'21 GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

Capricorn Group

Index

Statement of responsibility by the board of directors

for the year ended 30 June 2021

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.
- 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 14 to 143 have been prepared in accordance with the provisions of the Companies Act of Namibia, 28 of 2004 ("Companies Act of Namibia") 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 9.

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 14 to 143, were authorised and approved for issue by the board of directors on 14 September 2021 and are signed on their behalf:

J J Swanepoel
Chairperson

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 2021, 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 ("IFRS") 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 10 to 143 comprise:

- the directors' report for the year ended 30 June 2021;
- the consolidated and separate statements of financial position as at 30 June 2021;
- 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.

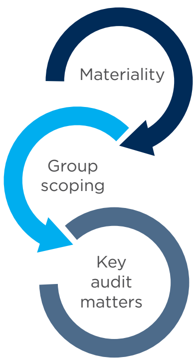
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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: N$ 69,707,200, which represents 5% of consolidated profit before income tax from continuing operations.*

Group audit scope

- *The group audit scope included a full scope audit of the Company, due to its financial significance to the Group, and full scope audits of three components in the Group based on their financially significant contribution to the group profit before tax.*

Key audit matters

- *Expected credit losses ("ECL") on loans and advances and financial assets at amortised cost; and*
- *Sale of investment in a subsidiary.*

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

Materiality

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

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the 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	*N$ 69,707,200.*
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 income tax from continuing operations 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 significant components identified included the Company, Bank Windhoek Limited, Capricorn Investment Holdings (Botswana) Limited and Entrepo Holdings (Pty) Limited. These entities were subjected to a full scope audit and include entities operating in Namibia and Botswana. Analytical reviews were performed over any remaining components where audit work was not performed, which confirmed that no further risks existed.

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 Company's audit as well as the audit of the group consolidation. 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 affecting the group, the scope of the related audits, audit risks, materiality and our overall audit approach. 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 judgment, 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 note 3.2 (Credit risk), note 4(a) (Critical accounting estimates and judgements in applying accounting policies), note 14 (Financial assets) and note 17 (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. At 30 June 2021, gross loans and advances for the Group amounted to N$42.1 billion against which ECL of N$1.3 billion was recognised. Gross financial assets at amortised cost for the Group amounted to N$ 949.3 million, against which ECL of N$ 99.2 million was recognised. Gross financial assets at amortised cost for the Company amount to N$ 471.8 million, against which ECL of N$ 93.5 million was recognised.	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 SICR with reference to the transfer of accounts between different stages. We noted no matters requiring further consideration. • We tested, through inspection of relevant underlying documentation, a sample of loans and advances that were restructured as payment holidays as a result of the COVID-19 pandemic to assess whether the payment holidays were granted to qualifying clients only. We then evaluated the SICR from the date of restructuring to the end of the reporting period. We noted no material exceptions.

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 continued We considered the ECL on loans and advances a 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; • the effect that the ECL has on the Group and Company's credit risk management processes; and • the significance of the loans and advances as well as ECL balances to the financial statements. In calculating the ECL in terms of the requirements of IFRS 9, the key areas of significant judgement and assumptions applied by management included the following: • 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; • Establishing groups of similar financial assets for the purposes of measuring ECL. • Impacts of the Covid-19 pandemic on the determination of ECL on loans and advances and financial assets at amortised cost. In light of the COVID-19 pandemic, some customers were granted payment holidays to reduce the financial impact on their businesses. These relief measures were specifically focused on the tourism, construction and SME customers. The group and company did not determine this to be an indicator of SICR in itself, but individually assessed the largest exposures for SICR due to COVID-19, and classified customers accordingly.	*Determination of write-off point* • We evaluated management's assessment of historical post write-off recoveries, to determine the point at which there was no reasonable expectation of further recovery. This was done by testing write-offs on a sample basis and agreeing the procedures followed to management policy on write-offs. We noted no material exceptions. • Through recalculation, we tested a sample of the application of the IFRS 9 – Financial Instruments write-off policy, including the exclusion of post write-off recoveries from the Loss Given Default ("LGD"). We noted no material exceptions. • We tested write-offs and recoveries that took place during the current year on a sample basis by agreeing the amount written off to management's policy. We also agreed the amount received for recoveries to the amounts recorded. We noted no material exceptions. • We tested, on a sample basis, write-offs on loans and advances, which have been restructured by means of payment holidays granted, by evaluating such against the write-off policy. This evaluation included compliance with regards to the policy in respect of the factors to be considered to determine the write off point, and levels of approval. We noted no instances of non-compliance with the write-off policy. • We tested, on a sample basis, whether SICR has been appropriately evaluated on an account level by assessing the impact of COVID-19 on these accounts through assessing payments made and reconciling this to installments required. 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 performed the following procedures: • 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. • For the sample above, we also assessed management's determination of stage 3 exposures with reference to the group accounting policy and the methodology applied in the industry and the requirements of IFRS 9 - Financial Instruments. 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 matters requiring further consideration.

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 continued Note 3.2.3 defines post model adjustments. Post model adjustments are short-term adjustments to the ECL balances as part of the year-end reporting process to reflect late updates to market data, known model deficiencies and expert credit judgement. Specific to the group and company, 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.	*Calibrating of ECL statistical model components (PD, EAD, LGD)* We performed the following procedures, in respect of which no material exceptions were noted: • We obtained an understanding through discussion with management and our inspection of their documented methodologies and assumptions used in the various ECL model components. Our understanding obtained, included how these were 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. We performed the procedures below to test the post-model adjustments. For all clients on which post-model adjustments were made, we performed the below procedures: • We compared management's rationale provided for adding an additional out of model adjustment to 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. • 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 fall within our range.
We determined the 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 as it relates to management's determination of the ECL on financial assets at amortised cost, as follows: • We independently determined PDs with reference to current and relevant market information available. No significant variances were noted between these, and the PDs used by management in the ECL calculation. • We recalculated EAD and LGD with reference to the contractual arrangements relating to the individual instruments. No material variances were noted. We recalculated the ECL using these independently determined PD, EAD and LGD inputs, and noted no material variances from the ECL calculated by management.

Key audit matter	How our audit addressed the key audit matter
Sale of investment in a subsidiary *Refer to note 43 (Discontinued Operation) and note 4(j) (Critical accounting estimates and judgements in applying accounting policies) to the consolidated and separate financial statements.* This key audit matter is applicable to the consolidated and separate financial statements. Capricorn Group Limited ("CGL") held 99.6 % of the shares of Cavmont Capital Holdings Zambia Plc ("CCHZ") and exercised control over CCHZ as at 31 December 2020. Cavmont Bank Ltd ("CBL") was a wholly owned subsidiary of CCHZ which CCHZ controlled until the effective date of the sale transaction. On 31 July 2020, CGL entered into a Share Purchase Agreement ("SPA") with Access Bank (Zambia) Ltd ("Access"), an unrelated and independent third party to the CGL Group, to sell its banking subsidiary, CBL. As a result of this transaction a loss on sale of N$ 11.5 million was recognised for the Group and a loss on sale of N$ 119.0 million was recognised for the Company. We determined recognition and measurement of the sale transaction to be a matter of most significance to our current year audit due to the degree of judgement applied by management in accounting for the sale as well as the significance of the transaction to the financial statements. Key areas of significant management judgement and estimation applied in the sale of investment in subsidiary are disclosed in notes 4(j) and note 43 to the consolidated and separate financial statements, and relate to the: • Determining the exact date of loss of control. • Determination of the fair value of the consideration received. • Derecognition of assets and liabilities of the subsidiary and reversal of original gain on bargain purchase. • Calculation of the loss on sale which includes consideration of other costs incurred to finalise the sale.	Our audit procedures addressed the key areas of significant judgement as it relates to management's determination of the recognition and measurement of the sale transaction as follows: *Determining the date of loss of control* • Utilising our accounting specialists, we reviewed the relevant agreements to obtain an understanding of the substantive conditions of the sale agreement. • Engaged with the PwC Zambia audit teams of Cavmont Bank Limited and Access Bank (Zambia) Ltd to review the relevant agreements and provide input into the determination of the date of loss of control. We noted no contradicting views to our own. • We inspected the secretarial documents to establish the dates of resignation of the Cavmont Bank Limited directors and the date of the transfer of shares as these events were considered to be key determinants of when control over CBL was lost. We agreed with management's conclusion that the date of loss of control is 4 January 2021. *Determination of the fair value of consideration received* We performed the following procedures, in respect of which we noted no material exceptions: • We reconciled and agreed the carrying value of the investment in the standalone financial statements of Capricorn Group Limited to the reviewed results of the company as at the date of loss of control. • We tested the proceeds received, by agreeing the amount recognised to the sale agreements. • On a sample basis, we compared contractually agreed adjustments to the proceeds, to underlying documentation and assessed judgments applied by management (as disclosed in note 4(j) against our understanding of the contractual arrangement and recent audit results for the entity. *Determination of the net asset value of CBL and original gain on bargain purchase to be derecognised:* We performed the following procedures, in respect of which we noted no material exceptions: • We assessed whether the assets (including any goodwill) and liabilities of CBL were appropriately derecognised at their carrying amounts at the date of loss of control by agreeing the balances to the reviewed half year results of CBL that were included in the half year results of Capricorn Group Limited. *Calculation of the loss on sale* We performed the following procedures, in respect of which we noted no material exceptions: • On a sample basis, we agreed additional costs included in the calculation to supporting documentation. • We recalculated the loss of sale using the proceeds, net asset values and other factors set out above and compared this to the loss recognised by management.

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "Capricorn Group '21 Group Annual Financial statements for the year ended 30 June 2021" and "Capricorn Group '21 Integrated Report". 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: 14 September 2021

Directors' report

for the year ended 30 June 2021

The directors herewith submit their report with the annual financial statements of Capricorn Group Ltd ("the company") for the year ended 30 June 2021.

