprehensive income				
Tradable instruments	–	802,328	–	802,328
	–	881,644	–	881,644
Financial assets for which the fair value is disclosed				
Financial assets at amortised cost				
Preference shares	–	–	378,828	378,828
	–	–	378,828	378,828
Financial liabilities for which the fair value is disclosed				
Other borrowings	–	–	142,884	142,884
Debt securities in issue	–	–	2,187,750	2,187,750
Senior debt	–	–	170,576	170,576
Preference shares	–	–	1,007,587	1,007,587
Debentures	–	–	1,009,587	1,009,587
	–	–	2,330,634	2,330,634

No significant transfers between level 1, level 2 or level 3 fair value measurements occurred during the year under review.

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

(c) Sensitivity analysis

The sensitivity analysis performed below are for financial instruments for which the fair value is disclosed. Sensitivity analysis performed on financial instruments recognised at fair value are included in note 3.3.4.

	Group	
	2022 N$'000	2021 N$'000
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of loans and advances had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	(1,240,930)	(1,259,174)
100 basis points decrease in discount rate	1,343,028	1,248,709
100 basis points increase in earnings rate	245,082	223,678
100 basis points decrease in earnings rate	(236,278)	(236,485)
1 month increase in term to maturity	(314,759)	(267,191)
1 month decrease in term to maturity	378,958	280,414
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of treasury bills at amortised cost had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	(175)	–
100 basis points decrease in discount rate	177	–
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of government stock at amortised cost had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	(27,394)	(31,685)
100 basis points decrease in discount rate	28,918	33,662
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of other borrowings had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	(7,394)	(10,292)
100 basis points decrease in discount rate	473	8,647
100 basis points increase in coupon rate	(3,762)	(7,776)
100 basis points decrease in coupon rate	3,762	7,776
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of debt securities had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	(83,316)	(97,442)
100 basis points decrease in discount rate	83,294	101,485
100 basis points increase in coupon rate	87,765	106,630
100 basis points decrease in coupon rate	(87,765)	(103,630)
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of promissory notes had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	–	(1,383)
100 basis points decrease in discount rate	–	1,391

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

(d) Details of level 2 and level 3 fair value instruments

	Valuation technique	Types of valuation inputs	Valuation inputs (ranges) 2022	2021
Financial assets measured at fair value				
Financial assets at fair value through profit or loss and at fair value through other comprehensive income				
Treasury bills	Income approach*	Note 1	BW: 4.6 % – 7.5 %	BW: 4.1 % – 5.0 %
Government stock	Income approach*	Note 1	BW & Entrepo: 0.2 % – 11.9 %	BW & Entrepo: 4.0 % – 10.3 %
Unit trust investments	Market approach**	Note 4	BW: 1.2 % – 6.5 %	BW: 3.9 % – 4.1 %
– OTC currency options	Income approach*	Note 1	N/A	N/A
Other debt securities				
– Corporate bonds	Income approach*	Note 1	BW: 7.8 %	BW: 7.1 %
Financial assets for which the fair value is disclosed				
Loans and advances to customers	Income approach*			
– Discount rate		Note 1	BW: 8.5 %	BW: 7.5 %
			BG:5.3 %	BG:5.3 %
			Entrepo: 15.3 %	Entrepo: 15.3 %
– Earnings rate		Note 2	BW:3.5 % – 14.7 %	BW:2.9 % – 14.9 %
			BG: 5.3 % – 32.0 %	BG: 3.3 % – 32.0 %
			Entrepo: 15.3 % – 21.0 %	Entrepo: 15.3 % – 21.0 %
– Term to maturity		Note 3	3 – 360 mth	3 – 360 mth
Financial assets at amortised cost				
Treasury bills	Income approach*	Note 1	BW: 7.5 %	N/A
Government stock	Income approach*	Note 1	BW:3.9 % – 11.9 %	BW:4.5 % – 10.3 %

** Present value of expected future cash flows.*
*** The fair value is determined with reference to the daily published market prices.*
**** Loan denominated in US Dollars.*
Note 1: Observable interest rates and yield curves observable at commonly quoted intervals.
Note 2: Contractual interest rates per transaction observable on the banking system.
Note 3: Contractual maturities per transaction observable on the banking system.
Note 4: Valuations are performed per fund based on the net asset value of the underlying assets.
BW: Bank Windhoek Ltd
BG: Bank Gaborone Ltd
CG: Capricorn Group Ltd

3. **Financial risk management** continued

3.5 **Fair values of financial assets and liabilities** continued

(d) **Details of level 2 and level 3 fair value instruments** continued

	Valuation technique	Types of valuation inputs	Valuation inputs (ranges) 2022	2021
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	Income approach*	Note 1	BW: 5.0 % – 10.6 %	BW: 3.7 % – 10.3 %
Financial liabilities for which the fair value is disclosed				
Other borrowings	Income approach*			
– Discount rate		Note 1	BW: 5.8 % – 10.2 % CG: 3.0 %**	BW: 4.5 % – 8.0 % CG: 3.3 %**
– Earnings rate		Note 1	BW: 7.4 % – 12.5 % CG: 3.0 %**	BW: 4.8 % – 10.1 % CG: 3.3 %**
Debt securities in issue				
Five-year callable bonds	Income approach*	Note 1	N/A	BG: 2.6 %
Senior debt – unsecured	Income approach*	Note 1	BW: 3.7 % – 8.1 % BG: 6.0 %	BW: 3.3 % – 8.1 % BG: 6.0 %
Debentures	Income approach*	Note 1	BG: 6.7 %	N/A
Deposits				
Promissory notes	Income approach*	Note 1	N/A	BW: 4.1 % – 4.7 %

For the relationship of observable inputs to fair value refer to note 3.3.4 for items measured at fair value and note 3.5 c) for items disclosed at fair value.

* *Present value of expected future cash flows.*
** *Loan dominated in US Dollars.*
Note 1: Observable interest rates and yield curves observable at commonly quoted intervals.
Note 2: Contractual interest rates per transaction observable on the banking system.
Note 3: Contractual maturities per transaction observable on the banking system.
Note 4: Valuations are performed per fund based on the net asset value of the underlying assets.
BW: Bank Windhoek Ltd
BG: Bank Gaborone Ltd
CG: Capricorn Group

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.6 Insurance risk

The group assumes insurance risk by issuing insurance contracts, under which the group agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) affecting the policyholder occurs. Insurance risk includes mortality and morbidity risk.

For accounting purposes insurance risk is defined as risk other than financial risk. Contracts issued by the group may include both insurance and financial risk; contracts with significant insurance are classified as insurance contracts, while contracts with no or insignificant insurance risk are classified as investment contracts.

The group effectively manages its insurance risk through the following mechanisms:

- The maintenance and use of sophisticated management information systems, which provide current data on the risks to which the business is exposed and the quantification of such risks.
- Guidelines for concluding insurance contracts and assuming insurance risks. These include underwriting principles and product pricing procedures.
- The mix of assets, which is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored to ensure that there are sufficient interest bearing assets to match the guaranteed portion of liabilities.

All insurance contracts issued by the group are entered into with individuals. These are low-value high-volume contracts thus limiting single-party exposure.

The policyholder liability was calculated with the following assumptions:

- A discount rate of 4.75% (2021: 4.75%).
- A tax assumption of 40% (2021: 40%) of investment income being taxed at a rate of 32% (2021: 32%).
- Expense inflation of 4.5% (2021: 4.5%).
- The incurred-but-not-reported (IBNR) liability was determined using the Bornhuetter-Fergusson method.

3.7 Capital management

The group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are to:

- Comply with the capital requirements set by the regulators of the banking markets where the entities within the group operate;
- Safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain a strong capital base to support the development of its business.

CAPITAL MANAGEMENT FOR THE BANKING GROUP

The Bank of Namibia requires each bank or banking group to maintain the following capital adequacy ratios:

- Tier 1 capital to total assets, as reported in the statutory return, at a minimum of 6%, referred to as the leverage capital ratio;
- Tier 1 capital to risk-weighted assets at a minimum of 7%, referred to as Tier 1 risk-based capital ratio; and
- Total regulatory capital to risk-weighted assets at a minimum of 10%, referred to as total risk-based capital ratio.

The group's regulatory capital is divided into three tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares, if any), non-controlling interest arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital;
- Tier 2 capital: qualifying subordinated loan capital and collective impairment allowances; and
- Tier 3 capital: includes short-term subordinated debt that may be used only to cover a portion of the banking institution's capital charges for market risk.

The Bank of Namibia has adopted a standardised approach to Basel II, with risk-weighted assets being measured at three different levels, operational risk, market risk and credit risk.

During 2012, the Bank of Namibia introduced BID 24 – 'Consolidated supervision', which denotes consolidation rules only for the purposes of computing regulatory minimum capital requirements. These rules do not impact on accounting consolidation of banking groups, which is done in accordance with IFRS. Although regulatory consolidation may track the accounting consolidation, it is not identical because of a different approach that is prescribed or required for treatment of certain types of transactions and/or subsidiaries. According to the statutory framework, the group entities are treated as follows in the Capricorn Group:

3. Financial risk management continued

3.7 Capital management continued

CAPITAL MANAGEMENT FOR THE BANKING GROUP CONTINUED

Subsidiaries	Consolidated supervision approach	Accounting consolidation approach
Bank Windhoek Ltd	Full consolidation	Full consolidation
Namib Bou (Pty) Ltd	Deduction approach	Full consolidation
Capricorn Unit Trust Management Company Ltd	Deduction approach	Full consolidation
Capricorn Asset Management (Pty) Ltd	Deduction approach	Full consolidation
Capricorn Hofmeyer Property (Pty) Ltd	Full consolidation	Full consolidation
Capricorn Investment Holdings (Botswana) Ltd (CIHB)	Full consolidation	Full consolidation
Cavmont Capital Holdings Zambia Plc (CCHZ)	Full consolidation	Full consolidation
Capricorn Capital (Pty) Ltd	Deduction approach	Full consolidation
Mukumbi Investments (Pty) Ltd	Deduction approach	Full consolidation
Entrepo Holdings (Pty) Ltd	Full consolidation	Full consolidation
Entrepo Finance (Pty) Ltd	Full consolidation	Full consolidation
Entrepo Life Ltd	Deduction approach	Full consolidation

Associates	Consolidated supervision approach	Accounting consolidation approach
Sanlam Namibia Holdings (Pty) Ltd	Deduction approach	Equity accounted associates
Santam Namibia Ltd	Deduction approach	Equity accounted associates
Paratus Group Holdings Ltd	Deduction approach	Equity accounted associates

Deduction approach means deductions of 50 percent of the cost of investment in the affiliate is made from Tier 1 capital and 50 percent from Tier 2 capital.

Notes to the consolidated and separate annual financial statements continued

3. Financial risk management continued

3.7 Capital management continued

CAPITAL MANAGEMENT FOR THE BANKING GROUP CONTINUED

The table below summarises the composition of regulatory capital and the ratios of Capricorn Group for the years ended 30 June, at consolidated supervision level. During these two years, the individual entities within the group complied with all externally-imposed capital requirements to which they are subjected.

	Capricorn Group	
	2022 N$'000	2021 N$'000
Tier 1 capital		
Share capital and premium	764,071	758,544
General banking reserves	5,251,257	4,547,003
Retained earnings	1,701,271	1,668,013
Minority interests	263,469	234,561
Subtotal	7,980,068	7,208,121
Deduct: 50% investments in group entities		
Goodwill	(311,483)	(205,152)
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	(380,266)	(375,746)
Net total Tier 1 capital	7,288,319	6,627,223
Tier 2 capital		
Subordinated debt	821,414	782,104
Five-year callable bonds	351,626	312,419
General provisions	469,788	469,685
Subtotal	821,414	782,104
Deduct: 50% investments in group entities		
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	(338,504)	(332,669)
Net total Tier 2 capital	482,910	449,435
Total regulatory capital	7,771,229	7,076,658
Risk-weighted assets:		
Operational risk	4,831,626	4,779,391
Credit risk	43,763,327	41,513,292
Market risk	687,068	744,732
Total risk-weighted assets	49,282,021	47,037,415
The increase in risk-weighted assets during the year is mainly attributable to the increase in credit risk, which relates to the growth in loans and advances and the acquisition of Entrepo during the year under review.		
Capital adequacy ratios:		
Leverage capital ratio	12.7%	12.4%
Tier 1 risk-based capital ratio	14.8%	14.1%
Total risk-based capital ratio	15.8%	15.0%

3. Financial risk management continued

3.7 Capital management continued

CAPITAL MANAGEMENT FOR THE BANKING GROUP CONTINUED

In addition to the above minimum capital requirements, the Bank of Namibia requires the group to perform an internal capital adequacy and assessment process (ICAAP) in terms of Pillar II of Basel II, which has been documented and approved by the board. The process results in:

- The identification of all significant risk exposures to the banking group;
- The quantification of risk appetites for the major risks identified; and
- Control measures to mitigate the major risks.

Based on the ICAAP assessment performed on 30 November 2021, which includes a capital projection for the next five years, it is envisaged that the group will be able to maintain its capital ratios and will not require additional capital.

4. Critical accounting estimates and judgements in applying accounting policies

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Fair value of financial instruments

The fair value of financial instruments requires the use of estimates and judgements. Refer to note 3.5 for methodology and assumptions applied.

(b) Share-based payments

For share-based payment transactions among group entities, in its separate or group financial statements, the entity receiving the services shall measure the services received as either an equity-settled or a cash-settled share-based payment transaction by assessing:

- The nature of the awards granted; and
- Its own rights and obligations.

The amount recognised by the entity receiving the services may differ from the amount recognised by the consolidated group or by another group entity settling the share-based payment transaction.

The entity receiving the services shall measure the services received as an equity-settled share-based payment transaction when:

- The awards granted are its own equity instruments; or
- The entity has no obligation to settle the share-based payment transaction.

In terms of the share scheme arrangements, the awards granted are Capricorn Group shares, thus the share schemes are treated as equity-settled.

IFRS 2 requires an entity to measure the fair value of the employee services received by reference to the fair value of the equity instruments granted. This fair value depends on a number of factors that are determined on an actuarial basis, at grant date, using a number of assumptions. Any changes in these assumptions will impact the expense and share-based compensation reserve created at grant date. For assumptions made in the valuation of share-based payments refer to note 31.

Notes to the consolidated and separate annual financial statements continued

4. Critical accounting estimates and judgements in applying accounting policies continued

(c) Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash generating units ('CGU') has been determined based on value-in-use calculations, being the net present value of the discounted cash flows of the CGU. Refer to note 20.

(d) Measurement of expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2.2.3., which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type pf product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the group in the above areas is set out in note 3.2.2.1.

Refer to notes 2.3.2 and 3.2 for more information on assumptions and judgements applied when determining the impairment of loans and advances.