1. General review

Capricorn Group is a Namibian registered holding company and has been listed on the Namibian Stock Exchange ("NSX") since 20 June 2013. Its investments comprised 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, an effective 99.6% shareholding in Cavmont Capital Holdings Zambia Plc, 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 2021. 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 Investment Holdings (Botswana) Ltd ("CIHB")
  - Investment holding company
- Cavmont Capital Holdings Zambia Plc ("CCHZ") (classified as a discontinued operation)
  - 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)
  - Mobile telecommunication services
- 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
  - Microlending
- Bank Windhoek Properties (Pty) Ltd
  - Property investment

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 Micro (Pty) Ltd (dormant)
  - Microlending
- Capricorn Asset Management (Botswana) (Pty) Ltd (dormant)
  - Asset management

Subsidiaries of Entrepo Holdings (Pty) Ltd

- Entrepo Finance (Pty) Ltd
  - Microlending
- 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 2021 amounted to:

	2021 N$'000	2020 N$'000
Profit for the year	983,027	856,412

Normal dividends of N$217.3 million (2020: N$342.7 million) were declared and paid by the company during the year under review. Refer to note 35 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 14 to 143.

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 30 to this 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 25 and 30 to the consolidated annual financial statements.

4. Share capital continued

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:

	2021 %	2020 %
Capricorn Investment Holdings Ltd	43.1	43.1
Government Institutions Pension Fund	25.9	25.9
Nam-mic Financial Services Holdings (Pty) Ltd	8.0	8.0
Held by the public (93,859,828 ordinary shares (2020: 93,956,811))	18.1	18.1
Held by other non-public shareholders	4.9	4.9
– Directors and executive managements' direct and indirect shareholding other than companies mentioned above (14,518,763 ordinary shares (2020: 14,834,813))	2.8	2.9
– Capricorn Group Employee Share Ownership Trust (7,927,328 ordinary shares (2020: 7,447,001))	1.4	1.4
– Capricorn Group Employee Share Benefit Trust (3,420,000 ordinary shares (2020: 3,420,000))	0.6	0.6
4.4 Share analysis – preference shares		
Santam Namibia Ltd	2.5	2.3
Capricorn Investment Holdings Ltd	39.9	37.2
First National Bank of Namibia Ltd	57.6	60.5

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 32 in the consolidated annual financial statements for more information.

The Group also operates a share purchase scheme (note 17 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.

4.6 Directors' interest in company shares

For details of the directors' holdings in the issued ordinary shares of Capricorn Group, refer to note 39 to the consolidated annual financial statements.

5. Subsidiaries

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

6. Associates

For details relating to the associates of Capricorn Group, refer to note 20 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/ retired
J J Swanepoel	Chairperson	Namibian	1 July 1999	
J C Brandt		Namibian	5 September 1996	
K B Black		Namibian	13 June 2007	27 October 2020
G Nakazibwe-Sekandi		Ugandan	30 November 2004	
E M Schimming-Chase		Namibian	4 March 2013	31 March 2021
D G Fourie		Namibian	29 October 2015	
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	
Executive				
M J Prinsloo	Group CEO	South African	4 March 2013	
J J Esterhuyse	Financial director	South African	1 September 2018	

8. Directors and company secretary continued

At the annual general meeting held on 27 October 2020, Messrs Brandt and Swanepoel 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 Solomon was unanimously confirmed.

The authorised but unissued number of ordinary and preference shares of the company subject to the provisions of the Banking Institutions Act, section 229 of the Companies Act and the Listing Requirements of the Namibian Stock Exchange, are under the control of the directors of Capricorn Group. This authority expires at the forthcoming annual general meeting on 27 October 2021, 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 39 .

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

1) On 14 September 2021 a final dividend of 38 cents per ordinary share was declared for the year ended 30 June 2021, payable on 22 October 2021.

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 is a going concern 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 analysis.

The Group and company's projections and sensitivity analysis show that the Group and company has 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, even when considering more severe impacts of the COVID-19 pandemic.

Consolidated and separate statements of comprehensive income

for the year ended 30 June 2021

	Notes	Group 2021 N$'000	Group 2020 N$'000 (Restated)	Company 2021 N$'000	Company 2020 N$'000
Interest and similar income		4,057,427	4,725,908	105,692	90,607
Interest and similar expenses		(1,802,124)	(2,541,932)	(121,828)	(145,973)
Net interest income	5.	2,255,303	2,183,976	(16,136)	(55,366)
Credit impairment losses	6.	(443,748)	(407,448)	(101,349)	(170,476)
Net interest income after credit impairment		1,811,555	1,776,528	(117,485)	(225,842)
Non-interest income	7.	1,475,911	1,424,711	392,543	544,859
Fee and commission income	7.1	1,049,765	926,914	–	–
Net trading income	7.2	99,170	197,326	8,462	16,688
Other operating income	7.3	40,443	42,777	384,081	528,171
Net insurance premium income	7.4	163,306	152,993	–	–
Net claims and benefits paid	7.5	(35,484)	(30,719)	–	–
Asset management and administration fees	7.6	158,711	135,420	–	–
Operating income		3,287,466	3,201,239	275,058	319,017
Operating expenses	9.	(1,996,935)	(1,900,877)	(147,138)	(127,949)
Operating profit		1,290,531	1,300,362	127,920	191,068
Share of joint arrangement's results after tax	21.	–	2,817	–	–
Share of associates' results after tax	10.	103,613	63,711	–	–
Profit before income tax		1,394,144	1,366,890	127,920	191,068
Income tax expense	11.	(369,843)	(354,795)	375	(11,659)
Profit from continuing operations		1,024,301	1,012,095	128,295	179,409
Loss from discontinued operations	43.	(41,274)	(155,683)	–	–
Profit for the period		983,027	856,412	128,295	179,409
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		(38,353)	37,877	–	–
Income tax expense		12,273	(12,121)	–	–
Loss on net investments in foreign subsidiary		–	(19,483)	–	(19,483)
Exchange differences on translation of foreign operations		(48,436)	53,888	–	–
Exchange differences on translation of discontinued operations		(30,834)	9,719	–	–
Items that will not be reclassified to profit or loss					
Change in value of equity instruments at fair value through other comprehensive income		(341)	786	–	–
Income tax expense		109	(251)	–	–
Total comprehensive income for the year		877,445	926,827	128,295	159,926

	Notes	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Profit attributable to:					
Equity holders of the parent entity		872,326	760,973	128,295	179,409
Non-controlling interests		110,701	95,439	–	–
		983,027	856,412	128,295	179,409
Total comprehensive income attributable to:					
Equity holders of the parent entity		773,623	822,670	128,295	159,926
Non-controlling interests		103,822	104,157	–	–
		877,445	926,827	128,295	159,926
Total comprehensive income attributable to:					
Continuing operations		949,553	1,072,791	128,295	159,926
Discontinued operations		(72,108)	(145,964)	–	–
		877,445	926,827	128,295	159,926
See note 1.3.1(b) for details regarding the restatement in the 2020 annual financial statements.					
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.	178.7	178.4		
Fully diluted (cents)	12.	178.2	177.9		
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)	(29.8)		
Fully diluted (cents)	12.	(8.0)	(29.7)		
Earnings per ordinary share for the profit attributable to the equity holders of the parent entity during the year:					
Basic (cents)	12.	170.7	148.6		
Fully diluted (cents)	12.	170.1	148.2		

Consolidated and separate statements of financial position

as at 30 June 2021

	Notes	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
ASSETS					
Cash and balances with the central bank	13.	1,319,389	909,117	665,789	387,857
Financial assets at fair value through profit or loss	14.	2,250,127	2,314,333	79,316	716,953
Financial assets at amortised cost	14.	850,057	712,757	378,328	294,848
Financial assets at fair value through other comprehensive income	15.	5,120,236	5,773,633	802,328	683,151
Due from other banks	16.	3,568,665	2,996,527	–	–
Loans and advances to customers	17.	40,829,687	40,078,622	–	–
Other assets	18.	419,142	398,656	72,129	56,310
Current tax asset		122,694	110,404	5,123	3,703
Investment in subsidiaries	19.	–	–	1,416,898	1,418,763
Investment in associates	20.	524,938	581,800	342,458	431,195
Intangible assets	21.	284,789	287,451	–	–
Property and equipment	22.	609,798	602,494	–	–
Deferred tax asset	28.	113,469	54,938	11,092	10,717
Assets held for sale	43.	–	1,517,394	–	–
Total assets		56,012,991	56,338,126	3,773,461	4,003,497
LIABILITIES					
Due to other banks	23.	762,313	969,143	–	–
Other borrowings	24.	692,719	861,502	142,884	172,601
Debt securities in issue	25.	6,050,509	5,642,291	2,187,750	2,286,355
Deposits	26.	40,179,699	39,323,264	–	–
Other liabilities	27.	1,199,498	1,297,597	43,077	57,086
Current tax liability		7,786	2,256	–	–
Deferred tax liability	28.	118	192	–	–
Post-employment benefits	29.	16,126	14,929	1,268	1,149
Liabilities held for sale	43.	–	1,496,888	–	–
Total liabilities		48,908,768	49,608,062	2,374,979	2,517,191
EQUITY					
Share capital and premium	30.	714,575	718,078	758,544	760,667
Non-distributable reserves	33.	209,149	34,617	–	(19,483)
Distributable reserves	34.	5,690,210	5,555,410	639,938	745,122
		6,613,934	6,308,105	1,398,482	1,486,306
Non-controlling interests in equity		490,289	421,959	–	–
Total shareholders' equity		7,104,223	6,730,064	1,398,482	1,486,306
Total equity and liabilities		56,012,991	56,338,126	3,773,461	4,003,497