5. Net interest income

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Interest and similar income				
Amortised cost				
Loans and advances	3,749,836	3,650,569	–	–
Cash and short-term funds	111,821	93,260	102,472	87,028
Financial assets at amortised cost	92,176	99,179	17,191	18,664
Government stock and other investments	90,118	95,495	–	–
Preference shares	2,058	3,684	17,191	18,664
Fair value				
Financial assets at fair value through other comprehensive income	233,457	214,419	–	–
Treasury bills	151,602	164,776	–	–
Government stock and other investments	41,888	49,643	–	–
Derivatives	39,967	–	–	–
Total interest and similar income	4,187,290	4,057,427	119,663	105,692

Included in interest and similar income is interest in suspense of N$102.8 million (2021: 151.7 million).

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Interest and similar expenses				
Amortised cost				
Demand deposits	194,924	196,930	–	–
Term and notice deposits	566,080	598,819	–	–
Negotiable certificates of deposits	425,988	409,819	–	–
Cheque deposits	136,034	123,730	–	–
Debt securities in issue	349,154	307,396	114,652	116,609
Savings deposits	24,004	22,570	–	–
Deposits from banks and financial institutions	6,608	12,884	–	–
Other borrowings	51,099	62,083	5,809	5,219
Promissory notes	5,427	31,123	–	–
Other	21,087	20,915	–	–
Leases	9,979	15,855	–	–
Fair value				
Derivatives	59,790	–		
Total interest and similar expenses	1,850,174	1,802,124	120,461	121,828
Net interest income	2,337,116	2,255,303	(798)	(16,136)

Notes to the consolidated and separate annual financial statements continued

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000

6. Credit impairment losses

Increase in specific impairment	188,430	202,685	–	–
Increase in specific impairment	94,907	69,490	–	–
Increase in interest in suspense impairment	93,523	133,195	–	–
Amounts written off as uncollectable	110,470	171,817	–	–
Initial specific impairment	104,285	159,895	–	–
Written off as uncollectable	6,185	11,922		
Increase in portfolio impairment	80,012	85,274	30	101,349
Amounts recovered during the year	(11,609)	(16,028)	–	–
	367,303	443,748	30	101,349

Impairment charges reflect the movement in provisions as per the IFRS 9 models.

Subsequent recoveries of amounts previously written off are credited to the credit impairment losses line item. Financial assets are only written off if there is no reasonable expectation at that time to recover the debt, however recoveries are recorded when money is received back from receivable when circumstances change as the written off amount was debited in full on the statement of comprehensive income.

	Group	
	2022 N$'000	2021 N$'000

7. Non-interest income

7.1 Fee and commission income

Transaction and related fees	1,088,354	1,002,159
Income from deposits	579,655	566,546
Transaction based fee income	432,106	363,977
Income from loans and advances	76,593	71,636
Commissions	38,398	37,511
Trust and fiduciary fees	12,983	10,095
	1,139,735	1,049,765

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000

7.2 Net trading income

Net foreign exchange gains	114,551	23,437	–	–
Net gains/(losses) from financial instruments at fair value	96,079	75,733	(534)	8,462
	210,630	99,170	(534)	8,462

Net foreign exchange gains and losses from trading assets includes gains and losses from spot and forward exchange contracts and translation of foreign currency assets and liabilities.

Net gain from financial instruments at fair value includes the gains and losses from treasury bills, government stock and derivative financial instruments.

7. Non-interest income continued

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
7.3 Other operating income				
Commission and insurance related income	3,830	7,159	3,830	7,159
Dividend received	20,564	24,365	507,742	349,477
Interest received	–	–	–	6,281
Net foreign exchange gains and losses	–	–	590	(36,242)
(Loss)/Profit on sale of associate	–	(2,130)	–	7,729
Profit on partial sale of subsidiary	–	4,840	–	4,840
Support services rendered	261	463	45,062	43,721
Other	16,437	5,746	2,483	1,116
	41,092	40,443	559,707	384,081
7.4 Net insurance premium income				
Gross written premiums	156,968	192,326	–	–
Change in unearned premium provision	4,309	(29,020)	–	–
	161,277	163,306	–	–
7.5 Net insurance claims and benefits paid				
Gross insurance contract claims	(48,469)	(33,033)	–	–
Transfer to provision for IBNR claims	95	(2,451)	–	–
	(48,374)	(35,484)	–	–
7.6 Asset management and administration fees				
Asset management and administration fees	164,606	158,711	–	–
	164,606	158,711	–	–
Total non-interest income	1,668,966	1,475,911	559,173	392,543
7.7 Types of revenue from contracts with customers				
Fee and commission income	1,139,735	1,049,765	–	–
Other operating income	4,091	7,622	48,892	50,880
Asset management and administration fees	164,606	158,711	–	–
Income other than from contracts with customers	360,534	259,813	510,281	341,663
Total revenue	1,668,966	1,475,911	559,173	392,543

Notes to the consolidated and separate annual financial statements continued

7. Non-interest income continued

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
7.8 Disaggregation of revenue from contracts with customers				
(a) Over time				
Transaction and related fees	76,593	71,636	–	–
Lending activities	76,593	71,636	–	–
Commission and insurance related income	3,830	7,159	3,830	7,159
Support services rendered	261	463	45,062	43,721
Asset management and administration fees	164,606	158,711	–	–
	245,290	237,969	48,892	50,880
(b) At a specific point in time				
Transaction and related fees	1,011,761	930,523	–	–
Cards and electronic channels	579,655	566,546	–	–
Transaction based fee income	432,106	363,977	–	–
Commissions	38,398	37,511	–	–
Trust and fiduciary fees	12,983	10,095	–	–
	1,063,142	978,129	–	–
(c) Income other than from contracts with customers	360,534	259,813	510,281	341,663
Total non-interest income	1,668,966	1,475,911	559,173	392,543

Refer to note 42 for the cost to income ratio calculation.

8. Staff costs

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Salaries and bonuses	1,110,747	1,034,537	76,520	70,332
Share-based payment expense	16,916	13,938	3,944	6,921
Staff training costs	18,527	14,469	805	510
Pension costs – defined contribution plan	61,716	60,217	1,684	1,689
Severance pay provision (note 28)	3,042	1,197	312	119
	1,210,948	1,124,358	83,265	79,571

9. Operating expenses

Expenses by nature

9.1 Normal operating expenses

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Advertising and marketing	37,738	32,095	4,715	5,581
Amortisation of intangible assets (note 20)	45,674	47,831	–	–
Asset management fees	2,136	2,318	–	–
Auditor's remuneration				
– Audit fees	10,245	10,158	915	915
– Fees for other services	1,341	1,390	296	381
Non-executive directors' emoluments	10,017	9,523	6,038	5,643
Depreciation of property and equipment (note 21)	145,933	157,583	–	–
Finance costs	6,983	8,746	–	–
Impairment on investments	–	–	–	3,221
Insurance costs	22,802	18,952	115	118
Impairment loss on intangible assets	–	1,416	–	–
Loss on disposal of property and equipment	2,586	3,676	–	–
Motor vehicle costs	3,168	2,132	–	–
Office expenses	10,793	10,777	570	629
Professional services	59,784	50,734	18,367	13,240
Repairs and maintenance	18,433	18,148	–	–
Security expenses	19,521	19,133	–	–
Staff costs (note 8)	1,210,948	1,124,358	83,265	79,571
Stamp duty	22,270	21,071	27	1
Stationery and printing	25,650	21,850	42	32
Subscription fees	15,388	15,637	236	242
Technology costs	147,347	155,520	–	–
Telephone, postage and courier costs	18,091	17,179	11	9
Travelling	9,186	3,901	1,251	400
Water and electricity	23,284	23,722	–	–
Other expenses	86,218	77,195	17,002	17,868
Costs related to sale of subsidiary	–	–	–	19,287
Total normal operating expenses	1,955,536	1,855,045	132,850	147,138

9.2 Fee and commission expenses

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Association transaction fees	135,780	116,291	–	–
Cash handling fees	27,954	13,642	–	–
Commission	11,853	11,957	–	–
	175,587	141,890	–	–
Total operating expenses	2,131,123	1,996,935	132,850	147,138

Research and development costs of N$518,288 (2021: N$683,712) are included in operating expenses above.

Refer to note 42 for the cost to income ratio calculation.

Notes to the consolidated and separate annual financial statements
continued

10. Share of associates' results after tax

	Group 2022 N$'000	Group 2021 N$'000
The following represents Capricorn Group's share of the associates' after tax results:		
Profit before taxation	89,906	124,750
Taxation	(22,209)	(21,137)
	67,697	103,613

11. Income tax expense

11.1 Normal tax

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Current tax	432,576	428,448	–	–
Deferred tax	(3,104)	(58,605)	466	(375)
Total normal tax	429,472	369,843	466	(375)
Normal tax on other comprehensive income				
Current tax through other comprehensive income	(8,535)	(12,382)	–	–
– changes in fair value of debt instruments	(8,510)	(12,273)		
– changes in fair value of equity instruments	(25)	(109)		
Total income tax expense	420,937	357,461	466	(375)

11.2 Tax rate reconciliation

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate as follows:				
Profit from continuing operations before tax and share of associates' results after tax	1,507,656	1,290,531	425,495	127,920
Other comprehensive income	(26,673)	(38,694)	–	–
Tax at the applicable tax rate of 32% (2021: 32%)	473,915	400,588	136,158	40,934
Dividends received	(28,396)	(62,414)	(164,179)	(113,176)
Fair value adjustment on interest free staff loans and investments	501	(782)	–	–
Other non-taxable income	(59,864)	(77,089)	(2,622)	(1,846)
Non-deductible expenses	44,973	101,426	31,109	73,713
Derecognise previously recognised deferred tax asset	–	1,026	–	–
Unrecognised deferred tax asset	552	–	–	–
Difference in tax rates	(10,988)	(5,328)	–	–
Other	244	34	–	–
Income tax expense	420,937	357,461	466	(375)
Effective tax rate	28.4%	28.6%	0.1%	(0.3%)

12. Earnings and headline earnings per share

Basic earnings per share is calculated by dividing the group's profit attributable to the equity holders of the parent entity for the year, by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Headline earnings per share is calculated by dividing the group's profit for the year attributable to the equity holders of the parent entity after excluding identifiable remeasurements, net of tax, by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

	2022		
Group	**Gross N$'000**	**Taxation N$'000**	**Net N$'000**
Earnings			
Profit from continuing operations for the year attributable to the equity holders of the parent entity			1,045,983
Headline adjustments	2,440	–	2,440
Loss on disposal of assets	2,440	–	2,440
Headline earnings			1,048,423

	2021		
	Gross N$'000	**Taxation N$'000**	**Net N$'000**
Earnings			
Profit from continuing operations for the year attributable to the equity holders of the parent entity			913,435
Headline adjustments	13,918	–	13,919
Loss on disposal of assets	3,694	–	3,694
Impairment loss on intangible assets	1,416	–	1,416
Fair value loss on disposal of shares in associate	8,809	–	8,809
Headline earnings from continuing operations			927,354
Loss from discontinued operation for the year attributable to the equity holders of the parent entity			(41,109)
Headline earnings			(41,109)

Headline earnings per share is based on the JSE guidance.

Notes to the consolidated and separate annual financial statements continued

12. Earnings and headline earnings per share continued

	Group 2022 N$'000	Group 2021 N$'000
Number of ordinary shares in issue at year-end ('000) (note 29)	510,505	511,108
Weighted average number of ordinary shares in issue during the year ('000)	510,505	511,108
Adjusted for effect of future share-based payment transactions ('000)	1,864	1,594
Diluted weighted average number of ordinary shares in issue during the year ('000)	512,369	512,702
Earnings per ordinary share (cents) from continuing operations		
Basic	204.9	178.7
Fully diluted	204.1	178.2
Headline earnings per ordinary share (cents) from continuing operations		
Basic	205.4	181.4
Fully diluted	204.6	180.9
Loss per ordinary share (cents) from discontinued operation		
Basic	–	(8.0)
Fully diluted	–	(8.0)
Headline loss per ordinary share (cents) from discontinued operation		
Basic	–	(8.0)
Fully diluted	–	(8.0)
Earnings per ordinary share (cents)		
Basic	204.9	170.7
Fully diluted	204.1	170.1
Headline earnings per ordinary share (cents)		
Basic	205.4	173.4
Fully diluted	204.6	172.9

13. Cash and cash equivalents

	Group 2022 N$'000	Group 2021 N$'000 (Restated)	Company 2022 N$'000	Company 2021 N$'000
Cash balances	403,890	694,699	–	–
Due from other banks	3,546,230	3,568,665	411,250	665,789
Repurchased agreements	668,202	199,398	–	–
Balances with the central bank other than mandatory reserve deposits	1,477,674	252,772	–	–
Mandatory reserve deposits with the respective central banks	384,400	371,918	–	–
	6,480,396	5,087,452	411,250	665,789

Mandatory reserve deposits held at the central bank is subject to restrictions and limitations, but is available for use by the group. Balances with the central bank other than mandatory deposits are interest sensitive. Cash balances as well as mandatory reserve deposits with the central bank are non-interest-bearing. Cash balances for the company reflects bank balances with Bank Windhoek Ltd.

14. Financial assets

	Group 2022 N$'000	Group 2021 N$'000 (Restated)	Company 2022 N$'000	Company 2021 N$'000
Financial assets at fair value through profit or loss				
Unit trust and money market investments	2,183,179	2,050,729	120,648	79,316
Current	2,183,179	2,050,729	120,648	79,316
	2,183,179	2,050,729	120,648	79,316
Financial assets at amortised cost				
Treasury bills	18,645	–	–	–
Government stock	749,090	741,446	–	–
Preference shares	261,454	207,843	555,450	471,834
	1,029,189	949,289	555,450	471,834
Less expected credit loss allowance	(113,328)	(99,232)	(109,084)	(93,506)
Net financial assets at amortised cost	915,861	850,057	446,366	378,328
Current	18,645	39,631	–	–
Non-current	897,216	810,426	446,366	378,328
	915,861	850,057	446,366	378,328
Movement in impairment on financial assets at amortised cost is as follows for the group:				
Opening balance	99,232	10,839	93,506	167,416
Impairment derecognised	–	–	–	(167,416)
Impairment charge for the year	(1,482)	(5,113)	–	99,705
Impairment charge reclassified to discontinued operation	–	99,705	–	–
Exchange movements	15,578	(6,199)	15,578	(6,199)
Closing balance	113,328	99,232	109,084	93,506

Financial assets at fair value through profit or loss are presented within 'operating activities' in the statement of cash flows. Changes in fair values of financial assets at fair value through profit or loss are recorded in 'net gain/(loss) from financial instruments at fair value through profit or loss' in the statement of comprehensive income (note 7.2.).