Consolidated and separate statements of changes in equity

for the year ended 30 June 2021

	Notes	Non-distributable reserves					Distributable reserves					
	Notes	Share capital and premium N$'000	Insurance fund reserve N$'000	Credit risk 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 2019		720,302	51,125	34,829	–	23,221	695	3,843,797	5,000	1,136,427	345,382	6,160,778
Movement in treasury shares		(8,720)	–	–	–	–	–	–	–	–	–	(8,720)
Total comprehensive income for the year		–	–	–	(19,483)	–	26,291	–	54,889	760,973	104,157	926,827
Profit for the year		–	–	–	–	–	–	–	–	760,973	95,439	856,412
Other comprehensive income		–	–	–	(19,483)	–	26,291	–	54,889	–	8,718	70,415
Share-based payment charges	34.	–	–	–	–	12,480	–	–	–	–	–	12,480
Vesting of shares		6,496	–	–	–	(6,496)	–	–	–	–	–	–
Profit on sale of treasury shares		–	–	–	–	–	–	–	–	1,917	–	1,917
Transfer between reserves		–	2,975	(34,829)	–	–	(25,506)	2,296	–	55,064	–	–
Change in ownership interest in subsidiary		–	–	–	–	–	–	–	–	2,436	(2,436)	–
Transfer of FCTR		–	–	–	–	–	–	–	2	–	(2)	–
Dividends	35.	–	–	–	–	–	–	–	–	(338,076)	(25,142)	(363,218)
Balance at 30 June 2020		718,078	54,100	–	(19,483)	29,205	1,480	3,846,093	59,891	1,618,741	421,959	6,730,064
Balance at 1 July 2020		718,078	54,100	–	(19,483)	29,205	1,480	3,846,093	59,891	1,618,741	421,959	6,730,064
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	34.	–	–	–	–	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)	–	–
Reclassification to retained earnings		–	–	–	19,483	–	–	–	–	(19,483)	–	–
Disposal of subsidiary		–	–	–	–	–	–	–	–	(267,029)	-	(267,029)
Transfer of FCTR		–	–	–	–	–	–	–	(8)	–	8	–
Dividends	35.	–	–	–	–	–	–	–	–	(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
Notes		30	33.2	33.1	33.3	34.5	34.1	34.2	34.3	34.4		

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

		Non-distributable reserves					Distributable reserves					
	Notes	Share capital and premium N$'000	Insurance fund reserve N$'000	Credit risk 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
COMPANY												
Balance at 1 July 2019		765,507	–	–	–	14,922	–	–	–	887,841	–	1,668,270
Movement in treasury shares		(6,060)	–	–	–	–	–	–	–	–	–	(6,060)
Share-based payment charges	34.	–	–	–	–	6,832	–	–	–	–	–	6,832
Vesting of shares		1,220	–	–	–	(1,220)	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	(19,483)	–	–	–	–	179,409	–	159,926
Profit for the year		–	–	–	–	–	–	–	–	179,409	–	179,409
Other comprehensive income		–	–	–	(19,483)	–	–	–	–	–	–	(19,483)
Dividends	35.	–	–	–	–	–	–	–	–	(342,662)	–	(342,662)
Balance at 30 June 2020		760,667	–	–	(19,483)	20,534	–	–	–	724,588	–	1,486,306
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	34.	–	–	–	–	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	35.	–	–	–	–	–	–	–	–	(217,330)	–	(217,330)
Balance at 30 June 2021		758,544	–	–	–	23,868	–	–	–	616,070	–	1,398,482
Notes		30			33.3	34.5				34.4		

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

Consolidated and separate statements of cash flows

for the year ended 30 June 2021

	Notes	Group 2021 N$'000	Group 2020 N$'000 Restated	Company 2021 N$'000	Company 2020 N$'000
Cash flows from operating activities					
Cash receipts from customers	36.1	5,595,914	6,232,623	107,352	90,352
Cash paid to customers, suppliers and employees	36.2	(3,799,894)	(4,189,822)	(260,255)	(284,242)
Cash generated from/(utilised in) operations	36.3	1,796,020	2,042,801	(152,903)	(193,890)
(Increase)/decrease in operating assets					
Financial assets at fair value		(224,888)	(903,231)	(208,713)	(161,154)
Financial assets at amortised cost		(137,299)	383,950	(122,777)	(177,385)
Loans and advances to customers and central bank mandatory reserve		(1,196,868)	(1,570,696)	–	–
Other assets		(21,890)	243,505	(23,287)	108,226
Increase/(decrease) in operating liabilities					
Deposits from customers		825,312	1,255,238	–	–
Other liabilities		(54,285)	481,478	(5,255)	(4,821)
Net cash generated from/(utilised in) operations		986,102	1,933,045	(512,935)	(429,024)
Dividends received		87,615	97,350	349,477	463,758
Other interest received		632	891	12,433	29,433
Income taxes paid	36.4	(435,209)	(353,500)	–	–
Net cash generated from/(utilised in) operating activities		639,140	1,677,786	(151,025)	64,167
Cash flows from investing activities					
Additions to property and equipment	22.	(187,831)	(103,005)	–	–
Proceeds on sale of property and equipment	36.3	–	112	–	–
Additions to intangible assets	21.	(64,170)	(70,668)	–	–
Proceeds on sale of subsidiary	36.5	738	–	738	–
Proceeds on sale of associate	36.6	96,466	–	96,466	–
Acquisition of subsidiary	36.7	–	–	–	(7,415)
Acquisition of associate		–	(215,003)	–	(215,003)
Net cash (utilised in)/generated from investing activities		(154,797)	(388,564)	97,204	(222,418)
Cash flows from financing activities					
Treasury shares acquired		(15,842)	(21,698)	(5,714)	(6,060)
Treasury shares sold		20,370	26,058	–	–
Proceeds from other borrowings	24.	231,198	146,435	166,229	146,435
Redemption of other borrowings	24.	(362,579)	(312,868)	(164,020)	(145,595)
Redemption of debt securities in issue	25.	(951,000)	(762,182)	(75,000)	–
Proceeds from the issue of debt securities	25.	1,441,104	700,872	–	500,000
Lease payments made	27.	(90,607)	(89,617)	–	–
Dividends paid	35.	(240,500)	(363,218)	(217,330)	(342,662)
Net cash generated from/(utilised in) financing activities		32,144	(676,218)	(295,835)	152,118
Net increase/(decrease) in cash and cash equivalents from continuing operations		516,487	613,004	(349,656)	(6,133)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	43.	–	(70,388)	–	–
Cash and cash equivalents at the beginning of the year		6,277,817	5,791,650	1,104,810	1,091,987
Effects of exchange rate changes on cash and cash equivalents		(23,277)	(56,449)	(10,049)	18,956
Cash and cash equivalents at the end of the year	38.	6,771,027	6,277,817	745,105	1,104,810

Notes to the consolidated and separate annual financial statements

for the year ended 30 June 2021

1. Basis of presentation

The consolidated annual financial statements of Capricorn Group (the Group or the company) for the year ended 30 June 2021 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/ date of adoption by group
Amendments to References to the Conceptual Framework in IFRS Standards	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.	No material impact	Mandatory for financial years commencing on or after 1 January 2020. Date of adoption by the Group: 1 July 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.	No material impact	Mandatory for financial years commencing on or after 1 January 2020. Date of adoption by the Group: 1 July 2020

1.3. Standards and interpretations issued

1.3.1. (a) Change in accounting estimate

During June 2021 the estimated total useful lives of buildings were revised to 47 years from 50 years. The net effect of the changes in the current financial year was a decrease in depreciation of N$1.2 million.

Assuming the properties are held until the end of their estimated useful lives, following the effect on profit or loss:

Group	30 June 2021 N$000	Years thereafter N$000	Total N$000
Depreciation	366	793	1,159
Income tax	(117)	(260)	(377)
Net effect on profit or loss	249	533	782

1.3.1. (b) Restatement of interest recognised on stage 3 loans

IFRS 9 requires that for financial assets in stage 3, entities should recognise interest income on the net carrying amount (gross loans less impairment). Additional interest recognised on the loans and advances will be included in the impairment test which will result in an increase in impairment charge line item.

In the 2020 annual financial statements, the interest on the loans and advances in stage 3 and corresponding increase in the impairment unwind on ECL for stage 3 were not recognised as the impact on the net profit before tax was zero.

A third statement of financial position is not presented in the annual financial statements as the restatement only impacts the loans and advances and no other line item on the statement of financial position..

The interest recognised and impairment charge were corrected by restating each of the affected annual financial statement line items for the prior period as follows:

Group	**30 June 2020 N$000**	**Restatement N$000**	**Restated 30 June 2020 N$000**
Consolidated statement of comprehensive income (extract)			
Interest and similar income	(4,622,831)	(103,077)	(4,725,908)
Credit impairment losses	304,371	103,077	407,448
Profit before income tax	1,366,890	–	1,366,890
Income tax expense	(354,795)	–	(354,795)
Profit for the year	1,012,095	–	1,012,095

	30 June 2020 N$000	**Restatement* N$000**	**Restated 30 June 2020 N$000**
Consolidated statement of financial position (extract)			
Loans and advances to customers	40,078,622	–	40,078,622
Gross loans and advances	41,018,537	103,384	41,121,921
Total impairment	(939,915)	(103,384)	(1,043,299)
Total impact on equity			–

* *The difference between the restatement amount in the statement of financial position and statement of comprehensive income is caused by foreign exchange differences on the impact in Botswana between the spot and average rates used respectively.*

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
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 contract, 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.

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 remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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. Summary of significant accounting policies continued

2.1 Consolidation continued

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 remeasured 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.

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 20.

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.

2. Summary of significant accounting policies continued

2.1 Consolidation continued

2.1.6 Joint arrangements

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Refer to note 21 for the Group's joint arrangements. Joint arrangements are accounted for using the equity method.

Under the equity method of accounting, interests in joint arrangements are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint arrangement equals or exceeds its interests in the joint arrangement (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint arrangement), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint arrangement.

Unrealised gains on transactions between the Group and its joint arrangement are eliminated to the extent of the Group's interest in the joint arrangement. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint arrangement have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in joint arrangements are measured at cost less impairment in the company's financial statements.

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 remeasured. 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 available-for-sale, are included in other comprehensive income.

2.3 Financial instruments

2.3.1 Measurement methods

Amortised cost and effective interest

The amortised cost is the cost at which the financial assets or financial liability is measured 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.

2. Summary of significant accounting policies continued

2.3 Financial instruments continued

2.3.1 Measurement methods continued

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).

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.

Classification and subsequent measurement of debt instruments depend on:

(i) The Group’s business model for managing the asset
(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. Interest income from these financial assets is included in ‘Interest and similar income’ using the effective interest rate 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 rate 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.

2. Summary of significant accounting policies continued

2.3 Financial instruments continued

2.3.2 Financial assets continued

(i) Classification and subsequent measurement continued

Debt instruments continued

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.

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 transition matrix methodology
- The time value of money
- 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.

2. Summary of significant accounting policies continued

2.3 Financial instruments continued

2.3.2 Financial assets continued

(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.