Notes to the consolidated and separate annual financial statements
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15. Financial assets at fair value through other comprehensive income

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Debt instruments				
Treasury bills	3,830,964	3,745,868	–	–
Government stock	543,053	468,984	–	–
Tradable instruments[3]	949,518	802,328	949,518	802,328
Corporate bonds	3,914	14,376	–	–
Exchange traded funds[2]	62,346	60,371	–	–
Equity instruments				
Investment securities – listed[1]	1,869	25,669	–	–
Investment securities – unlisted	5,962	2,640	–	–
	5,397,626	5,120,236	949,518	802,328
Current	4,875,239	4,666,148	949,518	802,328
Non-current	522,387	454,088	–	–
	5,397,626	5,120,236	949,518	802,328

Refer to note 3.5 for fair value methodology used. All debt instruments are unlisted.

The following represents the amortised cost of instruments where this differs from the fair value:

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Treasury bills	3,834,726	3,747,043	–	–
Government stock	557,125	453,738	–	–
Corporate bonds	4,009	–	–	–

Amounts recognised in other comprehensive income

During the year under review, the following gains/(losses) were recognised in other comprehensive income:

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Changes in the fair value of debt instruments at fair value through other comprehensive income	(26,594)	(38,353)	–	–
Changes in the fair value of equity instruments at fair value through other comprehensive income	(79)	(341)	–	–
	(26,673)	(38,694)	–	–

[1] *Listed ordinary shares are held as follows: 13,035 shares in Dundee Precious Metals Inc, and 28,308 shares in China Africa Resources Plc. The election was made to recognise the equity instruments at fair value through other comprehensive income. No dividends were received during the year under review (2021: Nil).*

[2] *During the period under review, the group held 3,726,625 units of exchange traded funds, with no further additions or disposals.*

[3] *Tradable instruments held in a portfolio of investments include government bonds, corporate bonds, swaps and money market instruments.*

Treasury bills and government stocks are securities issued by the Namibian treasury department for a term of three months, six months, nine months, a year or longer. Treasury bills and government stock with a maturity of less than 90 days from the reporting date, are included in cash and cash equivalents.

Treasury bills with a nominal value of N$850 million (2021: N$500 million) are available at the Bank of Namibia for collateral should the need arise. At year-end, there were no treasury bills utilised for security purposes (2021: Nil) at the Bank of Namibia. At 30 June 2022, treasury bills of N$695 million have been collateralised under a sale-and-buyback agreement (2021: N$200 million).

Refer to note 3.5 for fair value methodology used.

16. Loans and advances to customers

	Group 2022 N$'000	Group 2021 N$'000
Overdrafts	6,185,939	6,197,794
Term loans	14,484,243	13,522,974
Mortgages	20,018,492	18,856,923
– Residential mortgages	12,549,226	11,825,893
– Commercial mortgages	7,469,266	7,031,030
Instalment finance	3,927,985	3,324,257
Preference shares	230,449	362,135
Gross loans and advances	44,847,108	42,264,083
Effective interest rate impact per IFRS 9	(178,652)	(144,247)
Gross loans and advances after effective interest impact	44,668,456	42,119,836
Less impairment		
Stage 1 impairment	(170,092)	(174,191)
– Included in the stage 1 impairment Off-balance sheet exposure impairment	(2,459)	(979)
Stage 2 impairment	(300,062)	(212,419)
Stage 3 impairment	(972,006)	(903,539)
	43,226,296	40,829,687

N$75.0 million (2021: N$75.0 million) of loans and advances have been ceded to Caliber Capital Trust as security for a loan (Note 23).

Movement in impairment on loans and advances to customers is as follows for the group:

	Overdrafts N$000	Preference shares and guarantees N$000	Term loans N$000	Mortgages N$000	Instalment finance N$000	Total N$000
30 June 2022						
Balance at the beginning of the year	370,412	1,467	389,381	447,373	81,516	1,290,149
Stage 1	34,951	1,467	80,898	35,042	21,833	174,191
Stage 2	80,582	–	49,119	70,910	11,808	212,419
Stage 3	254,879	–	259,364	341,421	47,875	903,539
Loan impairments	83,028	1,630	178,835	3,638	(5,899)	261,232
Foreign exchange differences	181	–	669	230	169	1,249
Amounts written off during the year as uncollectible	(27,840)	–	(48,593)	(27,149)	(6,888)	(110,470)
Balance at the end of the year	425,781	3,097	520,292	424,092	68,898	1,442,160
Stage 1	38,557	3,097	84,570	22,812	21,056	170,092
Stage 2	69,822	–	162,563	56,914	10,763	300,062
Stage 3	317,402	–	273,159	344,366	37,079	972,006

Notes to the consolidated and separate annual financial statements continued

16. Loans and advances to customers continued

	Overdrafts N$000	Preference shares and guarantees N$000	Term loans N$000	Mortgages N$000	Instalment finance N$000	Total N$000
30 June 2021						
Balance at the beginning of the year	295,678	1,765	373,309	278,406	94,141	1,043,299
Stage 1	43,135	1,765	88,484	15,367	34,478	183,229
Stage 2	39,357	–	26,554	22,152	12,187	100,250
Stage 3	213,186	–	258,271	240,887	47,476	759,820
Loan impairments	101,085	(298)	171,040	187,095	5,967	464,889
Foreign exchange differences	(3,104)	–	(36,308)	(3,047)	(3,763)	(46,222)
Amounts written off during the year as uncollectible	(23,247)	–	(118,660)	(15,081)	(14,829)	(171,817)
Balance at the end of the year	370,412	1,467	389,381	447,373	81,516	1,290,149
Stage 1	34,951	1,467	80,898	35,042	21,833	174,191
Stage 2	80,582	–	49,119	70,910	11,808	212,419
Stage 3	254,879	–	259,364	341,421	47,875	903,539

	Group	
	2022 N$'000	2021 N$'000
Value of non-performing loans		
Non-performing loans	2,129,907	2,221,113
Interest recognised on these loans (interest in suspense)	308,133	239,207
Non-performing loans inclusive of interest	2,438,040	2,460,320

	Group			
	2022 N$'000	%	2021 N$'000	%
Total impairment by geographical area				
Namibia	1,266,258	87.8	1,076,119	83.4
Botswana	159,431	11.1	198,022	15.3
Zambia	16,471	1.1	16,008	1.2
	1,442,160	100.0	1,290,149	100.0
Maturity analysis of loans and advances to customers for the group were as follows:				
Repayable within 1 month	5,982,181	13.3	6,547,645	15.5
Repayable after 1 month but within 3 months	420,611	0.9	134,216	0.3
Repayable after 3 months but within 6 months	207,421	0.5	211,886	0.5
Repayable after 6 months but within 12 months	654,212	1.5	328,057	0.8
Repayable after 1 year but within 5 years	13,480,754	30.1	13,239,391	31.3
Repayable after 5 years	24,101,929	53.7	21,802,888	51.6
	44,847,108	100.0	42,264,083	100.0

	Group	
	2022 N$'000	2021 N$'000
The loans and advances to customers include instalment finance receivables which are analysed as follows:		
Repayable within 1 year	58,447	81,479
Repayable after 1 year but within 5 years	3,771,668	3,139,961
Repayable after 5 years	288,620	205,438
Gross investment in instalment finances	4,118,735	3,426,878
Unearned future finance income on instalment finances	(190,750)	(102,621)
Net investment in instalment finances	3,927,985	3,324,257

16. Loans and advances to customers continued

Under the terms of lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment.

The group has a share purchase scheme in which it has a mechanism to allow employees to purchase shares in Capricorn Group at a value that approximates fair value at the date of sale of shares. The shares are sold via an interest free loan provided by Bank Windhoek Ltd. Such loans are full recourse loans and if not repaid, Bank Windhoek Ltd may legally take possession of the employee's personal assets. Therefore, the share purchase scheme does not fall within the scope of IFRS 2 'Share-based payment'. The benefit employees receive relating to the interest free element of the loan is taken directly to the employee loan accounts.

Included in term loans is an amount of N$23.4 million (2021: N$33.0 million) relating to the above-mentioned scheme.

The movements on these staff loans were as follows:

	Group	
	2022 N$'000	2021 N$'000
Opening balance	32,992	34,608
New loans advanced during the year	5,593	4,941
Loans repaid during the year	(11,292)	(3,760)
Staff costs (adjustment to fair value)	(6,620)	(6,878)
Effective interest charged	2,751	4,081
Closing balance	23,424	32,992

17. Other assets

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Financial other assets	221,568	284,849	253,042	96,808
Insurance fund asset*	57,991	55,990	–	–
Accounts receivable	80,673	81,798	8	198
Receivables from related parties**	–	–	253,034	96,610
Clearing and settlement accounts	82,904	147,061	–	–
Non-financial other assets	248,523	134,293	812	1,307
Prepayments	55,853	25,449	812	1,307
Other taxes	801	728	–	–
Inventory***	191,869	108,116	–	–
	470,091	419,142	253,854	98,115
Less expected credit loss allowance	–	–	(31,799)	(25,986)
Net other assets	470,091	419,142	222,055	72,129
Current	412,100	362,452	222,055	72,129
Non-current	57,991	56,690	–	–
	470,091	419,142	222,055	72,129
Movement in impairment on other assets				
Opening balance	–	–	25,986	32,065
Impairment charge for the year	–	–	30	1,644
Foreign exchange gain	–	–	5,783	(7,723)
Closing balance	–	–	31,799	25,986

* **Insurance fund asset pertains to a fund held in Santam for self insurance against risks not covered by insurance policies, more specifically for the excess on insurance. A cash balance is held and interest is earned and capitalised on the balance. The fund is not subject to any IFRS 4 reserving disclosure.*

** *Receivables from related parties include loans to Capricorn Capital (Pty) Ltd, Capricorn Hofmeyer Property (Pty) Ltd and the Share Trust. These loans are unsecured, have no fixed repayment terms and are interest-free. Also included in the receivables balance is a loan to Peo Finance (Pty) Ltd receivable within three months. The loan to Capricorn Capital has been subordinated by Capricorn Group to the value of N$32.1 million.*

*** *Inventory comprises of work-in-progress and property in possession.*

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17. Other assets continued

The notional principal amount of the outstanding interest rate swap contracts, included above and in other liabilities (note 26), at 30 June 2022 was N$537.7 million (2021: N$123.5 million).

Refer to note 3.1 for disclosure relating to financial and non-financial assets included for other assets.

Refer to note 3.2.6 for credit quality disclosure of financial instruments included in other assets.

18. Investment in subsidiaries

(a) Investment in subsidiaries

The following information relates to the company's financial interests in its unlisted subsidiaries:

				Effective holding	
	Principal place of business	Number of shares held '000	Issued ordinary share capital and premium N$000	2022 %	2021 %
Subsidiaries of Capricorn Group					
Bank Windhoek Ltd	Namibia	4,920	485,000	100	100
Namib Bou (Pty) Ltd	Namibia	600	23,000	100	100
Capricorn Asset Management (Pty) Ltd	Namibia	53	1,001	95.7	95.7
Capricorn Unit Trust Management Company Ltd	Namibia	1,913	2,000	95.7	95.7
Capricorn Capital (Pty) Ltd	Namibia	4	100	100	100
Capricorn Investment Holdings (Botswana) Ltd	Botswana	52,873	318,858	84.8	84.8
Mukumbi Investments Ltd	Zambia	5	33	100	100
Entrepo Holdings (Pty) Ltd	Namibia	15	130,000	55.5	55.5
Capricorn Mobile (Pty) Ltd	Namibia	0.1	5,000	100	100
Capricorn Investment Group (Pty) Ltd	South Africa	0.1	0.1	100	100
Capricorn Hofmeyer Property (Pty) Ltd	Namibia	0.1	0.1	100	100
Subsidiaries of Bank Windhoek Ltd					
Bank Windhoek Nominees (Pty) Ltd	Namibia	0.1	0.1	100	100
BW Finance (Pty) Ltd	Namibia	0.1	0.1	100	100
Bank Windhoek Properties (Pty) Ltd	Namibia	1	1	100	100
Subsidiaries of Capricorn Investment Holdings (Botswana) Ltd					
Bank Gaborone Ltd (BG)	Botswana	220,000	297,309	100	100
CIH Insurance Brokers (Pty) Ltd	Botswana	1	8,124	100	100
Capricorn Asset Management (Botswana) (Pty) Ltd	Botswana	1	2,579	100	100
Peo Finance (Pty) Ltd	Botswana	30	30	100	100
Subsidiaries of Entrepo Holdings (Pty) Ltd					
Entrepo Life Ltd	Namibia	4	4,200	100	100
Entrepo Finance (Pty) Ltd	Namibia	4	4	100	100

18. Investment in subsidiaries continued

	Aggregate income of subsidiaries (after tax)		Total investment	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Financial details of subsidiaries				
Subsidiaries of Capricorn Group				
Bank Windhoek Ltd (consolidated)	813,198	669,544	520,440	520,440
Namib Bou (Pty) Ltd	(1,197)	1	23,000	23,000
Capricorn Asset Management (Pty) Ltd	44,338	40,075	122,391	122,391
Capricorn Unit Trust Management Company Ltd	23,285	25,309	61,940	61,940
Capricorn Capital (Pty) Ltd	1,477	(869)	163	163
Capricorn Investment Holdings (Botswana) Ltd	74,046	69,733	438,776	438,776
Cavmont Capital Holdings Zambia Plc	–	–	–	–
Mukumbi Investments Ltd	–	(26)	–	–
Entrepo Holdings (Pty) Ltd	199,196	226,152	238,680	238,680
Capricorn Mobile (Pty) Ltd	–	(2,038)	0.1	0.1
Capricorn Investment Group (Pty) Ltd	(7)	(935)	0.1	0.1
Capricorn Hofmeyer Property (Pty) Ltd	387	(42)	11,508	11,508
	1,154,723	1,026,904	1,416,898	1,416,898
Non-current			1,416,898	1,416,898

The at-acquisition exchange rates of BWP1.289 and ZMW1.386 have been applied to the conversion of the investment. Average exchange rates for the year of BWP0.760 (2021: BWP0.721) and ZMW1.266 (2021: ZMW0.791) have been applied on the conversion of the aggregate income.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held by the parent company do not differ from the proportion of ordinary shares held. Refer to note 14 for the parent company's shareholding in the preference shares of subsidiary undertakings included in the group.

(b) Non-controlling interests

Set out below is summarised financial information for Entrepo Holdings (Pty) Ltd that has non-controlling interests that are material to the group. The amounts disclosed are before inter-company eliminations.