2.3.3 Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as 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 2.13).

(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.

2.3.7. 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. The Group and company have applied this requirement by presenting interest capitalised on stage 3 loans and advances as a separate reconciling item when calculating the loans and advances' total value. 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 rate 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.

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 programmes 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
- The expenditure attributable to the software product during its development can be reliably measured

2. Summary of significant accounting policies continued

2.4 Intangible assets continued

2.4.2 Computer software and development costs continued

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 as 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 – 5 years
Internally generated software	5 – 7 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 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.

2.7 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. Summary of significant accounting policies continued

2.8 Leases

2.8.1 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
- 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 5 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	5 – 10 years
Leased lines	2 years

Until the 2019 financial year, leases of property and equipment were classified as either finance or operating leases based on the requirements of IAS 17. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group as required by IFRS 16.

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
- 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
- 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

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 rate 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.

2. Summary of significant accounting policies continued

2.8 Leases continued

2.8.1 IFRS 16 Leases – Applicable to current period figures continued

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.

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 and other eligible bills, placements with other banks, short-term government securities, money market investments and short-term borrowings from other banks. In the statement of financial position, bank overdrafts are shown within 'due to other banks' as liabilities.

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.

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. Summary of significant accounting policies continued

2.12 Employee benefits continued

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.

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)
- Including the impact of any non-vesting conditions (e.g. the requirement for employees to save)

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.

2. Summary of significant accounting policies continued

2.14 Current and deferred income tax continued

2.14.1 Deferred income tax continued

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 remeasurement of available-for-sale investments and cash flow hedges, which are recognised in other comprehensive income, 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.

2.15 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 service and servicing fees is 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. Summary of significant accounting policies continued

2.15 Revenue recognition continued

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 held-for-trading as well as foreign exchange gains and losses arising from instruments held for trading.

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 rate 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 loan and receivable 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 loans and receivables 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.

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. Summary of significant accounting policies continued

2.16 Share capital continued

2.16.2 Treasury shares

Where any Group company purchases the company's 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 (residential units)

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), also including 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 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 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.

2.21 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.

2. Summary of significant accounting policies continued

2.21 Insurance contracts continued

2.21.1 Policyholder insurance contract continued

Classification of insurance contracts

The Group issued contracts which transfer insurance risk. The Group classifies these contracts as insurance contracts.

Insurance contracts

Insurance contracts are those contracts under which 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. 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.

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the or disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

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
- 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 just 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 while at the same time optimising the Group's profitability and capital position. The ALCO reviews the macroeconomic 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. Among 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
- 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
- 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
- Group credit policies

IFRS 9 committee

The IFRS 9 committee is the main forum where specific matters that can cause deterioration in credit risk will be discussed. At this meeting decisions will also be 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 macroeconomic 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

The assets/liabilities held for sale have not been included in our financial risk management disclosure. The table below reconciles the financial risk management disclosure to the statement of financial position:

	2021 N$'000	2020 N$'000
Total assets as per statement of financial position	56,012,991	56,338,126
Less: assets held for sale	–	1,517,394
Total assets excluding assets held for sale	56,012,991	54,820,732
Total liabilities as per statement of financial position	48,908,768	49,608,062
Less: liabilities held for sale	–	1,496,888
Total liabilities excluding liabilities held for sale	48,908,768	48,111,174

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on pages 23 to 37 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

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:

	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	Non-financial assets/ liabilities N$'000	Total N$'000
ASSETS					
Cash and balances with the central bank	–	1,319,389	–	–	1,319,389
Financial assets at fair value through profit or loss	2,250,127	–	–	–	2,250,127
Financial assets at amortised cost	–	850,057	–	–	850,057
Financial assets at fair value through other comprehensive income	–	–	5,120,236	–	5,120,236
Due from other banks	–	3,568,665	–	–	3,568,665
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

Company	2021 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	Non-financial assets/ liabilities N$'000	Total N$'000
ASSETS					
Cash and bank balances	–	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	–	–	–	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. Financial risk management continued

3.1. Analysis of assets and liabilities continued

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	Non-financial assets/ liabilities N$'000	Total N$'000
	2020				
ASSETS					
Cash and balances with the central bank	–	909,117	–	–	909,117
Financial assets at fair value through profit or loss	2,314,333	–	–	–	2,314,333
Financial assets at amortised cost	–	712,757	–	–	712,757
Financial assets at fair value through other comprehensive income	–	–	5,773,633	–	5,773,633
Due from other banks	–	2,996,527	–	–	2,996,527
Loans and advances to customers	–	40,078,622	–	–	40,078,622
Other assets	–	289,918	–	108,738	398,656
Current tax asset	–	–	–	110,404	110,404
Investment in associates	–	–	–	581,800	581,800
Intangible assets	–	–	–	287,451	287,451
Property and equipment	–	–	–	602,494	602,494
Deferred tax asset	–	–	–	54,938	54,938
Total assets	2,314,333	44,986,941	5,773,633	1,745,825	54,820,732
LIABILITIES					
Due to other banks	–	969,143	–	–	969,143
Other borrowings	–	861,502	–	–	861,502
Debt securities in issue	–	5,642,291	–	–	5,642,291
Deposits	–	39,323,264	–	–	39,323,264
Other liabilities	10,863	1,192,406	–	94,328	1,297,597
Current tax liability	–	–	–	2,256	2,256
Deferred tax liability	–	–	–	192	192
Post-employment benefits	–	–	–	14,929	14,929
Total liabilities	10,863	47,988,606	–	111,705	48,111,174

3. Financial risk management continued

3.1. Analysis of assets and liabilities continued

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	Non-financial assets/ liabilities N$'000	Total N$'000
	2020				
ASSETS					
Cash and balances with the central bank	–	387,857	–	–	387,857
Financial assets at fair value through profit or loss	716,953	–	–	–	716,953
Financial assets at amortised cost	–	294,848	–	–	294,848
Financial assets at fair value through other comprehensive income	–	–	683,151	–	683,151
Other assets	–	54,586	–	1,724	56,310
Current tax asset	–	–	–	3,703	3,703
Investment in subsidiaries	–	–	–	1,418,763	1,418,763
Investment in associates	–	–	–	431,195	431,195
Deferred tax asset	–	–	–	10,717	10,717
Total assets	716,953	737,291	683,151	1,866,102	4,003,497
LIABILITIES					
Other borrowings	–	172,601	–	–	172,601
Debt securities in issue	–	2,286,355	–	–	2,286,355
Other liabilities	–	52,333	–	4,753	57,086
Post-employment benefits	–	–	–	1,149	1,149
Total liabilities	–	2,511,289	–	5,902	2,517,191

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.

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).

3. Financial risk management continued

3.2 Credit risk continued

3.2.1 Credit risk measurement continued

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

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.

(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.

(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:

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.

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.

3. Financial risk management continued

3.2 Credit risk continued

3.2.1 Credit risk measurement continued

(b) Financial assets measured at amortised cost continued

Corporate continued

Rating	Meaning	Implied PD
CG1	Virtually no risk	1.75%
CG2	Low risk	2.05%
CG3	Moderate risk	2.83%
CG4	Acceptable risk	4.50%
CG5	Borderline	5.08%
CG6	Special Mention	27.41%
CG7	Substandard	68.02%
CG8	Doubtful	78.77%
CG9	Loss	95.72%

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

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

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

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 is 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 2021. This was also not applied at transition.

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 deceased
- 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.

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
- 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:

- The borrower is in long-term forbearance
- The borrower is deceased
- 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 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 multiyear 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 macroeconomic inputs impacting the default rates of the Group's assets and in determining key credit risk ratios and overlays. Historical relationships between macroeconomic 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 macroeconomic forecasts. The Group mainly applied forecasted domestic macroeconomic conditions as FLI. Regression modelling techniques were used for this purpose.

The Group applied GDP changes as the main macroeconomic 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	
	2021	**2020**	**2021**	**2020**
Growth in next 12 months	1.00 %	(6.80%)	3.90 %	(6.80%)
Growth in following 12 months	3.60 %	3.90%	4.50 %	5.40%

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:

Sensitivity analysis	Allowances for credit losses 2021 N$'000	2020 N$'000
Base ECL for stage 1 and 2	386,610	283,479
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	270,079	260,589
GDP 10% deterioration	513,040	435,255

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)

Sensitivity analysis	Allowances for credit losses 2021 N$'000	2020 N$'000
ECL	1,290,149	1,043,299
SICR rules		
Lower	1,172,757	1,036,628
Upper	1,230,870	1,093,886

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
- 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, known model deficiencies and 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.

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:

	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)	–	(1,445)	34,950
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	95,906	–	5,669	(14,829)	(3,763)	82,983
Stage 1	36,243	1,175	(11,613)	–	(2,505)	23,300
Stage 2	12,187	(1,682)	1,563	–	(260)	11,808
Stage 3	47,476	507	15,719	(14,829)	(998)	47,875
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

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

2020

Group	Opening ECL 1 July 2019	Total transfer between stages	Net impairments raised	Impaired accounts written-off	Exchange and other movements[1]	Closing ECL 30 June 2020
Overdrafts	197,638	–	110,946	(10,826)	(2,080)	295,678
Stage 1	34,079	18,152	(7,456)	–	(1,640)	43,135
Stage 2	38,902	(20,453)	21,531	(182)	(441)	39,357
Stage 3	124,657	2,301	96,871	(10,644)	1	213,186
Term loans	209,767	–	205,674	(50,560)	8,428	373,309
Stage 1	40,279	(10,754)	65,124	–	(6,165)	88,484
Stage 2	23,474	(9,271)	2,625	–	9,726	26,554
Stage 3	146,014	20,025	137,618	(50,560)	5,174	258,271
Mortgages	164,841	–	119,502	(6,186)	249	278,406
Stage 1	13,177	6,458	(3,310)	–	(958)	15,367
Stage 2	14,925	(7,008)	14,641	–	(406)	22,152
Stage 3	136,739	550	108,171	(6,186)	1,613	240,887
Instalment finance	191,273	–	(10,589)	(11,130)	(73,648)	95,906
Stage 1	65,001	1,009	(1,581)	–	(28,186)	36,243
Stage 2	24,955	(766)	(1,657)	–	(10,345)	12,187
Stage 3	101,317	(243)	(7,351)	(11,130)	(35,117)	47,476
Total loans and advances	763,519	–	425,226	(78,702)	(66,744)	1,043,299
Other financial instruments	36,873	–	(10,726)	–	(15,308)	10,839
Stage 1	897	–	(197)	–	–	700
Stage 2	35,976	–	(10,529)	–	(15,308)	10,139
Total	800,392	–	414,807	(78,702)	(82,359)	1,054,138

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

3. Financial risk management continued
3.2 Credit risk continued
3.2.3 Loss allowance continued

Company	Opening ECL 1 July 2019	Total transfer between stages	Net impairments raised	Impaired accounts written-off	Exchange and other movements	Closing ECL 30 June 2020
	2020					
Financial assets at amortised cost	17,132	–	153,933	–	(3,649)	167,416
Stage 1	17,132	(17,132)	–	–	–	–
Stage 2	–	17,132	153,933	–	(3,649)	167,416
Other assets	16,303	–	16,543	–	(781)	32,065
Stage 3	16,303	–	16,543	–	(781)	32,065
Total	33,435	–	170,476	–	(4,430)	199,481

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

Overdrafts
- Gross overdrafts increased by N$334.6 million (5.7 %) from the prior period. Despite the increase year-on-year, stage 1 expected credit losses decreased slightly due to an improvement in the loss given default and probability of default ratios, while stage 2 expected credit losses increased year-on-year.
- Non-performing overdrafts increased year-on-year to N$630.1 million. The non-performing overdrafts are well secured with a fair value of security of N$388.6 million.

Term loans
- Term loans increased by N$392.2 million (3.0 %) from the prior period, mainly driven by growth in commercial loans.
- The write-off of term loans with a gross carrying value of N$118.7 million resulted in the reduction of the expected credit loss allowance with the same amount. This was offset by increases in the net impairments raised of N$171.0 million.

Mortgages
- Mortgages grew by N$392.8 million (2.1 %) over the prior period.
- Expected loss allowances grew by 60.7 % mainly as a result of an increase in well-collaterised non-performing mortgage loans of N$141.8 million.

Instalment finance
- Gross instalment finance loans grew by N$1.2 million (0.04 %) year-on-year.

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 2021 and 2020, 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. 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

Group	Notes	Maximum exposure 2021 N$'000	2020 N$'000
Credit risk exposures relating to on-statement of financial position assets are as follows:			
Cash and balances with the central bank	13.	1,319,389	909,117
Financial assets at fair value through profit or loss	14.	2,250,127	2,314,333
– Unit trust investments		2,050,729	2,314,333
– Repo investments		199,398	–
Gross Financial assets at amortised cost	14.	850,057	712,757
– Treasury bills		–	–
– Government stock		735,720	712,757
– Preference shares		114,337	–
Financial assets at fair value through other comprehensive income	15.	5,120,236	5,773,633
– Investment Securities		28,309	3,992
– Treasury bills		3,745,868	4,191,108
– Government stock		468,984	799,427
– Tradable instruments		802,328	683,151
– Exchange traded funds		60,371	55,191
– Corporate bonds		14,376	40,764
Due from other banks	16.	3,568,665	2,996,527
Gross loans and advances to customers	17.	42,119,836	41,121,921
– Overdrafts		6,197,794	5,863,186
– Term loans		13,522,974	13,130,751
– Mortgages		18,856,923	18,464,170
– Instalment finance		3,324,257	3,323,045
– Preference shares		362,135	467,346
– Effective interest rate impact per IFRS 9		(144,247)	(126,577)
Other assets*	18.	284,849	289,918
Total exposure on statement of financial position		55,513,159	54,118,206
Credit risk exposure relating to off-statement of financial position items are as follows:			
Liabilities under guarantees	37.	1,977,216	1,345,544
Letters of credit	37.	317,295	209,717
Loan commitments	37.	2,959,618	2,757,157
Total exposure off statement of financial position		5,254,129	4,312,418
Total credit risk exposure		60,767,288	58,430,624

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

3. Financial risk management continued
3.2 Credit risk continued
3.2.4 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

Company	Notes	Maximum exposure 2021 N$'000	2020 N$'000
Cash and bank balances	13.	665,789	387,857
Financial assets at fair value through profit or loss	14.	79,316	716,953
– Money market investments		79,316	716,953
Gross financial assets at amortised cost	14.	378,328	294,848
– Preference shares		378,328	294,848
Financial assets at fair value through other comprehensive income	15.	802,328	683,151
– Tradable instruments		802,328	683,151
Other assets*		70,822	54,586
Total exposure on statement of financial position		1,996,583	2,137,395
Total credit risk exposure		1,996,583	2,137,395

* *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.

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				
Not rated	(80,001)	(33,921)	(97,900)	(211,822)
Low Risk (CG1 – CG2)	(56,296)	–	–	(56,296)
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	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

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	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				
Non-rated	(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

Group	2020 Stage 1 12-month ECL N$'000	Stage 2 Lifetime ECL N$'000	Stage 3 Lifetime ECL N$'000	Total N$'000
Credit grade				
Not rated	(98,801)	(8,173)	(163,075)	(270,049)
Low Risk (CG1 – CG2)	(35,060)	–	–	(35,060)
Medium Risk (CG3 – CG5)	(49,368)	–	–	(49,368)
Special monitoring (CG6 – CG7)	–	(92,077)	–	(92,077)
Doubtful (CG8 – CG9)	–	–	(596,745)	(596,745)
Loss allowance	(183,229)	(100,250)	(759,820)	(1,043,299)
Gross carrying amount	37,519,367	1,705,853	2,023,278	41,248,498
Carrying amount	37,336,138	1,605,603	1,263,458	40,205,199
Financial instruments at amortised cost				
Credit grade				
Non-rated	(700)	(10,139)	–	(10,839)
Loss allowance	(700)	(10,139)	–	(10,839)
Gross carrying amount	54,548	669,048	–	723,596
Carrying amount	53,848	658,909	–	712,757

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 3.2.2 'Expected credit loss measurement.'

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 sublimits 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
- 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
- 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
- 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.

3. Financial risk management continued

3.2 Credit risk continued

3.2.5 Risk limit control and mitigation policies continued

(a) Collateral continued

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:

	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

	2020			
	Gross exposure N$'000	Impairment allowance N$'000	Carrying amount N$'000	Fair value of collateral held N$'000
Credit-impaired assets				
– Overdrafts	361,509	(213,187)	148,322	259,473
– Term Loans	500,302	(258,271)	242,031	276,384
– Mortgages	963,131	(240,886)	722,245	771,473
– Instalment finance	198,336	(47,476)	150,860	152,628
Total credit-impaired assets	2,023,278	(759,820)	1,263,458	1,459,958

The value of tangible collateral disclosed above is limited to the outstanding balance, therefore any overcollateralised portion of a loan is excluded from the value of tangible collateral. Impairments are raised for undercollateralised 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.

3. Financial risk management continued
3.2 Credit risk continued
3.2.5 Risk limit control and mitigation policies continued
(a) Collateral continued
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.

(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
- 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

(i) Credit quality and management of loans and advances 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
  - 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:

	Stage 1	Stage 2		Stage 3		
Group	Not past due	0 – 30 days	31 – 60 days	61 – 90 days	More than 90 days	Total
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 impact of interest in suspense and the IFRS 9 effective interest rate impact.*

3. Financial risk management continued

3.2 Credit risk continued

3.2.6 Credit quality of loans and advances and other financial instruments continued

(i) Credit quality and management of loans and advances continued

Subsequent credit assessments continued

Group	Stage 1 Not past due	Stage 2 0 – 30 days	Stage 2 31 – 60 days	Stage 2 61 – 90 days	Stage 3 More than 90 days	Total
As at 30 June 2020						
Overdrafts	5,285,100	161,268	41,893	13,416	361,509	5,863,186
Term loans	12,430,580	65,056	62,736	72,077	500,302	13,130,751
Mortgages	17,098,662	198,205	109,573	94,599	963,131	18,464,170
Instalment finance	3,056,981	20,536	18,311	28,881	198,336	3,323,045
Preference shares	467,346	–	–	–	–	467,346
Total gross loans and advances[1]	38,338,669	445,065	232,513	208,973	2,023,278	41,248,498
Impairments raised	(179,429)	(52,235)	(27,289)	(24,526)	(759,820)	(1,043,299)
Net loans and advances[1]	38,159,240	392,830	205,224	184,447	1,263,458	40,205,199

[1] *Excludes the impact of interest in suspense and 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$1.9 billion (2020: N$1.6 billion). The increase in non-performing loans and advances is mainly due to the deterioration of the macroeconomic 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	2021 N$'000	2020 N$'000 (Restated)
Namibia	2,056,332	1,566,571
Botswana	387,980	433,582
Zambia	16,008	23,125
	2,460,320	2,023,278

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	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000
Cash and balances with the central bank	1,319,389	909,117	665,789	387,857
Financial assets at fair value through profit or loss	2,250,127	2,314,333	79,316	716,953
Financial assets at fair value through other comprehensive income	5,120,236	5,733,633	802,328	683,151
Due from other banks	3,568,665	2,996,527	–	–
Other assets	284,849	289,918	70,822	54,586

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). Fitch ratings are utilised as far as possible. If Fitch ratings are not available, Moody's and Standard & Poor's ratings are used for classification. 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	Carrying value N$'000	Investment grade (AAA to BBB) N$'000	Speculative/ high yield (BB and lower) N$'000	Unrated N$'000	Total N$'000
As at 30 June 2021					
Balances with the central bank	–	–	624,690	–	624,690
Cash balances	–	–	–	694,699	694,699
Financial assets at fair value through profit or loss	–	–	199,398	2,050,729	2,250,127
– Unit Trust and money market investments	–	–	–	2,050,729	2,050,729
– Repo investments	–	–	199,398	–	199,398
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	–	60,371	5,042,849	17,016	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
– Other securities	–	60,371	–	14,376	74,747
Due from other banks	–	876,918	93,128	2,598,619	3,568,665
Other assets	–	–	–	284,849	284,849
Non-financial assets	1,789,981	–	–	–	1,789,981
Total assets (excluding loans and advances)	1,789,981	937,289	6,810,122	5,645,912	15,183,304

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 continued

Group	Carrying value N$'000	Investment grade (AAA to BBB) N$'000	Speculative/ high yield (BB and lower) N$'000	Unrated N$'000	Total N$'000
As at 30 June 2020					
Balances with the central bank	–	–	345,612	–	345,612
Cash balances	–	–	–	563,505	563,505
Financial assets at fair value through profit or loss	–	–	–	2,314,333	2,314,333
– Unit Trust and money market investments	–	–	–	2,314,333	2,314,333
Financial assets at amortised cost	–	–	712,757	–	712,757
– Treasury bills	–	–	–	–	–
– Government stock	–	–	712,757	–	712,757
Financial assets at fair value through other comprehensive income	–	216,809	5,555,311	1,513	5,773,633
– Investment securities	–	–	2,479	1,513	3,992
– Treasury bills	–	–	4,191,108	–	4,191,108
– Government stock	–	216,809	582,618	–	799,427
– Tradable instruments	–	–	683,151	–	683,151
– Other securities	–	–	95,955	–	95,955
Due from other banks	–	489,252	89,830	2,417,445	2,996,527
Other assets	–	–	–	289,918	289,918
Non-financial assets	1,745,825	–	–	–	1,745,825
Total assets (excluding loans and advances)	1,745,825	706,061	6,703,510	5,586,714	14,742,110

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 2021 was N$24.7 million (30 June 2020: N$8.8 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.