	2022 N$'000	2021 N$'000
Summarised statement of financial position		
Current assets	121,854	148,447
Current liabilities	126,875	180,907
Current net liabilities	(5,021)	(32,460)
Non-current assets	1,421,896	1,423,192
Non-current liabilities	556,708	536,262
Non-current net assets	865,188	886,930
Net assets	860,167	854,470
Accumulated NCI	382,774	380,239
Summarised statement of comprehensive income		
Total income	300,196	334,647
Profit for the period	199,196	226,152
Other comprehensive income	–	–
Total comprehensive income	199,196	226,152
Profit allocated to NCI	88,642	100,638
Dividends paid to NCI	86,108	32,040
Summarised cash flows		
Cash flows from operating activities	216,442	46,864
Cash flows from investing activities	13,994	95,688
Cash flows from financing activities	(193,650)	(246,850)
Net increase/(decrease) in cash and cash equivalents	36,786	(104,298)

Refer to note 37 for related party transactions and balances with subsidiaries.

Notes to the consolidated and separate annual financial statements
continued

19. Investment in associates

Set out below are the associates of the group as at 30 June 2022. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the group.

			Effective holding		Shares at cost	
	Number of shares held '000	Issued ordinary share capital and premium N$000	2022 %	2021 %	2022 N$000	2021 N$000
Associates of Capricorn Group						
Santam Namibia Ltd	1,230	8,307	28.0	28.0	62,905	62,905
Sanlam Namibia Holdings (Pty) Ltd	30	160,665	29.5	29.5	47,290	47,290
Paratus Group Holdings Ltd	48	2,757	30.0	30.0	232,263	232,263
					342,458	342,458

19.1 Santam Namibia Ltd

The company holds a 28% interest in Santam Namibia Ltd, a short-term insurance company. Santam's principal place of business is in Namibia.

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Carrying value of investment in associate				
Investment at cost	62,905	62,905	62,905	62,905
Share of current year's retained income	21,991	26,743		
– Profit before tax	30,731	34,802		
– Current and deferred tax	(8,740)	(8,059)		
Dividends paid	(37,740)	(25,159)		
Post-acquisition retained income at the beginning of the year	74,625	73,041		
	121,781	137,530	62,905	62,905
Directors' valuation	123,495	159,792	123,495	159,792

19. Investment in associates continued

Technique used for directors' valuation:
Santam Namibia Ltd is not listed on a stock exchange and therefore has no quoted market price available for its shares. The directors' valuation was determined by using its price to book value basis of valuation.

	Group	
	2022 N$'000	2021 N$'000
Summarised financial information (unaudited)		
Revenue (net earned premium)	686,514	646,472
Profit after tax	68,924	86,911
Total comprehensive income	68,924	86,911
Non-current assets	516,685	588,347
Current assets	534,672	516,648
Non-current liabilities	(9,348)	(7,834)
Technical liabilities	(351,029)	(391,526)
Current liabilities	(338,905)	(297,222)
Net asset value	352,075	408,413
Interest in associate (28%)	98,421	114,170
Goodwill on acquisition	23,360	23,360
Carrying value of investment in associate	121,781	137,530

19.2 Sanlam Namibia Holdings (Pty) Ltd

The company holds an effective 29.5% in Sanlam Namibia Holdings (Pty) Ltd, a Namibian company providing a variety of financial services. Sanlam Namibia's principal place of business is in Namibia.

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Carrying value of investment in associate				
Investment at cost	47,290	47,290	47,290	47,290
Share of current year's retained income	21,714	41,293		
– Profit before tax	24,452	47,515		
– Current and deferred tax	(2,738)	(6,222)		
Dividends paid	–	(38,090)		
Post-acquisition retained income at the beginning of the year	76,715	73,512		
	145,719	124,005	47,290	47,290
Directors' valuation	534,198	573,486	534,198	573,486

Notes to the consolidated and separate annual financial statements continued

19. Investment in associates continued

19.2 Sanlam Namibia Holdings (Pty) Ltd continued

Technique used for directors' valuation:
Sanlam Namibia Holdings (Pty) Ltd is a private company and there is no quoted market price available for its shares. The directors' valuation was determined by using the price to embedded value basis of valuation.

	Group	
	2022 N$'000	2021 N$'000
Summarised financial information (unaudited)		
Revenue (net insurance income)	694,041	755,472
Profit after tax	75,071	140,484
Total comprehensive income	75,071	140,484
Non-current assets	6,117,947	6,279,276
Current assets	911,619	594,779
Non-current liabilities	(5,846,419)	(5,886,695)
Current liabilities	(751,662)	(629,590)
Net asset value	431,485	357,770
Interest in associate (29.5%)	127,113	105,399
Goodwill on acquisition	18,606	18,606
Carrying value of investment in associate	145,719	124,005

The associates above have December financial year-ends and are incorporated in Namibia. The country of incorporation/registration is also their principal place of business. The results of associates are equity accounted. Management accounts as at 30 June 2022 have been used for equity accounting the share of results of associates for their half year ended 30 June 2022.

19.3 Paratus Namibia Holdings Ltd

The company sold its 17.7% interest in Paratus Namibia Holdings Ltd during the 2021 financial year.

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Carrying value of investment in associate				
Investment at cost	–	88,737		
Share of current year's retained income	–	5,171		
– Profit before tax	–	7,159		
– Current and deferred tax	–	(1,988)		
Dividends paid	–	(1,723)		
Post-acquisition retained income at the beginning of the year	–	517		
Disposal of associate	–	(92,702)		

19. Investment in associates continued

19.4 Paratus Group Holdings Ltd

On 1 July 2019, the company concluded on a 30% acquisition in Paratus Group Holdings Ltd (Paratus). Paratus and its subsidiaries and associates provide services in 24 African countries, the most significant of which are Angola, Zambia, Botswana and Namibia.

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Carrying value of investment in associate				
Investment at cost	232,263	232,263	232,263	232,263
Share of current year's retained income	23,992	30,406		
– Profit before tax	34,723	35,274		
– Current and deferred tax	(10,731)	(4,868)		
Post-acquisition retained income at the beginning of the year	31,140	734		
	287,395	263,403	232,263	232,263
Valuation	367,291	302,407	367,291	302,407

Technique used for directors' valuation:
The directors' valuation was determined by using its price to book value basis of valuation.

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Summarised financial information (unaudited)				
Revenue	989,017	725,277		
Profit after tax	132,124	110,454		
Total comprehensive income	154,722	159,876		
Non-current assets	925,825	785,110		
Current assets	548,043	530,373		
Non-current liabilities	(39,071)	(33,133)		
Current liabilities	(274,359)	(232,656)		
Non-controlling interest	(202,455)	(171,685)		
Net asset value	957,983	878,009		
Interest in associate (30.0%)	287,395	263,403		
Carrying value of investment in associate	287,395	263,403		
Total investment in associates (non-current)	554,895	524,938	342,458	342,458

Refer to note 37 for related party transactions and balances with associates.

Notes to the consolidated and separate annual financial statements continued

20. Intangible assets

Group	Goodwill[1] N$'000	Purchased software N$'000	Intangible assets in development N$'000	Internally generated software N$'000	Total N$'000
30 June 2022					
Cost					
Cost at 1 July 2021	71,068	44,269	71,741	355,400	542,478
Transfers	–	–	(24,094)	14,480	(9,614)
Additions	–	5,273	133,767	–	139,040
Exchange differences	–	779	60	–	839
Cost at 30 June 2022	71,068	50,321	181,474	369,880	672,743
Amortisation					
Amortisation at 1 July 2021	–	(43,249)	288	(196,523)	(239,484)
Charge for the year	–	(3,512)	–	(42,162)	(45,674)
Transfer	–	–	(288)	288	–
Exchange differences	–	(472)	(16)	–	(489)
Amortisation at 30 June 2022	–	(47,233)	(16)	(238,397)	(285,647)
Impairment loss					
Impairment loss at 1 July	–	–	–	(18,205)	(18,205)
Impairment loss at 30 June	–	–	–	(18,205)	(18,205)
Net book value at 30 June 2022	71,068	3,088	181,458	113,278	368,891
30 June 2021					
Cost					
Cost at 1 July 2020	71,068	54,171	31,851	344,924	502,014
Transfers	–	–	(10,476)	10,476	–
Additions	–	12,712	51,458	–	64,170
Exchange differences	–	(22,614)	(1,092)	–	(23,706)
Cost at 30 June 2021	71,068	44,269	71,741	355,400	542,478
Amortisation					
Amortisation at 1 July 2020	–	(39,837)	–	(156,521)	(196,358)
Charge for the year	–	(7,829)	–	(40,002)	(47,831)
Exchange differences	–	4,417	288	–	4,705
Amortisation at 30 June 2021	–	(43,249)	288	(196,523)	(239,484)
Impairment loss					
Impairment loss at 1 July	–	–	–	(18,205)	(18,205)
Impairment loss at 30 June	–	–	–	(18,205)	(18,205)
Net book value at 30 June 2021	71,068	1,020	72,029	140,672	284,789

All intangible assets are held by the group, none by the company and all are classified as non-current assets. No assets were encumbered at 30 June 2022 nor 30 June 2021.

[1] *Goodwill is tested for impairment on an annual basis as per the requirements of IAS 36. Goodwill is allocated to each subsidiary based on its initial acquisition. Each subsidiary is deemed to be an individual cash generating units (CGUs). The recoverable amount of the cash generating units (CGUs) was determined using fair value calculations of the individual companies that gave rise to the goodwill asset.*

No instance was detected which indicated the impairment of the goodwill.

21. Property and equipment

Group	Freehold land and buildings N$'000	Computer and other equipment N$'000	Motor Vehicles N$'000	Furniture, fittings and other office equipment N$'000	Right-of-use assets** N$'000	Total N$'000
30 June 2022						
Cost						
Cost at 1 July 2021	107,231	393,257	31,953	287,532	437,665	1,257,638
Additions*	80,875	33,668	1,207	26,677	35,987	178,414
Transfers	(41,667)	28,051	–	23,230	–	9,614
Exchange differences	–	616	36	692	4,463	5,807
Disposals	–	(2,527)	(1,188)	(9,594)	(76,289)	(89,598)
Cost at 30 June 2022	146,439	453,065	32,008	328,537	401,826	1,361,875
Depreciation						
Accumulated depreciation at 1 July 2021	(20,420)	(274,037)	(14,774)	(166,527)	(172,082)	(647,840)
Charge for the year	(2,230)	(40,060)	(2,089)	(29,032)	(72,522)	(154,720)
Depreciation reversal due to useful lives review	–	6,412	586	1,789	–	8,787
Exchange differences	–	(265)	(22)	(424)	(566)	(1,277)
Depreciation on disposals	–	2,334	695	7,315	62,744	73,088
Accumulated depreciation at 30 June 2022	(22,650)	(312,028)	(16,190)	(188,668)	(182,426)	(721,962)
Net book value at 30 June 2022	123,789	141,037	15,818	139,869	219,400	639,913
**Additions*						
For cash flow purposes						
Cash flow items	80,875	33,668	1,207	26,677	–	142,427
Non-cash flow items	–	–	–	–	35,987	35,987
	80,875	33,668	1,207	26,677	35,987	178,414
30 June 2021						
Cost						
Cost at 1 July 2020	56,487	296,798	32,147	295,985	399,736	1,081,153
Additions*	81,328	92,987	659	12,857	43,605	231,436
Transfers	(30,584)	23,004	–	7,580	–	–
Exchange differences	–	(3,451)	(510)	(7,306)	(5,676)	(16,943)
Disposals	–	(16,081)	(343)	(21,584)	–	(38,008)
Cost at 30 June 2021	107,231	393,257	31,953	287,532	437,665	1,257,638
Depreciation						
Accumulated depreciation at 1 July 2020	(20,235)	(188,870)	(12,903)	(164,953)	(91,698)	(478,659)
Charge for the year	(1,344)	(47,095)	(2,397)	(23,297)	(84,609)	(158,742)
Depreciation reversal due to useful lives review	1,159	–	–	–	–	1,159
Exchange differences	–	2,562	271	5,134	4,225	12,192
Depreciation on disposals	–	(40,634)	255	16,589	–	(23,790)
Accumulated depreciation at 30 June 2021	(20,420)	(274,037)	(14,774)	(166,527)	(172,082)	(647,840)
Net book value at 30 June 2021	86,811	119,220	17,179	121,005	265,583	609,798
**Additions*						
For cash flow purposes						
Cash flow items	81,328	92,987	659	12,857	–	187,831
Non-cash flow items	–	–	–	–	43,605	43,605
	81,328	92,987	659	12,857	43,605	231,436

** *Right-of-use assets comprise the leases of various offices, branches and houses.*

Details regarding the fixed properties as required in terms of Schedule 4 of the Companies Act are available to shareholders at the registered office of the group. This information will be open for inspection in terms of the provisions of section 120 of the Companies Act, 2004. The company does not own any property and equipment.

No assets were encumbered at 30 June 2022 nor 30 June 2021. All property and equipment are classified as non-current assets.

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22. Due to other banks

	Group 2022 N$'000	Group 2021 N$'000
Current accounts	708,212	762,313
	708,212	762,313

Due to other banks are unsecured with no fixed repayment terms and bears interest at market-related interest rates.

23. Other borrowings

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Balance as at 1 July	692,719	861,502	142,884	172,601
Additions	331,177	231,198	295,922	166,229
Redemptions	(431,781)	(362,579)	(149,586)	(164,020)
Accrued interest	51,099	62,083	5,809	5,219
Coupon payments	(47,230)	(61,321)	(3,616)	(5,219)
Foreign exchange movement	22,033	(38,164)	22,426	(31,926)
Balance as at 30 June	618,017	692,719	313,839	142,884
Current	427,228	549,083	313,839	142,884
Non-current	190,789	143,636	–	–
	618,017	692,719	313,839	142,884

Other borrowings consist of a long-term loan from AFD (Agence Francaise de Developpement) of N$219 million, of which N$56.9 million has been repaid to date. The balance is further made up of two Bank One loans of N$162.4 million and N$82.1 million respectively, a loan from the Caliber Capital Trust of N$60 million, and N$151.4 million sourced from Capricorn Unit Trusts. The outstanding amount of N$250.9 million of the long-term funding with IFC (International Finance Corporation) has been fully repaid during this financial year.

The IFC loan was repayable semi-annually over a 7-year term with quarterly interest repayments. The first capital repayment was made in December 2017. Interest on the IFC loans was charged at 3 month JIBAR plus an average spread of 2.95%.

The AFD loan is repayable semi-annually over a 7-year term with quarterly interest repayments. The first capital repayment was made in December 2020. Interest on the AFD loan is charged at 3 month JIBAR plus a spread of 1.131%.

The group has not defaulted on any debt covenant requirements relating to these loans in the current and previous financial year.

There are two separate loans from Bank One.

Loan 1: The interest is repayable quarterly over the one-year term of the loan with the capital amount being repayable at the end of the loan. Interest on the Bank One loan is charged at three-month LIBOR plus a spread of 2.3%.

Loan 2: The interest is repayable quarterly over the term of the loan. The capital amount is repayable in three equal quarterly payments in September, December and March . Interest is charged at three-month LIBOR plus a spread of 3.1%.