3.2.7 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 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	–
As at 30 June 2020				
Counterparties				
Sovereign and central bank	6,061,843	–	298,338	–
Security firms	30,343	–	30,343	
Public sector entities	712,123	–	305,480	–
Banks	3,536,751	–	890,843	–
Corporate	13,509,108	136,571	13,493,027	–
Retail	7,853,372	212,710	5,848,180	3,535
Residential mortgage properties	11,254,890	64,888	5,818,047	–
Commercial real estate	7,209,280	55,329	7,450,100	–
Other assets	7,622,541	–	5,460,591	–
Included in other assets:				
– Listed shares	3,992	–	3,992	–
	57,790,251	469,498	39,594,949	3,535
Commitments	3,682,449	60,510	1,759,739	–

3. Financial risk management continued

3.2 Credit risk continued

3.2.7 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, Botswana and Zambia were as follows:

	2021	2020
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+
Zambia long-term local currency issuer default rating	RD	CC
Zambia long-term issuer default rating	RD	CC

3.2.8 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 balances with the central bank 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	Due from other banks 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	694,699	905,384	2,250,127	–	3,568,665	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)
	1,319,389	5,120,236	2,250,127	850,057	3,568,665	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. Financial risk management continued

3.2 Credit risk continued

3.2.8 Credit concentration risk continued

Group	Cash and balances with the central bank 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	Due from other banks N$'000	Loans and advances to customers N$'000	Other assets[2] N$'000	Total N$'000
As at 30 June 2020								
Agriculture and forestry	–	–	–	–	–	2,198,668	–	2,198,668
Fishing	–	–	–	–	–	729,761	–	729,761
Mining	–	–	–	–	–	910,149	–	910,149
Manufacturing	–	–	–	–	–	792,285	–	792,285
Building and construction	–	–	–	–	–	1,491,570	–	1,491,570
Electricity, gas and water	–	–	–	–	–	1,663,533	–	1,663,533
Trade and accommodation[1]	–	–	–	–	–	3,521,664	–	3,521,664
Transport and communication	–	–	–	–	–	1,303,017	–	1,303,017
Finance and insurance	563,505	783,098	2,314,333	–	2,996,527	2,148,883	–	8,806,346
Real estate and business services	–	–	–	–	–	7,447,834	–	7,447,834
Government	345,612	4,990,535	–	723,596	–	4,436,727	–	10,496,470
Individuals	–	–	–	–	–	9,745,222	–	9,745,222
Other	–	–	–	–	–	4,859,185	289,918	5,149,103
Impairment	–	–	–	(10,839)	–	(1,043,299)	–	(1,054,138)
Effective interest rate impact	–	–	–	–	–	(126,577)	–	(126,577)
	909,117	5,773,633	2,314,333	712,757	2,996,527	40,078,622	289,918	53,074,907

[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 risk concentration by geographical area

Group	Cash and balances with the central bank N$'000	Financial assets at fair value through other compre-hensive income N$'000	Financial assets at fair value through profit or loss N$'000	Due from other banks N$'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	1,217,173	4,317,908	1,734,539	552,888	34,522,107	735,720	243,683	43,324,018
Botswana	99,717	–	307,030	1,928,376	6,291,572	–	41,166	8,667,861
South Africa	2,499	802,328	–	148,163	–	–	–	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[1]	–	–	208,558	155,958	–	–	–	364,516
	1,319,389	5,120,236	2,250,127	3,568,665	40,829,687	850,057	284,849	54,223,010

Group	**Cash and balances with the central bank N$'000**	**Financial assets at fair value through other compre-hensive income N$'000**	**Financial assets at fair value through profit or loss N$'000**	**Due from other banks N$'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 2020								
Namibia	708,320	4,873,673	2,309,579	2,986	34,465,488	712,757	252,054	43,324,857
Botswana	200,464	216,809	4,754	1,727,682	5,469,850	–	35,783	7,655,342
South Africa	–	683,151	–	277,884	–	–	2,067	963,102
United Kingdom	–	–	–	31,368	–	–	–	31,368
United States of America	–	–	–	885,453	–	–	–	885,453
Zambia	333	–	–	291	143,284	–	14	143,922
Other countries[2]	–	–	–	70,863	–	–	–	70,863
	909,117	5,773,633	2,314,333	2,996,527	40,078,622	712,757	289,918	53,074,907

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.*

3.2.10 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 categorises 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. Where financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due.

3. Financial risk management continued

3.2 Credit risk continued

3.2.11 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 been performed in accordance with the new terms for six consecutive months or more.

The Group continues to monitor if there is a subsequent significant increase 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 of importance 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 as the limits thereof 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.

3. Financial risk management continued

3.3 Market risk continued

3.3.2 Foreign currency risk continued

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:

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 N$'000	Total N$'000
As at 30 June 2021								
ASSETS								
Cash and balances with the central bank	1,217,173	–	–	–	99,717	2,499	–	1,319,389
Financial assets at fair value through profit or loss	1,943,097	–	–	–	307,030	–	–	2,250,127
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
Due from other banks	552,888	32	769,085	170,121	1,928,376	148,163	–	3,568,665
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
Total financial liabilities	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.*

3. Financial risk management continued

3.3 Market risk continued

3.3.2 Foreign currency risk continued

Concentration of foreign currency denominated financial instruments 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 2021						
ASSETS						
Cash and bank balances	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.*

3. Financial risk management continued

3.3 Market risk continued

3.3.2 Foreign currency risk continued

Concentration of foreign currency denominated financial instruments continued

Group	NAD N$'000	ZMW N$'000	US$ N$'000	€ N$'000	BWP N$'000	ZAR[1] N$'000	Other N$'000	Total N$'000
As at 30 June 2020								
ASSETS								
Cash and balances with central bank	705,656	333	–	–	202,394	734	–	909,117
Financial assets at fair value through profit or loss	2,309,579	–	–	–	4,754	–	–	2,314,333
Financial assets at amortised cost	712,757	–	–	–	–	–	–	712,757
Financial assets at fair value through other comprehensive income	4,872,193	–	–	–	216,809	683,151	1,480	5,773,633
Due from other banks	211,263	291	1,106,699	138,459	1,071,959	388,416	79,440	2,996,527
Loans and advances to customers	33,390,976	7,603	135,681	–	6,516,512	–	27,850	40,078,622
Other assets	254,121	14	–	–	35,783	–	–	289,918
Total financial assets	42,456,545	8,241	1,242,380	138,459	8,048,211	1,072,301	108,770	53,074,907
Non-financial assets	1,745,825	–	–	–	–	–	–	1,745,825
Assets held for sale	1,517,394	–	–	–	–	–	–	1,517,394
Total assets	45,719,764	8,241	1,242,380	138,459	8,048,211	1,072,301	108,770	56,338,126
LIABILITIES								
Due to other banks	721,998	–	–	6,355	240,790	–	–	969,143
Other borrowings	55,000	–	172,601	–	–	633,901	–	861,502
Debt securities in issue	4,580,616	–	–	–	358,371	703,304	–	5,642,291
Deposits	31,128,555	23	1,571,836	136,494	6,317,290	109,236	59,830	39,323,264
Other liabilities	980,237	233	–	–	211,936	10,863	–	1,203,269
	37,466,406	256	1,744,437	142,849	7,128,387	1,457,304	59,830	47,999,469
Non-financial liabilities	111,705	–	–	–	–	–	–	111,705
Liabilities held for sale	1,496,888	–	–	–	–	–	–	1,496,888
Total liabilities	39,074,999	256	1,744,437	142,849	7,128,387	1,457,304	59,830	49,608,062
Total equity (including NCI)	6,730,064	–	–	–	–	–	–	6,730,064
Total equity and liabilities	45,805,063	256	1,744,437	142,849	7,128,387	1,457,304	59,830	56,338,126
Net financial position of financial instruments	4,990,139	7,985	(502,057)	(4,390)	919,824	(385,003)	48,940	5,075,438
Credit commitments	5,000	–	96,503	35,611	–	–	–	137,114

[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

Concentration of foreign currency denominated financial instruments 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 balances with central bank	13,663	1,180	182,392	190,622	–	387,857
Financial assets at fair value through profit or loss	491,652	–	–	–	225,301	716,953
Financial assets at fair value through other comprehensive income	–	–	–	–	683,151	683,151
Financial assets at amortised cost	–	–	–	294,848	–	294,848
Other assets	44,839	6,293	3,454	–	–	54,586
Total financial assets	550,154	7,473	185,846	485,470	908,452	2,137,395
Non-financial assets	1,866,102	–	–	–	–	1,866,102
Total assets	2,416,256	7,473	185,846	485,470	908,452	4,003,497
LIABILITIES						
Other borrowings	–	–	172,601	–	–	172,601
Debt securities in issue	2,095,617	–	–	190,738	–	2,286,355
Other liabilities	35,073	–	17,260	–	–	52,333
Total financial liabilities	2,130,690	–	189,861	190,738	–	2,511,289
Non-financial liabilities	5,902	–	–	–	–	5,902
Total liabilities	2,136,592	–	189,861	190,738	–	2,517,191
Total equity (including NCI)	1,486,306	–	–	–	–	1,486,306
Total equity and liabilities	3,622,898	–	189,861	190,738	–	4,003,497
Net financial position of financial instruments	(1,580,536)	7,473	(4,015)	294,732	908,452	(373,894)

[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:

	2021	**2020**
USD	14.34	17.26
GBP	19.84	21.23
EUR	17.05	19.40
ZAR	1.00	1.00
ZMW	0.63	0.95
BWP	1.31	1.46

3. Financial risk management continued

3.3 Market risk continued

3.3.2 Foreign currency risk continued

Concentration of foreign currency denominated financial instruments continued

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:	Group Effect on profit for the year 2021 N$'000	Group Effect on profit for the year 2020 N$'000	Company Effect on profit for the year 2021 N$'000	Company Effect on profit for the year 2020 N$'000
US dollar/Namibian dollar	(9,977)	(25,102)	(1,628)	(201)
– Foreign currency financial assets	48,234	62,119	5,516	9,292
– Foreign currency financial liabilities	(58,211)	(87,221)	(7,144)	(9,493)
Euro/Namibian dollar	3,625	(219)	–	–
– Foreign currency financial assets	9,482	6,923	–	–
– Foreign currency financial liabilities	(5,857)	(7,142)	–	–
Botswana Pula/Namibian dollar	30,132	47,992	6,825	14,738
– Foreign currency financial assets	433,393	404,411	15,354	24,274
– Foreign currency financial liabilities	(403,261)	(356,419)	(8,529)	(9,536)
Kwacha/Namibian dollar	312	399	511	374
– Foreign currency financial assets	313	412	511	374
– Foreign currency financial liabilities	(1)	(13)	–	–

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 2021						
ASSETS						
Cash and balances with the central bank	252,772	–	–	–	1,066,617	1,319,389
Financial assets at fair value through profit or loss	2,231,987				18,140	2,250,127
Financial assets at amortised cost	–	–	–	949,289	(99,232)	850,057
Financial assets at fair value through other comprehensive income	1,038,523	807,572	2,805,607	443,754	24,780	5,120,236
Due from other banks	3,568,665	–	–	–	–	3,568,665
Loans and advances to customers	33,538,183	10,651	121,640	5,662,823	1,496,390	40,829,687
Other assets	55,990	–	–	–	228,859	284,849
Total financial assets	40,686,120	818,223	2,927,247	7,055,866	2,735,554	54,223,010
Non-financial assets	–	–	–	–	1,789,981	1,789,981
Total assets	40,686,120	818,223	2,927,247	7,055,866	4,525,535	56,012,991
LIABILITIES						
Due to other banks	762,313	–	–	–	–	762,313
Other borrowings	–	692,719	–	–	–	692,719
Debt securities in issue	135,984	3,720,563	1,463,755	730,207	–	6,050,509
Deposits	19,783,494	4,211,006	11,591,134	4,594,065	–	40,179,699
Other liabilities	6,511	–	–	–	1,125,520	1,132,031
Total financial liabilities	20,688,302	8,624,288	13,054,889	5,324,272	1,125,520	48,817,271
Total non-financial liabilities	–	–	–	–	91,497	91,497
Total liabilities	20,688,302	8,624,288	13,054,889	5,324,272	1,217,017	48,908,768
Total equity (including NCI)	–	–	–	–	7,104,223	7,104,223
Total equity and liabilities	20,688,302	8,624,288	13,054,889	5,324,272	8,321,240	56,012,991
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	
As at 30 June 2020						
Interest sensitivity gap (financial instruments)	18,377,066	(6,745,230)	(9,527,237)	2,561,224	409,615	5,075,438
Cumulative interest sensitivity gap (financial instruments)	18,377,066	11,631,836	2,104,599	4,665,823	5,075,438	

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.

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	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000
The following interest-rate sensitivity is based on the effect of changes to the interest rate over a 12-month period on net interest income:				
50 basis points increase	80,712	77,152	(5,107)	(5,398)
– Increase in interest income	253,183	236,544	6,867	5,528
– Increase in interest expense	(172,471)	(159,392)	(11,974)	(10,926)
50 basis points decrease	(78,088)	(75,696)	5,107	5,398
– Decrease in interest income	(242,588)	(230,755)	(6,867)	(5,528)
– Decrease in interest expense	164,500	155,059	11,974	10,926
100 basis points increase	146,390	146,602	(10,213)	(10,797)
– Increase in interest income	506,628	473,532	13,735	11,055
– Increase in interest expense	(360,238)	(326,930)	(23,948)	(21,852)
100 basis points decrease	(157,322)	(148,722)	10,213	10,797
– Decrease in interest income	(484,851)	(457,218)	(13,735)	(11,055)
– Decrease in interest expense	327,529	308,496	23,948	21,852
200 basis points increase	273,115	273,873	(20,426)	(21,593)
– Increase in interest income	1,015,472	948,947	27,470	22,111
– Increase in interest expense	(742,357)	(675,074)	(47,896)	(43,704)
200 basis points decrease	(331,650)	(327,153)	20,426	21,593
– Decrease in interest income	(968,474)	(909,144)	(27,470)	(22,111)
– Decrease in interest expense	636,824	581,991	47,896	43,704

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 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.

Sensitivity analysis	Group 2021 N$'000	Group 2020 N$'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)	2,182	2,214
10% decrease in share price (effect on other comprehensive income)	(2,182)	(2,214)
(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)	246	296
100 basis points decrease in discount rate (effect on profit or loss)	(246)	(296)
(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)	(18,439)	(17,661)
100 basis points decrease in discount rate (effect on profit or loss)	18,673	17,868
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)	(31,685)	(16,564)
100 basis points decrease in discount rate (effect on profit or loss)	33,662	17,800

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 2021 N$'000	Capital charges 2020 N$'000
Interest rate risk	51,032	54,726
Foreign exchange risk	20,689	8,725

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 come 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
- 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 directions 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
- 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 in the day-to-day, 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 all spheres of clients and has strong market share representation in all categories.

Refer to note 24 for other borrowings obtained during the year and, note 25 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
- 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 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

	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 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

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
	Contractual undiscounted cash-flows					
As at 30 June 2020						
FINANCIAL LIABILITIES						
Due to other banks	969,143	–	–	–	–	969,143
Other borrowings	–	172,601	253,558	376,052	62,571	864,782
Debt securities in issue	8,571	224,283	1,297,477	3,523,935	3,007,301	8,061,567
Deposits	19,309,996	4,311,331	12,925,567	2,145,600	1,195,777	39,888,271
Other liabilities	585,092	133,618	95,249	295,019	94,291	1,203,269
Total liabilities (contractual maturity dates)	20,872,802	4,841,833	14,571,851	6,340,606	4,359,940	50,987,032
Commitments	4,312,418	–	–	–	–	4,312,418
Loan commitments	2,757,157	–	–	–	–	2,757,157
Liabilities under guarantees	1,345,544	–	–	–	–	1,345,544
Letters of credit	209,717	–	–	–	–	209,717

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
	Contractual undiscounted cash-flows					
As at 30 June 2020						
FINANCIAL LIABILITIES						
Other borrowings	–	172,601	–	–	–	172,601
Debt securities in issue	2,986	28,217	493,608	1,208,513	1,194,358	2,927,682
Other liabilities	30,290	22,043	–	–	–	52,333
Total liabilities (contractual maturity dates)	33,276	222,861	493,608	1,208,513	1,194,358	3,152,616

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:

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 balances with the central bank	–	1,319,389	–	–	–	–	1,319,389
Financial assets at fair value through profit or loss	–	2,250,127	–	–	–	–	2,250,127
Gross 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
Due from other banks	–	3,568,665	–	–	–	–	3,568,665
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 per IFRS 9	(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	

3. Financial risk management continued

3.4 Liquidity risk continued

Liquidity risk analysis continued

Company	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 bank balances	–	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	

3. Financial risk management continued
3.4 Liquidity risk continued
Liquidity risk analysis continued

		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 2020							
ASSETS							
Cash and balances with the central bank	–	909,117	–	–	–	–	909,117
Financial assets at fair value through profit or loss	–	2,314,333	–	–	–	–	2,314,333
Financial assets at amortised cost	–	–	–	–	299,270	424,326	723,596
Financial assets at fair value through other comprehensive income	–	1,262,449	1,039,166	2,878,773	478,896	114,349	5,773,633
Due from other banks	–	2,996,527	–	–	–	–	2,996,527
Gross loans and advances to customers	–	6,215,330	95,863	647,554	12,896,254	21,393,497	41,248,498
Other assets	–	234,618	–	–	55,300	–	289,918
Non-financial instruments	1,745,825	–	–	–	–	–	1,745,825
Effective interest rate impact	(126,577)	–	–	–	–	–	(126,577)
Impairment	(1,054,138)	–	–	–	–	–	(1,054,138)
Total assets	565,110	13,932,374	1,135,029	3,526,327	13,729,720	21,932,172	54,820,732
LIABILITIES							
Due to other banks	–	969,143	–	–	–	–	969,143
Other borrowings	–	–	172,601	221,228	415,679	51,994	861,502
Debt securities in issue	–	2,647	288,328	834,569	2,428,722	2,088,025	5,642,291
Deposits	–	19,776,026	4,311,331	11,968,106	2,370,387	897,414	39,323,264
Other liabilities	–	585,092	133,618	95,249	295,019	94,291	1,203,269
Non-financial instruments	111,705	–	–	–	–	–	111,705
Total liabilities	111,705	21,332,908	4,905,878	13,119,152	5,509,807	3,131,724	48,111,174
Net liquidity gap	453,405	(7,400,534)	(3,770,849)	(9,592,825)	8,219,913	18,800,448	6,709,558
Cumulative liquidity gap	453,405	(6,947,129)	(10,717,978)	(20,310,803)	(12,090,890)	6,709,558	

3. Financial risk management continued
3.4 Liquidity risk continued
Liquidity risk analysis continued

Company	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 2020							
ASSETS							
Cash and balances with the central bank	–	387,857	–	–	–	–	387,857
Financial assets at fair value through profit or loss	–	716,953	–	–	–	–	716,953
Financial assets at fair value through other comprehensive income	–	683,151	–	–	–	–	683,151
Financial assets at amortised cost	–	–	–	–	–	294,848	294,848
Other assets	–	54,586	–	–	–	–	54,586
Non-financial instruments	1,866,102	–	–	–	–	–	1,866,102
Total assets	1,866,102	1,842,547	–	–	–	294,848	4,003,497
LIABILITIES							
Other borrowings	–	–	172,601	–	–	–	172,601
Debt securities in issue	–	2,647	20,512	400,000	863,196	1,000,000	2,286,355
Other liabilities	–	30,290	22,043	–	–	–	52,333
Non-financial instruments	5,902	–	–	–	–	–	5,902
Total liabilities	5,902	32,937	215,156	400,000	863,196	1,000,000	2,517,191
Net liquidity gap	1,860,200	1,809,610	(215,156)	(400,000)	(863,196)	(705,152)	1,486,306
Cumulative liquidity gap	1,860,200	3,669,810	3,454,654	3,054,654	2,191,458	1,486,306	

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 should be 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 balances with the central bank

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

Repo investments

Repo investments are designated at fair value using discounted valuation techniques and available dealer quotes for similar instruments.