The Caliber Capital Trust loan bears interest at Namibian prime plus 3.0% and is repayable at the end of the loan term.

24. Debt securities in issue

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Balance as at 1 July	6,050,509	5,642,291	2,187,750	2,286,355
Redemptions	(311,002)	(951,000)	(75,000)	(75,000)
Additions	540,000	1,441,104	–	–
Effective interest	349,154	307,220	114,652	116,609
Coupon payments	(341,090)	(321,780)	(113,068)	(121,001)
Forex (gain)/loss	(42,959)	(67,326)	316	(19,213)
Balance as at 30 June	6,244,612	6,050,509	2,114,650	2,187,750
Current	1,017,636	212,478	119,650	25,099
Non-current	5,226,976	5,838,031	1,995,000	2,162,651
	6,244,612	6,050,509	2,114,650	2,187,750

Debt instruments	Interest rate	Maturity date	Notes	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Five-year callable bonds							
Bonds issued by Bank Gaborone	3 mth BoBC rate + 2.1%	31-Oct-21	24.1	–	65,569	–	–
				–	65,569	–	–
Senior debt – unsecured							
BWJL21G Floating rate note	3 mth JIBAR + 150bps	6-Dec-21	24.2	–	66,234	–	–
BWRj21 fixed rate note	7.75%	15-Oct-21	24.2	–	60,634	–	–
BWZj21 floating rate note	3 mth JIBAR + 230bps	10-Nov-21	24.2	–	60,511	–	–
BWFh22 fixed rate note	9.50%	18-Aug-22	24.2	284,639	284,941	–	–
BWJh22 floating rate note	3mth JIBAR + 195bps	18-Aug-22	24.2	136,071	135,984	–	–
BWFK22 fixed rate note	9.98%	21-Nov-22	24.2	247,724	247,724	–	–
BWJK22 floating rate note	3 mth JIBAR + 187 bps	21-Nov-22	24.2	156,176	155,965	–	–
BWZJ23 floating rate note	3 mth JIBAR + 190 bps	19-Nov-22	24.2	342,574	342,233	–	–
BWFI23 fixed rate note	8.72%	29-Sep-23	24.2	48,802	48,802	–	–
BWJI24 floating rate note	3m JIBAR + 150bps	30-Sep-24	24.2	125,289	95,014	–	–
BWJ1e27 floating rate note	3 mth JIBAR + 215bps	19-May-27	24.2	503,932	503,431	–	–
BWJ2e27 floating rate note	3 mth JIBAR	19-May-27	24.2	301,598	301,299	–	–
BWFL23 fixed rate note	5.06%	4-Dec-23	24.2	149,441	148,740	–	–
BWJL23 floating rate note	3m JIBAR + 95bps	4-Dec-23	24.2	442,552	441,222	–	–
BWZJ24 floating rate note	3m JIBAR + 200bps	29-Mar-24	24.2	500,192	500,156	–	–
BWJL25 floating rate note	3m JIBAR + 116bps	2-Dec-25	24.2	75,361	75,289	–	–
BWJF26S floating rate note	3m JIBAR + 150bps	26-Jun-26	24.2	409,253	227,927	–	–
BWZJ25 floating rate note	3m JIBAR + 200bps	11-Feb-25	24.2	332,982	–	–	–
CGL001 floating rate note	MoPR rate + 421bps	8-Apr-24	24.2	170,905	170,576	170,905	170,576
Senior debt issued by Bank Gaborone	7.3%-7.5%	30-Jun-27	24.2	56,599	84,836	–	–
				4,284,090	3,951,518	170,905	170,576

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24. Debt securities in issue continued

				Group		Company	
Debt instruments	**Interest rate**	**Maturity date**	**Notes**	**2022 N$'000**	**2021 N$'000**	**2022 N$'000**	**2021 N$'000**
Preference shares (floating rate note)							
2,500 Preference shares – Santam Namibia Ltd	64.5% of prime	1-Dec-22	24.3	25,109	25,099	25,109	25,099
40,000 Preference Shares – Capricorn Investment Holdings Limited	3mth JIBAR	23-Mar-27	24.3	402,893	402,336	402,893	402,336
35,000 Preference Shares – First National Bank of Namibia	72.1% of Namibian prime	15-Mar-24	24.3	353,416	353,161	353,416	353,161
11,250 Preference Shares – First National Bank of Namibia	70.6% of Namibian prime	15-Mar-24	24.3	151,355	226,991	151,355	226,991
				932,773	1,007,587	932,773	1,007,587
Debentures							
Various funds administered by Capricorn Asset Management (Pty) Ltd	3 mth JIBAR + 195bps	30-Apr-23	24.4	404,314	403,760	404,314	403,760
Capricorn Investment Holdings Ltd	3 mth JIBAR + 235bps	31-Dec-27	24.4	101,110	100,957	101,110	100,957
Government Institutions Pension Fund (GIPF)	3 mth JIBAR + 235bps	31-Jan-30	24.4	505,548	504,870	505,548	504,870
Kgori Capital (Pty) Ltd	6.35%	24-Jul-25	24.4	16,777	16,248	–	–
				1,027,749	1,025,835	1,010,972	1,009,587
Total debt securities in issue at the end of the year				6,244,612	6,050,509	2,114,650	2,187,750
Listed debt securities				4,227,491	3,866,682	170,905	170,576
Unlisted debt securities				2,017,121	2,183,827	1,943,745	2,017,174
				6,244,612	6,050,509	2,114,650	2,187,750

24.1 Five-year callable bonds

The five-year callable bond issued by Bank Gaborone bear interest at Bank of Botswana Certificate rate plus 1.6% per annum for the first five years plus a stepped up margin of 2.1% thereafter and mature on 31 October 2021. Interest is paid quarterly in arrears. The debt is guaranteed by the shareholder of reference, Capricorn Investment Holdings Limited.

24.2 Senior debt – unsecured

New debt securities issued in the current year includes BWFL23, BWJL23, BWZJ24, BWJL25 and BWJF26S.

Interest on CGL001, BWJi20, BWJl21G, BWZj21, BWJd21, BWZ21B, BWJH22, BWJK22, BWZJ23, BWJI24, BWJ1e27, BWJ2e27, BWJL23, BWZJ24, BWJL25 and BWJF26S is paid quarterly. Interest on BWFH22 is paid semi-annually on 25 April and 25 October, while interest on BWRJ21 is paid semi-annually on 15 April and 15 October, and BWFI23 is paid semi-annually on 30 March and 30 September. Interest on BWFK22 is paid semi-annually on 21 May and 21 November, while interest on BWFL23 is paid semi-annually on 2 June and 2 September.

The instruments mentioned above are under Bank Windhoek's Medium Term Note Programme, a programme registered with the Johannesburg and Namibian Stock Exchanges.

CGL001 mentioned above is under the Capricorn Group Medium Term Note Programme, a programme registered with the Johannesburg, Botswana and Namibian Stock Exchanges. Interest is paid quarterly on 8 January, 8 April, 8 July and 8 October.

24. Debt securities in issue continued

24.3 Preference shares

Interest on the 57,500 preference shares issued to First National Bank of Namibia is payable quarterly in arrears on the last working day of January, April, July and October. Quarterly repayments of N$18.75 million are made on the 22,500 preference shares issued to First National Bank of Namibia on the last working day of January, April, July and October.

Interest on the 40,000 preference shares issued to Capricorn Investment Holdings Ltd is payable quarterly in arrears on the last working day of January, April, July and October.

Interest on the 2,500 preference shares issued to Santam Namibia Ltd is payable quarterly in arrears on the last working day of February, May, August and November.

24.4 Debentures

On the 24th July 2020, the group issued a senior unsecured non-convertible debenture at face value of P12,060,000 to Kgori Capital (Pty) Ltd, with an interest at 6.35% nominal annual compounded semi annually.

Interest on the other debentures is paid quarterly in arrears.

Debt securities in issue comprises subordinated debt, senior debt, preference shares and debentures with a combined nominal value of N$5.0 billion (2021: N$4.6 billion).

25. Deposits

	Group 2022 N$'000	Group 2021 N$'000
Current accounts	10,190,758	8,910,530
Savings accounts	1,734,552	1,594,643
Demand deposits	6,685,435	6,427,121
Term and notice deposits	14,690,610	13,433,229
Negotiable certificates of deposits (NCDs)	9,264,734	8,656,745
Other deposits	1,081,363	1,157,431
	43,647,452	40,179,699

	Group 2022 N$'000	%	Group 2021 N$'000	%
Maturity analysis within the customer current, savings, deposit account portfolio for the group were as follows:				
Withdrawable on demand	18,570,680	42.5	16,982,368	42.3
Maturing within 1 month	3,403,035	7.8	2,801,126	7.0
Maturing after 1 month but within 6 months	7,674,570	17.6	8,690,838	21.6
Maturing after 6 months but within 12 months	8,801,558	20.2	7,111,302	17.7
Maturing after 12 months	5,197,609	11.9	4,594,065	11.4
	43,647,452	100.0	40,179,699	100.0

Notes to the consolidated and separate annual financial statements continued

26. Other liabilities

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Accounts payable and other accruals	490,429	279,211	17,389	17,647
Employee liabilities	257,318	205,634	29,596	25,289
– Employee-related accruals	207,788	169,556	29,596	25,289
– Provision for share-based payment liability	17,693	9,357	–	–
– PAYE payable	10,825	10,412	–	–
– Medical aid payable	8,542	8,207	–	–
– Pension payable	6,714	6,564	–	–
– Other	5,756	1,538	–	–
Indirect taxes	15,966	17,002	817	141
Derivative financial instruments – interest rate swaps	(27,760)	6,511	–	–
Policyholder liability (see Note 26.1)	215,458	219,862	–	–
Clearing, settlement and internal accounts	203,529	182,028	–	–
Lease liabilities (see Note 26.2)	250,993	289,250	–	–
	1,405,933	1,199,498	47,802	43,077
Current	1,003,137	767,743	47,802	43,077
Non-current	402,796	431,755	–	–
	1,405,933	1,199,498	47,802	43,077

Interest rate swaps are commitments to exchange one set of cash flows for another and result in an economic exchange of a fixed rate for a floating rate or vice versa. No exchange of principal takes place.

The notional principal amount of the outstanding interest rate swap contracts, included above and in other assets (note 17) at 30 June 2022 was N$537.7 million (2021: N$123.5 million).

Refer to note 3.1 for disclosure relating to financial and non-financial assets included for other liabilities.

26.1 Policyholder liabilities

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
The policyholder liability at year end comprises:				
Claims IBNR liability	12,462	12,557		
Unearned premium reserve	202,996	207,305		
	215,458	219,862		
Reconciliation of the policyholder liability:				
Opening balance	219,862	188,390		
Allocation to the IBNR liability	(95)	2,451		
Transfer to unearned premium reserve	(4,309)	29,021		
	215,458	219,862		

26. Other liabilities continued

26.2 Lease liabilities

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Maturity analysis – contractual discounted cashflows				
– Within one year	63,655	77,357		
– Later than one year but not later than five years	147,687	157,561		
– Later than five years	39,651	54,332		
Total discounted lease liabilities	250,993	289,250		
Lease liabilities included in statement of financial position	250,993	289,250		
Current	63,655	77,357		
Non-current	187,338	211,893		

The group leases various offices, branches and houses. Rental contracts are typically made for fixed periods of 5 to 10 years, but may have extension options. The lease terms do not contain restrictions on the group's activities concerning further leasing, distribution of dividends or obtaining additional funding.

The weighted average lessee's incremental borrowing applied to the lease liabilities on 1 July was 7.64% (2021: 7.64%).

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Amounts recognised in profit or loss				
Interest on lease liabilities	17,197	24,601		
Expenses relating to short-term leases	19,656	2,244		
	36,853	26,845		
Amounts recognised in statement of cashflows				
Total cash outflow for leases	83,142	90,607		
Interest rate sensitivities				
The following interest rate sensitivity is based on the effect of changes to the incremental borrowing rate over a twelve-month period on the interest expense on lease liabilities.				
100 basis points increase				
– Increase in interest expense on lease liabilities	1,720	2,460		
100 basis points decrease				
– Decrease in interest expense on lease liabilities	(1,720)	(2,460)		

Notes to the consolidated and separate annual financial statements
continued

27. Deferred income tax

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 32% (2021: 32%).				
The movement on the deferred income tax account is as follows:				
Deferred tax (asset) as at 1 July	(113,351)	(54,746)	(11,092)	(10,717)
Charge to profit or loss (note 11)	(3,104)	(58,605)	466	(375)
Accelerated tax depreciation and amortisation	4,763	(5,070)	–	–
Loans and receivables	(28,368)	(21,410)	–	–
Government stock and other securities	3,763	(24,394)	–	–
Prepaid expenses	9,783	(4,329)	–	–
Accruals	(1,564)	1,334	(1,363)	361
Loan loss impairment	(4,275)	(5,881)	–	–
Assessed loss	(803)	(7,954)	1,829	(736)
Other	13,597	9,099	–	–
Deferred tax asset as at 30 June	(116,455)	(113,351)	(10,626)	(11,092)
Deferred income tax assets and liabilities are attributable to the following items:				
Deferred income tax liability				
Accelerated tax depreciation and amortisation	80,736	75,973	–	–
Derivative financial instruments	9,733	5,258	–	–
Prepaid expenses	17,509	7,726	–	–
Other temporary differences	–	939	–	–
	107,978	89,896	–	–
Deferred income tax asset				
Accruals	35,048	33,484	9,976	8,613
Loan loss impairment	36,226	31,951	–	–
Government stock and other securities	8,510	12,273	–	–
Assessed loss	15,926	15,123	650	2,479
Unrealised foreign exchange gains or losses	832	11,024	–	–
Loans and receivables	130,089	101,721	–	–
Other temporary differences	(2,198)	(2,329)	–	–
	224,433	203,247	10,626	11,092
Net deferred income tax asset	(116,455)	(113,351)	(10,626)	(11,092)

27. Deferred income tax continued

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Deferred tax liability				
Non-current	107,978	89,896	–	–
Total	107,978	89,896	–	–
Deferred tax asset				
Non-current	224,433	203,247	10,626	11,092
Total	224,433	203,247	10,626	11,092

28. Post-employment benefits

28.1 Severance pay liability

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
A valuation was performed for 30 June 2022 by an independent actuary on the group's liability with respect to severance pay. The benefit is not funded.				
The amount recognised in the statement of financial position is determined as follows:				
Present value of unfunded obligation (non-current)	19,168	16,126	1,580	1,268
The movement in the severance pay obligation over the year is as follows:				
As at 1 July	16,126	14,929	1,268	1,149
Current service costs	2,020	20	221	37
Interest cost	1,022	1,177	91	82
As at 30 June	19,168	16,126	1,580	1,268
The amounts recognised in the statement of comprehensive income are as follows:				
Current service costs	2,020	20	221	37
Interest cost	1,022	1,177	91	82
	3,042	1,197	312	119
The principal actuarial assumptions used were as follows:				
Discount rate	9.8 %	7.0 %	7.0 %	7.0 %
Inflation rate	6.7 %	2.5 %	2.5 %	2.5 %
Salary increases	7.7 %	3.5 %	3.5 %	3.5 %
The following sensitivity of the overall liability to changes in principal assumption is:				
Salary increase 1 % lower per annum	(664)	(622)	(60)	(60)
Salary increase 1 % higher per annum	732	686	65	65
Inflation increase 1 % lower per annum	(893)	(676)	(88)	(88)
Inflation increase 1 % higher per annum	808	745	97	97
Discount increase 1 % lower per annum	(893)	(676)	(88)	(88)
Discount increase 1 % higher per annum	808	745	97	97

Notes to the consolidated and separate annual financial statements continued

28. Post-employment benefits continued

28.2 Medical aid scheme

The group has no liability in respect of post-retirement medical aid contributions.

28.3 Pension schemes

All full-time permanent employees are members of the CIH Group Retirement Fund, a defined contribution plan, which has been registered in Namibia in accordance with the requirements of the Pension Funds Act. The fund is governed by the Pension Funds Act, 1956, which requires a statutory actuarial valuation every three years. The latest statutory actuarial valuation was carried out on 30 June 2022 and in the actuary's opinion the fund was in a sound financial position at that date. The valuation confirmed that the value of the assets in the fund exceeded the value of the actuarially determined liabilities.

The group currently contributes 12% of basic salary to the fund, while the members contribute 7.5%. Post-employment benefits are classified as non-current liabilities.

The expense recognised in the current period in relation to these contributions was N$61.7 million (2021: N$60.2 million).

29. Share capital and premium

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
Authorised share capital				
600,000,000 ordinary shares of 2.5 cents each	15,000	15,000	15,000	15,000
1,000,000 redeemable preference shares of 1 cent each	10	10	10	10
35,000 Class A preference shares of 1 cent each	0.35	0.35	0.35	0.35
30,000 Class B preference shares of 1 cent each	0.30	0.30	0.30	0.30
Issued ordinary share capital				
Balance as at 1 July	12,980	12,980	12,980	12,980
Shares issued during the year	–	–	–	–
Balance as at 30 June	12,980	12,980	12,980	12,980
Share premium				
Balance as at 1 July	765,566	765,566	765,566	765,566
Shares issued during the year	–	–	–	–
Balance at 30 June	765,566	765,566	765,566	765,566
Less: Treasury shares	(59,450)	(63,971)	(14,475)	(20,002)
Total ordinary share capital and premium	719,096	714,575	764,071	758,544
Issued number of ordinary shares reconciliation ('000):				
Issued number of shares at the beginning of the year	519,184	519,184	519,184	519,184
Shares issued during the year	–	–	–	–
Issued number of shares at the end of the year	519,184	519,184	519,184	519,184
Less: Treasury shares	(8,679)	(8,076)	(1,364)	(1,379)
Total number of ordinary shares issued at year-end	510,505	511,108	517,820	517,805

Issued ordinary shares

Ordinary shares have a par value of N$0.025. They entitle the holder to participate in dividends and to share in the proceeds of winding up the company in proportion to the number of shares held. These rights are subject to the prior entitlements of the preference shares, which are classified as liabilities.

Issued preference share capital

The company has 35,000 Class A and 30,000 Class B preference shares in issue. Interest is payable quarterly in arrears at the end of January, April, July and October. The preference shares are classified as a liability and disclosed in note 25 (debt securities in issue).

29. Share capital and premium continued

Unissued shares

All the unissued shares are under the control of the directors in terms of a general authority to allot and issue them on such terms and conditions and at such time as they deem fit. This authority expires at the forthcoming annual general meeting, when the authority can be renewed. Refer to the directors' report.

The company's total number of issued ordinary shares at year-end was 519,184,399 (2021: 519,184,399). All issued shares are fully paid up.

30. Net asset value per share

	Group 2022 N$'000	Group 2021 N$'000
Net asset value per ordinary share (cents)		
Net assets (excluding non-controlling interest) (N$'000)	7,286,887	6,613,934
Weighted average number of ordinary shares in issue during the year ('000)	510,505	511,108
Net asset value per share (cents)	1,427	1,294

31. Share-based payments

The group operates two equity-settled share-based compensation plans: (1) a share appreciation rights plan and (2) a conditional share plan, under which the entities within the group receive services from employees as consideration for equity instruments (shares) of Capricorn Group (refer to the remuneration report (unaudited) for details of each plan).

The total expense for the share-based compensation plans is N$ 16.9 million in 2022 (2021: N$13.9 million), refer to note 8.

Share appreciation rights (SAR)

Share appreciation rights (SAR) are granted to executive directors and to selected employees for no consideration (exercise price of zero). The number of Capricorn Group shares to which each employee is entitled upon the exercise of the SAR will be calculated with reference to the increase in the value of the employer company or Capricorn Group's share price over the period from grant date to the exercise date. SAR are conditional on the employee completing three years of service after grant date (the vesting period), and subject to the relevant employer company achieving its pre-determined performance conditions over the performance period. SAR are exercisable from the vesting date and have a contractual term of five years. The group has no legal or constructive obligation to repurchase or settle the SAR in cash.

Details of the number of SAR outstanding ('000) are as follows:

	Capricorn Group	Bank Windhoek	Capricorn Asset Management	Capricorn Investment Holdings (Botswana)	Total
30 June 2022					
Opening balance	841	835	258	128	2,062
Granted	374	385	99	–	858
Vested	(210)	(240)	(71)	(62)	(583)
Forfeitures	(163)	(110)	–	–	(273)
Closing balance	842	870	286	66	2,064
30 June 2021					
Opening balance	748	739	243	169	1,899
Granted	394	353	157	–	904
Vested	(269)	(229)	(42)	(41)	(581)
Forfeitures	(32)	(28)	(100)	–	(160)
Closing balance	841	835	258	128	2,062

SARs issued in September 2018 vested in September 2021 and were exercised during the current financial year.

No SAR expired during the periods covered by the above tables.

Notes to the consolidated and separate annual financial statements continued

31. Share-based payments continued

SAR's outstanding ('000) at the end of the year have the following vesting and expiry dates:

Grant date	Vest date	Expiry date	2022	2021
September 2019	September 2022	September 2024	754	583
September 2020	September 2023	September 2025	733	651
September 2021	September 2024	September 2026	577	828
			2,064	2,062
The weighted average remaining contractual life of options outstanding at the end of the year			2.9 years	3.1 years

The fair value of SAR granted during the year was determined by using the American Call Option valuation model. The significant inputs into the model are summarised in the table below. Refer to note 8 for the total expense recognised in profit or loss for SAR granted to directors and employees.

	Capricorn Group
30 June 2022	
Spot price (N$)	13.30
Strike price (N$)	12.86
Risk-free rate	8.7 %
Dividend yield	4.0 %
Volatility	33 %
Membership attrition	5 %
30 June 2021	
Spot and strike price (N$)	13.00
Risk-free rate	6.8 %
Dividend yield	3.8 %
Volatility	30 %
Membership attrition	5 %

Conditional share plan (CSP)

Capricorn Group shares are granted to selected employees for no consideration. The allocation of shares are conditional on the employee completing three years of service after grant date (the vesting period). The group has no legal or constructive obligation to repurchase or settle the shares in cash.

Details of the number of shares outstanding are as follows:

	2022 No. of CSPs '000	2021 No. of CSPs '000
Opening balance	2,767	2,322
Granted	1,481	1,076
Vested	(1,080)	(522)
Forfeited	(201)	(109)
Closing balance	2,967	2,767

31. Share-based payments continued

Conditional share plan (CSP) continued

Outstanding number of CSP's ('000) expected to vest as follows:

Grant date	Vest date	2022	2021
September 2019	September 2022	858	984
September 2020	September 2023	950	774
September 2021	September 2024	1,159	1,009
		2,967	2,767

The fair value of shares granted during the year was determined with reference to the listed share price at grant date of N$13.30 (2021: N$13.00) and taking into account a membership attrition of 5% (2021: 5%). Refer to note 8 for the total expense recognised in profit or loss for shares granted to executive directors and employees.

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000
32. Non-distributable reserves				
32.1 Credit risk reserve				
Balance at 1 July	153,159	–		
Transfer from/(to) retained earnings	(130,837)	153,159		
Balance as at 30 June	22,322	153,159		
The regulatory credit risk reserve was introduced in order to meet the regulatory requirements for the loan loss portfolio impairment of Bank Windhoek Ltd.				
32.2 Insurance fund reserve				
Balance at 1 July	55,990	54,100		
Transfer from retained earnings	2,001	1,890		
Balance as at 30 June	57,991	55,990		
The insurance reserve was created to fund a portion, net of deferred tax, of the regulatory requirement to hold a certain level of insurance specific for banking risk.				
32.3 Margin entitlement reserve				
Transfer from retained earnings	57	–		
Balance as at 30 June	57	–		
Total non-distributable reserves	80,370	209,149		

Notes to the consolidated and separate annual financial statements continued

	Group		Company	
	2022 N$'000	2021 N$'000 (Restated)	2022 N$'000	2021 N$'000

33. Distributable reserves

33.1 Fair value reserve

	2022 N$'000	2021 N$'000 (Restated)	2022 N$'000	2021 N$'000
Balance as at 1 July	1,139	1,480	–	–
Change in value of financial assets at fair value through other comprehensive income	(34,951)	(26,312)	(16,814)	–
Transfer (to)/from reserves	–	25,971	–	–
Balance as at 30 June	(33,812)	1,139	(16,814)	–

33.2 General banking reserve

	2022 N$'000	2021 N$'000 (Restated)	2022 N$'000	2021 N$'000
Balance as at 1 July	4,522,236	3,846,093		
Transfer from retained earnings	710,678	676,143		
Balance as at 30 June	5,232,914	4,522,236		

The general banking reserve is maintained to fund future expansion.

33.3 Foreign currency translation reserve

	2022 N$'000	2021 N$'000 (Restated)	2022 N$'000	2021 N$'000
Balance as at 1 July	(12,508)	59,891		
Revaluation for the year	16,108	(72,391)		
Transfer of FCTR	–	(8)		
Balance as at 30 June	3,600	(12,508)		

33.4 Retained earnings

	2022 N$'000	2021 N$'000 (Restated)	2022 N$'000	2021 N$'000
Balance as at 1 July	1,146,233	1,618,741	616,070	724,588
Prior period correction	–	(267,029)	–	–
Adjusted balance at the beginning of the year	1,146,233	1,351,712	616,070	724,588
Profit for the year	1,045,983	872,326	425,029	128,295
Transfer to reserves	(581,899)	(857,163)	–	–
Transfer from reserves – Reclassifications to retained earnings	–	(19,483)	–	(19,483)
Profit on sale of treasury shares	21	3,841	–	–
Dividends paid	(353,539)	(205,000)	(363,430)	(217,330)
Balance as at 30 June	1,256,799	1,146,233	677,669	616,070

33.5 Share-based compensation reserve

	2022 N$'000	2021 N$'000 (Restated)	2022 N$'000	2021 N$'000
Balance as at 1 July	33,110	29,205	23,868	20,534
Share-based payment charges recognised in equity	16,916	13,938	3,944	6,921
Vesting of shares	(22,106)	(10,033)	(10,586)	(3,587)
Balance as at 30 June	27,920	33,110	17,226	23,868

The share-based compensation reserve is used to recognise:

- the grant date fair value of share appreciation rights issued to employees but not exercised (refer to note 31); and
- the grant date fair value of conditional shares issued to employees (refer to note 31).

	2022 N$'000	2021 N$'000 (Restated)	2022 N$'000	2021 N$'000
Total distributable reserves	6,487,421	5,690,210	678,081	639,938

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000

34. Dividends per share

Normal dividends amounting to N$363.4 million (2021: N$217.3 million) were declared and paid by the company during the year under review. The normal dividends declared represent interim and final dividends per share as follows:

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Declared during the financial year				
Interim dividend per share (cents)	32	22		
Declared after the financial year				
Final dividend per share (cents)*	40	38		
Total dividend per share (cents)	72	60		
Dividends declared during the year	353,539	240,500	363,430	217,330
Dividends paid during the year	(353,539)	(240,500)	(363,430)	(217,330)
Dividends payable at year-end	–	–	–	–

* *Refer also to events subsequent to year-end in the directors' report for details of the final dividend declared after year-end.*

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000

35. Statement of cash flows disclosure information

35.1 Receipts from customers

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Interest receipts	4,189,291	4,021,597	–	–
Commission and fee receipts	1,139,735	1,049,765	–	–
Other income received	673,557	293,874	48,293	92,910
Gross written premiums	156,968	192,326	–	–
	6,159,551	5,557,562	48,293	92,910

35.2 Payments to customers, suppliers and employees

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Interest payments	1,444,494	1,426,289	–	–
Cash payments to employees and suppliers	1,924,088	1,982,062	135,661	142,964
Gross insurance contract claims	48,469	33,033	–	–
Other borrowings coupon payments	47,230	61,321	3,616	5,219
Debt securities coupon payments	341,090	321,780	113,068	121,001
	3,805,371	3,824,485	252,345	269,184

Notes to the consolidated and separate annual financial statements continued

35. Statement of cash flows disclosure information continued

35.3 Cash generated from/(utilised in) operations

	Group 2022 N$'000	Group Restated 2021 N$'000	Company 2022 N$'000	Company Restated 2021 N$'000
Profit before income tax from coninuing operations	1,575,353	1,394,144	425,495	127,920
Dividends received	(58,303)	(87,615)	(507,742)	(349,477)
Other borrowings coupon payments	(47,230)	(61,321)	(3,616)	(5,219)
Debt securities coupon payments	(341,090)	(321,780)	(113,068)	(121,001)
Adjusted for non-cash items:				
– Accrued interest on debt securities	349,154	307,220	114,652	116,609
– Accrued interest on deposits	32,634	71,124	–	–
– Accrued interest on other borrowings	51,099	62,083	5,809	5,219
– Interest receivable	–	–	(114,129)	(91,250)
– Adjustment to fair value of financial instruments	(5,168)	(44,408)	534	(8,462)
– Amortisation of intangible assets	45,674	47,831	–	–
– Depreciation of property and equipment	145,933	157,583	–	–
– Share-based payment expense	16,916	13,938	3,944	6,921
– Loss/(Profit) on sale of property and equipment	2,586	3,676	–	–
– Loss/(Profit) on sale of associate	–	2,130	–	(7,729)
– Profit on partial sale of subsidiary	–	(4,840)	–	(4,840)
– Impairment charges on investments	–	–	–	3,221
– Credit impairment losses	367,303	443,748	30	101,349
– Provision for post-employment benefits	3,042	1,197	312	119
– Share of associates' results after tax	(67,697)	(103,613)	–	–
– Net exchange differences	171,620	(193,814)	–	–
– Other	112,354	45,794	(16,273)	50,346
	2,354,180	1,733,077	(204,052)	(176,274)
In the statement of cash flows, proceeds from sale of property and equipment comprise of:				
Net book value (note 21)	2,586	3,676	–	–
(Loss)/Profit on sale of property and equipment	(2,586)	(3,676)	–	–
	–	–	–	–

35.4 Income taxes paid

	Group 2022 N$'000	Group Restated 2021 N$'000	Company 2022 N$'000	Company Restated 2021 N$'000
Amounts receivable / (payable) as at 1 July	114,908	108,147	5,123	3,703
Current tax charged to profit or loss	(428,448)	(428,448)	–	–
Refunds received	(53,972)	–	–	–
Taxes not yet received	–	–	(4,919)	1,420
Amounts (receivable) / payable as at 30 June	(83,117)	(114,908)	(204)	(5,123)
Net income taxes paid during the year	(450,629)	(435,209)	–	–

35. Statement of cash flows disclosure information continued

35.5 Proceeds on sale of subsidiaries

	Group 2022 N$'000	Group Restated 2021 N$'000	Company 2022 N$'000	Company Restated 2021 N$'000
Cash consideration received	–	738	–	738
Net cash inflow on sale of subsidiary	–	738	–	738

35.6 Proceeds on sale of associate

	Group 2022 N$'000	Group Restated 2021 N$'000	Company 2022 N$'000	Company Restated 2021 N$'000
Cash consideration received	–	96,466	–	96,466
Net cash inflow on sale of associate	–	96,466	–	96,466

36. Contingent assets, liabilities and commitments

36.1 Capital commitments

	Group 2022 N$'000	Group 2021 N$'000
Authorised but not contracted for:		
Property and equipment	49,657	95,805
Intangible assets	243,494	167,809
Contracted for but not yet incurred:		
For completion of office building	28,000	28,000
	321,151	291,614

	Group 2022 N$'000	Group 2021 N$'000
36.2 Letters of credit	196,643	317,295
36.3 Liabilities under guarantees	2,538,568	1,977,216
Guarantees mainly consist of endorsements and performance guarantees.		
36.4 Loan commitments	2,808,400	2,959,618

36.5 Pending litigations

There are a few pending legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or aggregate basis.

Notes to the consolidated and separate annual financial statements
continued

37. Related parties

In accordance with IAS 24, the group defines related parties as:

(i) the parent company;
(ii) subsidiaries;
(iii) associate companies;
(iv) entities that have significant influence over the group. If an investor has significant influence over the group that investor and its subsidiaries are related parties of the Group. The Group is Capricorn Group and its subsidiaries;
(v) post-retirement benefit funds (pension fund);
(vi) key management personnel being the Capricorn Group executive directors and the Group's executive management team;
(vii) close family members of key management personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and
(viii) entities controlled, jointly controlled or significantly influenced by any individual referred to in (vi) and (vii).

Capricorn Group is listed on the Namibian Stock Exchange and is 44.3% (2021: 44.3%) owned by Capricorn Investment Holdings Ltd, which is incorporated in Namibia and 26.8% (2021: 25.9%) owned by Government Institutions Pension Fund, its non-listed major shareholders.

Details of subsidiaries and associates are disclosed in notes 18, 19 and 20.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. No specific impairment has been recognised in respect of loans granted to key management personnel during the year under review (2021: nil).

During the year, the group and company transacted with the following related parties:

Entity	Relationship	Type of transaction
Capricorn Investment Holdings Ltd	Major shareholder	Support services Banking relationship
Government Institutions Pension Fund	Major shareholder	Support services Banking relationship
Bank Windhoek Ltd	Subsidiary	Support services Banking relationship
Bank Windhoek Properties (Pty) Ltd	Subsidiary	Rental
BW Finance (Pty) Ltd	Subsidiary	Support services Banking relationship
Bank Windhoek Nominees (Pty) Ltd	Subsidiary	Custodian of third party relationships
Capricorn Investment Holdings (Botswana) Ltd	Subsidiary	Banking relationship
Bank Gaborone Ltd	Subsidiary	Support services Banking relationship

37. Related parties continued

Entity	Relationship	Type of transaction
Peo Finance (Pty) Ltd	Subsidiary	Banking relationship
CIH Insurance Brokers (Pty) Ltd	Subsidiary	Banking relationship
Capricorn Asset Management (Botswana) (Pty) Ltd	Subsidiary	Banking relationship
BG Insurance Agency (Pty) Ltd	Subsidiary	Banking relationship
Entrepo Holdings (Pty) Ltd	Subsidiary	Banking relationship Support services
Entrepo Life Ltd	Subsidiary	Banking relationship
Entrepo Finance (Pty) Ltd	Subsidiary	Banking relationship
Capricorn Asset Management (Pty) Ltd	Subsidiary	Support services Banking relationship
Capricorn Unit Trust Management Company Ltd	Subsidiary	Banking relationship
Capricorn Capital (Pty) Ltd	Subsidiary	Support services Banking relationship
Mukumbi Investments Ltd	Subsidiary	Banking relationship
Namib Bou (Pty) Ltd	Subsidiary	Support services Banking relationship
Namib Bou (Pty) Ltd	Subsidiary	Support services
Capricorn Mobile (Pty) Ltd	Subsidiary	Banking relationship
Capricorn Investment Group (Pty) Ltd	Subsidiary	Support services
Capricorn Hofmeyer (Pty) Ltd	Subsidiary	Property investment
Paratus Group Holdings Ltd	Associate	Banking relationship
Paratus Telecommunications (Pty) Ltd	Other related party	Banking relationship
Santam Namibia Ltd	Associate	Dividends Banking relationship Insurance relationship
Sanlam Namibia Holdings (Pty) Ltd	Associate	Dividends Insurance relationship Banking relationship
Namclear (Pty) Ltd	Joint venture	Technology services
Capricorn Group Employee Share Ownership Trust	Special purpose entity	Banking relationship
Capricorn Group Employee Share Benefit Trust	Special purpose entity	Banking relationship
Bank Windhoek EasyWallet Accounts Trust	Special purpose entity	Banking relationship
Capricorn Foundation (Non-Profit association incorporated under section 21)	Special purpose entity	Banking relationship

Notes to the consolidated and separate annual financial statements continued

	Group		Company	
	2022 N$'000	2021 N$'000	2022 N$'000	2021 N$'000

37. Related parties continued

The volumes of related party transactions and outstanding balances at year-end are as follows:

37.1 Trade and other receivables from related parties

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Subsidiaries	–	–	65,861	40,114
Other indirect related parties	9,536	8,460	9,536	8,460

Refer to note 17 for terms and conditions related to receivables from related parties.

37.2 Loans and advances to related parties

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Other indirect related parties	40,151	58,734	–	–
Key management personnel	13,325	19,405	–	–

37.3 Cash and cash equivalents held by related parties

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Subsidiaries	–	–	411,250	665,789

37.4 Preference shares issued by related parties

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Subsidiaries	–	–	293,995	263,991

37.5 Trade and other payables to related parties

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Subsidiaries	–	–	8,739	6,973

37.6 Deposits from related parties

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Major shareholders	887,281	1,207,953	–	–
Other indirect related parties	79,142	70,022	–	–
Key management personnel	13,135	13,276	–	–

All deposits are issued in accordance with the group's normal terms and conditions.

37.7 Debt securities issued to related parties

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Major shareholders	1,010,320	1,062,433	1,010,320	1,009,587
Other indirect related parties	428,002	427,435	428,002	427,435

Refer to note 24 for the terms and conditions related to debt securities in issue.

37.8 Expenses paid to related parties

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Other indirect related parties	12,230	25,222	–	–

37.9 Interest and similar expenses paid to related parties

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Major shareholders	97,822	68,319	46,361	50,116
Subsidiaries	–	–	9,102	10,022
Other indirect related parties	32,741	22,689	30,952	21,127
Key management personnel	288	288	–	–

37. Related parties continued

37.10 Income received from related party transactions

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Major shareholders	730	742	730	742
Subsidiaries	–	–	43,861	42,516
Other indirect related parties	6,185	7,869	6,185	7,896

Income received from related party transactions mainly relates to insurance related income and inter-group charges.

37.11 Interest and similar income received from related parties

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Subsidiaries	–	–	26,864	24,618
Other indirect related parties	5,081	4,710	–	–
Key management personnel	1,017	850	–	–

37.12 Dividends received on ordinary shares from related parties

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Subsidiaries	–	–	454,178	276,539
Other indirect related parties	53,564	72,938	53,564	72,938

37.13 Compensation paid to key management

37.13.1 EXECUTIVE MANAGEMENT TEAM

	Group 2022 N$'000	Group 2021 N$'000	Company 2022 N$'000	Company 2021 N$'000
Salaries and short term-incentives	22,938	20,953		
Pension and medical contributions	1,188	1,171		
Other allowances and fringe benefits	3,957	3,851		
	28,083	25,975		

Compensation paid to key management comprises remuneration and other employee benefits to the executive management team, which excludes executive directors' emoluments.

Notes to the consolidated and separate annual financial statements continued

37. Related parties continued

37.13 Compensation paid to key management continued

37.13.1 EXECUTIVE MANAGEMENT TEAM CONTINUED

The following long-term incentives were awarded to the executive management team

	Group	
Number of awards	2022	2021
Share Appreciation Rights	**683,000**	**730,900**
Conditional Share Plan – Performance	**235,588**	**214,600**
Conditional Share Plan – Retention	**544,958**	**352,320**
	1,463,546	1,297,820

37.13.2 NON-EXECUTIVE DIRECTORS' EMOLUMENTS

	Directors' fees		
	Paid by company N$'000	Paid by subsidiary N$'000	Total N$'000
30 June 2022			
Non-executive directors			
Brandt, J C	328	512	840
Fahl, E	221	–	221
Fourie, D G (Chairman)	1,387	1,043	2,430
Gaomab II, H M	370	271	641
Kali, D T	218	–	218
Menetté, G	411	–	411
Nakazibwe-Sekandi, G	492	265	757
Reyneke, D J	480	–	480
Solomon, E	874	–	874
Swanepoel, J J	1,257	1,888	3,145
Total	6,038	3,979	10,017
30 June 2021			
Non-executive directors			
Black, K B	64	57	121
Brandt, J C	280	426	706
Fourie, D G	852	1,341	2,193
Gaomab II, H M	333	–	333
Menetté, G	353	–	353
Nakazibwe-Sekandi, G	410	231	641
Reyneke, D J	426	–	426
Schimming-Chase, E M	203	–	203
Solomon, E	842	–	842
Swanepoel, J J (Chairman)	1,880	1,825	3,705
Total	5,643	3,880	9,523

Directors' fees consist of a quarterly retainer and a fee for attendance of meetings. No fees relating to other services (e.g. commission) have been paid during the 2022 and 2021 financial years.

37. Related parties continued

37.13 Compensation paid to key management continued

37.13.3 EXECUTIVE DIRECTORS' EMOLUMENTS

	Salary N$'000	Short-term incentives N$'000	Pension and medical contributions N$'000	Other allowances and fringe benefits N$'000	Total N$'000
30 June 2022					
Executive directors					
Prinsloo, M J*	3,215	3,500	217	1,087	8,019
Esterhuyse, J J**	1,232	1,825	118	443	3,618
	4,447	5,325	335	1,530	11,637

* *M J Prinsloo received a special gratuity on the renegotiation of his employment contract term of N$2.1 million during the year under review. Apart from the emoluments set out above and the special gratuity the executive directors did not receive any other fees for services rendered as directors.*
** *The figures disclosed only cover the period up to 28 February 2022 when J J Esterhuyse resigned.*

	Salary N$'000	Short-term incentives N$'000	Pension and medical contributions N$'000	Other allowances and fringe benefits N$'000	Total N$'000
30 June 2021					
Executive directors					
Prinsloo, M J	3,034	2,900	213	1,080	7,227
Esterhuyse, J J	1,512	1,450	176	653	3,791
	4,546	4,350	389	1,733	11,018

The executive directors did not receive any other fees for services as directors or any emoluments other than that disclosed.

The following long-term incentives were awarded to the executive directors.

Number of awards	Share Appreciation Rights	Conditional Share Plan-Performance	Conditional Share Plan-Retention
30 June 2022			
Executive directors			
Prinsloo, M J	117,000	23,000	12,000
Esterhuyse, J J***	58,300	11,700	7,800
	175,300	34,700	19,800
30 June 2021			
Executive directors			
Prinsloo, M J	115,000	23,100	11,500
Esterhuyse, J J***	58,000	11,500	7,700
	173,000	34,600	19,200

*** *These awards were forfeited when J J Esterhuyse resigned on 28 February 2022.*

Notes to the consolidated and separate annual financial statements continued

37. Related parties continued

37.14 Directors' holdings in Capricorn Group shares

	2022			2021	
	Number of ordinary shares acquired/(sold) during the current year	Number of ordinary shares at year-end	% held	Number of ordinary shares at year-end	% held
Direct holding:					
Fahl, E		247,074	0.05 %	247,074	
Fourie, D G (Chairman)	–	178,300	0.03 %	178,300	0.03 %
Gaomab II, H M	–	2,000	0.00 %	2,000	0.00 %
Kali, D T	63,370	63,370	0.01 %	–	
Nakazibwe-Sekandi, G	(248,295)	1,000,000	0.19 %	1,248,295	0.24 %
Prinsloo, M J	–	2,363,647	0.46 %	2,363,647	0.46 %
Indirect holding:					
Swanepoel, J J			1.82 %		1.82 %
Brandt, J C			18.36 %		18.36 %
Prinsloo, M J			0.11 %		0.11 %

All shareholdings are beneficial.

No change occurred to the above shareholdings between year-end and not more than one month prior to the date of the notice of the AGM.

38. Assets under custody

As at year-end, the group has no assets under custody (2021: nil).

39. Consolidated structured entities

The group assesses whether it has control over structured entities in terms of IFRS 10. Where the group has control over a structured entity it is consolidated in terms of IFRS 10. The group's structured entities are the Capricorn Group Employee Share Ownership Trust and Capricorn Group Employee Share Benefit Trust.

The group has control over these structured entities, as the trustees are appointed by the group's board of directors. The structured entities are therefore consolidated.

No contractual obligation exists for the group to provide any financial or other support to the consolidated structured entities. The group will provide financial support from time to time for the purchase of shares for the share incentive schemes. As at the end of the 2022 financial year, the group was providing financial support of N$16.9 million (2021: N$17.5 million) to the Capricorn Group Employee Share Ownership Trust.

40. Segment information

The group considers its banking operations in Namibia and Botswana as major operating segments; the other major operating segment is the term lending and related activities in Namibia. Other components include property development, asset management and unit trust management. However, these components each contribute less than 10 % to the group's revenue, assets and profit for the year. Therefore, the group has no significant components other than banking and microlending in Namibia and banking in Botswana. This is in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the Chief Executive Officer of the group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

In assessing the performance of the banking operations, the Group Chief Executive Officer reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to the banking activities. The financial information included below is based on the banks' audited annual financial statements which complies with IFRS measurement and recognition criteria. In order to reconcile to the statement of comprehensive income and statement of financial position all entities that do not qualify as separate segments, as well as consolidation journal entries, are included in the 'other' column.

The banking operations in Zambia were classified as a discontinued operation in the prior financial year. The sale of the subsidiary was concluded on 4 January 2021. Information about this sale transaction is provided in note 41.

40. Segment information continued

40.1 Entity-wide disclosures

40.1.1 PRODUCTS AND SERVICES

Operating segments

Banking operations – Namibia
Term lending and related activities – Namibia
Banking operations – Botswana

Brand

Bank Windhoek Ltd (BW)
Entrepo Holdings (Pty) Ltd
Bank Gaborone Ltd (BG)

Description

(BW & BG) – Corporate and executive banking, retail banking services and specialist finance.
Entrepo – Term lending and life insurance services.

Product and services

Bank Windhoek Ltd and Bank Gaborone Ltd conduct business as registered banks and provide comprehensive banking services. Clients include both individuals and corporate clients.
Entrepo is an investment holding company, its subsidiaries are engaged in life insurance and financial services in Namibia.

40.1.2 GEOGRAPHICAL SEGMENTS

There are no other segment operations outside Namibia and Botswana.

40.1.3 MAJOR CUSTOMERS

Segment reporting requires the disclosure of an entity's reliance on its major customers, if revenue from transactions with a single customer is ten percent or more of the entity's revenue. The group does not have customers that contribute ten percent or more to its revenue and is therefore not reliant on a single major customer.

Notes to the consolidated and separate annual financial statements continued

40. Segment information continued

40.2 Financial information

	Banking – Namibia		Term lending and related activities – Namibia		Banking – Botswana		Other		Group	
	2022 N$000	2021 N$000	2022 N$000	2021 N$000	2022 N$000	2021 N$000	2022 N$000	2021 N$000	2022 N$000	2021 N$000
Net interest income – external	1,872,730	1,734,789	142,946	153,482	301,515	320,233	19,925	46,799	2,337,116	2,255,303
Net interest income – internal	(18,254)	(7,985)	43,931	52,554	15,507	18,395	(41,184)	(62,964)	–	–
Impairment charges on loans and advances	(327,161)	(375,952)	(17,341)	(16,050)	(22,801)	(51,745)	–	(1)	(367,303)	(443,748)
Net interest income after loan impairment charges	1,527,315	1,350,852	169,536	189,986	294,221	286,883	(21,259)	(16,166)	1,969,813	1,811,555
Non-interest income	1,226,532	1,112,058	113,319	128,614	136,964	108,314	192,151	126,925	1,668,966	1,475,911
Fee and commission income	1,042,493	978,726	–	–	97,338	71,067	(96)	(28)	1,139,735	1,049,765
Net trading income	148,743	96,098	416	792	41,347	28,810	20,124	(26,530)	210,630	99,170
Other operating income	35,296	37,234	–	–	(1,721)	8,437	7,517	(5,228)	41,092	40,443
Net insurance premium income	–	–	161,277	163,306	–	–	–	–	161,277	163,306
Net claims and benefits paid	–	–	(48,374)	(35,484)	–	–	–	–	(48,374)	(35,484)
Asset management and administration fee	–	–	–	–	–	–	164,606	158,711	164,606	158,711
Operating income	2,753,847	2,462,910	282,855	318,600	431,185	395,197	170,892	110,759	3,638,779	3,287,466
Operating expenses	(1,594,469)	(1,511,743)	(57,702)	(57,943)	(332,569)	(300,406)	(146,383)	(126,843)	(2,131,123)	(1,996,935)
Operating profit	1,159,378	951,167	225,153	260,657	98,616	94,791	24,509	(16,084)	1,507,656	1,290,531
Share of joint arrangement and associates' results after tax	–	–	–	–	–	–	67,697	103,613	67,697	103,613
Profit before income tax	1,159,378	951,167	225,153	260,657	98,616	94,791	92,206	87,529	1,575,353	1,394,144
Income tax expense	(346,180)	(281,624)	(25,957)	(34,503)	(24,570)	(25,057)	(32,765)	(28,659)	(429,472)	(369,843)
Profit from continuing operations	813,198	669,543	199,196	226,154	74,046	69,734	59,441	58,870	1,145,881	1,024,301
Loss from discontinued operations	–	–	–	–	–	–	–	(41,274)	–	(41,274)
Profit for the period	813,198	669,543	199,196	226,154	74,046	69,734	59,441	17,596	1,145,881	983,027
Change in value of financial assets at fair value through other comprehensive income	(26,673)	(38,694)	–	–	–	–	(16,813)	–	(43,486)	(38,694)
Income tax expense	8,535	12,382	–	–	–	–	–	–	8,535	12,382
Exchange differences on translation of foreign operations	–	–	–	–	15,827	(40,997)	2,688	(7,439)	18,515	(48,436)
Exchange differences on translation of discontinued operation	–	–	–	–	–	–	–	(30,834)	–	(30,834)
Net exchange differences on net investments	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	795,060	643,231	199,196	226,154	89,873	28,737	45,316	(20,677)	1,129,445	877,445

40. Segment information continued

40.2 Financial information continued

	Banking – Namibia		Term lending and related activities – Namibia		Banking – Botswana		Other		Group	
	2022 N$000	2021 N$000 (Restated)	2022 N$000	2021 N$000	2022 N$000	2021 N$000 (Restated)	2022 N$000	2021 N$000 (Restated)	2022 N$000	2021 N$000 (Restated)
ASSETS										
Cash and cash equivalents	3,826,316	2,789,797	(75,000)	(111,785)	2,637,569	2,200,524	91,511	208 916	6,480,396	5,087,452
Financial assets at fair value through profit or loss	1,583,554	1,481,122	99,836	114,839	312,101	5,471	187,688	449,297	2,183,179	2,050,729
Financial assets at amortised cost	763,491	735,720	–	–	–	–	152,370	114,337	915,861	850,057
Financial assets at fair value through other comprehensive income	4,430,697	4,300,987	17,410	16,920	–	194,158	949,519	608,171	5,397,626	5,120,236
Loans and advances to customers	35,157,756	33,700,430	1,406,329	1,416,159	7,033,259	6,315,875	(371,048)	(602,777)	43,226,296	40,829,687
Other assets	378,795	331,992	1,954	2,206	22,608	41,204	66,734	43,740	470,091	419,142
Current tax asset	99,095	111,028	3,054	5,970	2,269	72	(18,551)	5,624	85,867	122,694
Investment in associates	–	–	–	–	–	–	554,895	524,938	554,895	524,938
Interest in joint arrangements	–	–	–	–	–	–	–	–	–	–
Intangible assets	285,867	203,937	1,557	1,557	30,774	25,662	50,693	53,633	368,891	284,789
Property and equipment	409,387	427,587	2,047	1,883	147,542	140,181	80,937	40,147	639,913	609,798
Deferred tax asset	67,823	84,807	9,955	9,380	443	–	38,396	19,282	116,617	113,469
Assets held for sale	–	–	–	–	–	–	–	–	–	–
Total assets	47,002,781	44,167,407	1,467,142	1,457,129	10,186,565	8,923,147	1 783 144	1,465,308	60,439,632	56,012,991
LIABILITIES										
Due to other banks	707,602	538,023	–	–	610	289,859	–	(65,569)	708,212	762,313
Other borrowings	162,075	436,104	60,000	60,000	82,103	53,731	313,839	142,884	618,017	692,719
Debt securities in issue	4,056,586	3,696,106	–	–	367,371	430,644	1,820,655	1,923,759	6,244,612	6,050,509
Deposits	35,521,957	33,411,957	–	–	8,595,374	7,265,489	(469,879)	(497,747)	43,647,452	40,179,699
Other liabilities	585,732	639,207	545,383	541,437	365,546	198,506	(90,728)	(179,652)	1,405,933	1,199,498
Current tax liability	–	–	–	–	419	4,684	2,331	3,102	2,750	7,786
Deferred tax liability	–	–	–	–	–	118	162	–	162	118
Post-employment benefits	15,997	13,638	1,591	1,220	–	–	1,580	1,268	19,168	16,126
	–	–	–	–	–	–	–	–	–	–
Total liabilities	41,049,949	38,735,035	606,974	602,657	9,411,423	8,243,031	1 577 960	1,328,045	52,646,306	48,908,768
EQUITY										
Share capital and premium	485,000	485,000	130,005	130,005	316,550	316,565	(212,459)	(216,995)	719,096	714,575
Non-distributable reserves	80,370	209,149	–	–	–	–	–	–	80,370	209,149
Distributable reserves	5,387,462	4,738,223	730,163	724,467	458,592	363,551	(88,796)	(136,031)	6,487,421	5,690,210
	5,952,832	5,432,372	860,168	854,472	775,142	680,116	(301,255)	(353,026)	7,286,887	6,613,934
Non-controlling interests in equity	–	–	–	–	–	–	506,439	490,289	506,439	490,289
Total shareholders' equity	5,952,832	5,432,372	860,168	854,472	775,142	680,116	205,184	137,263	7,793,326	7,104,223
Total equity and liabilities	47,002,781	44,167,407	1,467,142	1,457,129	10,186,565	8,923,147	1,783,144	1,465,308	60,439,632	56,012,991

Refer to note 1.3.1(a) for further disclosures relating to the prior year restatement.

Notes to the consolidated and separate annual financial statements
continued

41. Discontinued operation

Description

On 31 July 2020 the Group signed a Share Purchase Agreement with Access Bank (Zambia) Ltd, a subsidiary of Access Bank Plc, to sell its banking subsidiary in Zambia, Cavmont Bank Limited, a wholly owned subsidiary of Cavmont Capital Holdings Zambia Ltd ("CCHZ").

The transaction was anticipated to be concluded during the fourth quarter of 2020, but due to unforeseen circumstances, the sale was only concluded on 4 January 2021. Following the sale of Cavmont Bank Limited, the shareholders also approved the delisting of CCHZ from the Lusaka Securities Exchange ("LuSe"), which became effective on 14 January 2021.

Financial performance and cash flow information

The financial performance and cash flow information presented is for the period up to 4 January 2021.

	2021 N$'000
Net interest income	42,234
Credit impairment losses	(21,316)
Non-interest income	26,167
Operating income	47,085
Operating expenses	(76,840)
Loss before income tax	(29,755)
Income tax expense	–
Loss after tax of discontinued operation	(29,755)
Loss on fair value remeasurement of assets and liabilities held for sale	–
Loss on sale of subsidiary	(11,519)
Loss from discontinued operation	(41,274)
Exchange differences on translation of discontinued operations	(30,716)
Other comprehensive income from discontinued operations	(71,990)
Net cash outflow from operating activities	(22,993)
Net cash outflow from investing activities	–
Net decrease in cash generated by the subsidiary	(22,993)

41. Discontinued operation continued

Financial performance and cash flow information continued

Details of the sale of the subsidiary	2021 N$'000
Consideration received or receivable:	
Cash	115,638
Total disposal consideration	115,638
Carrying amount of net assets sold	(55,691)
Gain on sale before additional costs incurred to finalise sale	59,947
Reverse Gain on bargain purchase (on acquisition)	(48,541)
Other costs incurred to finalise sale	(22,925)
Loss on sale	(11,519)

A loss on sale of N$119 million was recognised for the company of which N$99.7 million is disclosed in note 6 and N$19 million in note 9.

The carrying amounts of assets and liabilities as at the date of sale (4 January 2021) were:

	2021 N$'000
Cash and balances with the central bank	80,356
Financial assets at fair value through amortised cost	418,576
Due from other banks	240,124
Loans and advances to customers	483,163
Other assets	48,160
Current tax asset	19,622
Intangible assets	12,868
Property and equipment	17,660
Total assets of disposal group held for sale	1,320,529
Due to other banks	(396,558)
Deposits	(829,721)
Other liabilities	(38,559)
Total liabilities of disposal group held for sale	(1,264,838)

42. Cost to income ratio

For cost to income ratio purposes, fee and commission expenses are reclassified from operating expenses to non-interest income.

		Group	
	Notes	2022 N$'000	2021 N$'000
Net interest income	5.	2,337,116	2,255,303
Non-interest income	7.	1,668,966	1,475,911
Fee and commision expenses	9.2	(175,587)	(141,890)
Income used for ratio		3,830,495	3,589,324
Operating expenses	9.	2,131,123	1,996,935
Fee and commission expenses	9.2	(175,587)	(141,890)
Cost used for ratio		1,955,536	1,855,045
Cost to income ratio		51.1 %	51.7 %

Notes to the consolidated and separate annual financial statements continued

Glossary of Terms

Basel II	The capital adequacy framework issued by the Bank for International Settlements aimed at aligning banks' capital requirements with relevant risk profile and risk practices.
Capital adequacy requirement (CAR)	The minimum amount of capital required to be held, as determined by the Bank of Namibia.
Cost to income ratio (%)	Operating expenses, divided by total operating income.
Earnings per share (cents)	The group profit for the year attributable to the equity holders of the parent entity divided by the weighted average number of ordinary shares in issue during the year.
Fair value	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Headline earnings	Profit for the year attributable to the equity holders of the parent entity from trading operations, excluding goodwill gain or losses, capital profits and losses and recycled profits or losses on available-for-sale financial instruments. Headline earnings do not measure sustainable earnings.
Headline earnings per share (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue during the year.
Net asset value per share (cents)	Net assets excluding non-controlling interest (NCI) divided by the weighted average number of ordinary shares in issue during the year.
Price earnings ratio	Closing share price (cents) divided by earnings per share (cents).
Price to book ratio	Closing share price (cents) divided by net asset value per share (cents).
Return on average assets (ROA) (%)	Group profit for the year attributable to the equity holders of the parent entity divided by average total assets.
Return on average shareholders' equity (ROE) (%)	Group profit for the year divided by average total shareholders' equity.
Tier I capital ratio	Net total Tier I capital (after deduction of goodwill and 50% of cost of investments in affiliates) divided by total risk-weighted assets.
Tier II capital ratio	Net total Tier II capital (after deduction of 50% of cost of investments in affiliates) divided by total risk-weighted assets.
Total risk-based capital ratio	Total regulatory capital (Tier I, II and III capital) divided by total risk-weighted assets.
Tier I leverage ratio	Net total Tier I capital (after deduction of goodwill and 50% of cost of investments in affiliates) divided by gross assets (total assets plus specific and general impairment).
The central bank	The Bank of Namibia (BoN).

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