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.

(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.

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

(a) Fair value estimation continued

(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 and from 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$6.0 billion (2020: N$4.7 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 25.

(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 N$497.3 million (2020: N$389.4 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.

(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.

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

(b) Fair value hierarchy continued

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

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
Repo investments	199,398	-		199,398
Financial assets at fair value through other comprehensive income	86,040	5,031,556	–	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	60,371	–	60,371
Investment securities – listed	25,669	–	–	25,669
Investment securities – unlisted	–	–	2,640	2,640
	285,438	7,082,285	2,640	7,370,363
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
Government stock	–	808,432	–	808,432
Preference shares	–	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	–	–	497,283	497,283
Promissory notes	–	–	497,283	497,283
	–	–	7,205,066	7,205,066

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

(b) Fair value hierarchy continued

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2020				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Unit trust and money market investments	953,980	1,360,353	–	2,314,333
Financial assets at fair value through other comprehensive income	2,479	5,769,641	1,513	5,773,633
Treasury bills	–	4,191,108	–	4,191,108
Government stock	–	799,427	–	799,427
Corporate bonds	–	40,764	–	40,764
Tradable instruments	–	683,151	–	683,151
Exchange traded funds		55,191		
Investment securities – listed	2,479	–	–	2,479
Investment securities – unlisted	–	–	1,513	1,513
	956,459	7,129,994	1,513	8,087,966
Financial assets for which the fair value is disclosed				
Loans and advances to customers	–	–	40,194,893	40,194,893
Financial assets at amortised cost	–	721,039	–	721,039
Government stock	–	721,039	–	721,039
Director's valuation of investment in associates	94,767	947,924	–	1,042,691
	94,767	1,668,963	40,194,893	41,958,623
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments (included in other liabilities)	–	10,863	–	10,863
Financial liabilities for which the fair value is disclosed				
Other borrowings	–	–	869,065	869,065
Debt securities in issue	–	–	5,664,993	5,664,993
Five-year callable bonds	–	–	257,110	257,110
Senior debt	–	–	3,027,048	3,027,048
Preference shares	–	–	1,084,325	1,084,325
Debentures	–	–	1,296,510	1,296,510
Deposits	–	–	656,986	656,986
Promissory notes	–	–	656,986	656,986
	–	–	7,191,044	7,191,044

3. Financial risk management continued
3.5 Fair values of financial assets and liabilities continued
(b) Fair value hierarchy continued

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	–	–	378,328	378,328
	–	–	378,328	378,328
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
Bonds and debentures	–	–	1,009,587	1,009,587
	–	–	2,330,634	2,330,634

Company	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2020				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Unit trust and money market investments	225,300	491,653	–	716,953
Financial assets at fair value through other comprehensive income				
Tradable instruments	–	683,151	–	683,151
	225,300	1,174,804	–	1,400,104
Financial assets for which the fair value is disclosed				
Financial assets at amortised cost				
Preference shares	–	–	294,848	294,848
	–	–	294,848	294,848
Financial liabilities for which the fair value is disclosed				
Other borrowings	–	–	172,601	172,601
Debt securities in issue	–	–	2,286,355	2,286,355
Senior debt	–	–	190,738	190,738
Preference shares	–	–	1,084,325	1,084,325
Debentures	–	–	1,011,292	1,011,292
	–	–	2,458,956	2,458,956

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	
	2021 N$'000	2020 N$'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	(1,259,174)	(1,267,612)
100 basis points decrease in discount rate	1,248,709	1,370,381
100 basis points increase in earnings rate	223,678	180,151
100 basis points decrease in earnings rate	(236,485)	(201,678)
1 month increase in term to maturity	(267,191)	(155,370)
1 month decrease in term to maturity	280,414	191,552
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:		
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	(31,685)	(34,416)
100 basis points decrease in discount rate	33,662	36,765
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	(10,292)	(16,504)
100 basis points decrease in discount rate	8,647	7,340
100 basis points increase in coupon rate	(7,776)	(18,876)
100 basis points decrease in coupon rate	7,776	18,876
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	(97,442)	(81,482)
100 basis points decrease in discount rate	101,485	85,438
100 basis points increase in coupon rate	106,630	86,408
100 basis points decrease in coupon rate	(103,630)	(86,408)
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)	(2,579)
100 basis points decrease in discount rate	1,391	2,612

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) 2021	2020
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: 4.1 % – 5.0 %	BW: 4.2 % – 4.6 % BG: 1.0 % – 1.5 %
Government stock	Income approach*	Note 1	BW & Entrepo: 4.0 % – 10.3 %	BW & Entrepo: 5.1 % – 10.4 %
Unit trust investments	Market approach**	Note 4	BW: 3.9 % – 4.1 %	BW 5.1 % – 5.8 %
– OTC currency options	Income approach*	Note 1	N/A	EUR16.8 – 17.3 US$15.2 – 21.02
Other debt securities				
– Corporate bonds	Income approach*	Note 1	BW: 7.1 %	BW: 5.8 %
Financial assets for which the fair value is disclosed				
Loans and advances to customers	Income approach*			
– Discount rate		Note 1	BW: 7.5 % BG: 5.3 % Entrepo: 15.3 %	BW: 7.75 % BG: 5.8 % Entrepo: 15.5 %
– Earnings rate		Note 2	BW:2.9 % – 14.9 % BG: 3.3 % – 32.0 % Entrepo: 15.3 % – 21.0 %	BW: 4.0 % – 16.6 % BG: 3.8 % – 32.0 % Entrepo: 15.5 % – 21.5 %
– Term to maturity		Note 3	3 – 360 mth	3 – 360 mth
Financial assets at amortised cost				
Treasury bills	Income approach*	Note 1	N/A	N/A
Government stock	Income approach*	Note 1	BW: 4.5 % – 10.3 %	BW: 5.1 % – 10.4 %
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	Income approach*	Note 1	BW: 3.7 % – 10.3 %	BW: 8.1 % – 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

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) 2021	2020
Financial liabilities for which the fair value is disclosed				
Other borrowings	Income approach*			
– Discount rate		Note 1	BW: 4.5 % – 8.0 % CG: 3.3 %***	BW: 4.8 % – 8.8 % CG: 3.7 %***
– Earnings rate		Note 1	BW: 4.8 % – 10.1 % CG: 3.3 %***	BW: 4.6 % – 12.4 % CG: 3.7 %***
Debt securities in issue				
Five-year callable bonds	Income approach*	Note 1	BG: 2.6 %	BW: 6.1 % BG: 2.6 %
Senior debt – unsecured	Income approach*	Note 1	BW: 3.3 % – 8.1 % BG: 6.0 %	BW: 5.4 % – 6.6 % BG: 6.5 %
Debentures	Income approach*	Note 1	N/A	N/A
Deposits				
Promissory notes	Income approach*	Note 1	BW: 4.1 % – 4.7 %	BW: 3.9 % – 4.3 %

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.*
*** 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

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 % (2020: 4.75 %)
- A tax assumption of 40 % (2020: 40 %) of investment income being taxed at a rate of 32 % (2020: 32 %)
- Expense inflation of 4.5 % (2020: 4.5 %)
- The incurred-but-not-reported ("IBNR") liability was determined using the Bornhuetter-Fergusson method

3. Financial risk management continued

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
- 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
- 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.
- 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:

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.

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	
	2021 N$'000	2020 N$'000
Tier 1 capital		
Share capital and premium	758,544	760,667
General banking reserves	4,547,003	3,868,463
Retained earnings	1,668,013	2,188,674
Minority interests	234,561	214,424
Subtotal	7,208,121	7,032,228
Deduct: 50% investments in Group entities		
Goodwill	(205,152)	(101,489)
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	(375,746)	(411,574)
Net total Tier 1 capital	6,627,223	6,519,165
Tier 2 capital		
Subordinated debt	782,104	826,161
Five-year callable bonds	312,419	433,535
General provisions	469,685	392,626
Subtotal	782,104	826,161
Deduct: 50% investments in Group entities		
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	(332,669)	(371,874)
Net total Tier 2 capital	449,435	454,287
Net total Tier 3 capital	–	(33,947)
Total regulatory capital	7,076,658	6,939,505
Risk-weighted assets:		
Operational risk	4,779,391	5,112,099
Credit risk	41,513,292	41,354,688
Market risk	744,732	654,509
Total risk-weighted assets	47,037,415	47,121,296
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	12.4%	12.1%
Tier 1 risk-based capital ratio	14.1%	13.8%
Total risk-based capital ratio	15.0%	14.7%

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
- Control measures to mitigate the major risks

Based on the ICAAP assessment performed on 30 November 2020, 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) Impairment losses on loans and advances

Estimates in assessing the portfolio impairment are dependent on the analysis of historical data relating to probability of default, emergence period and loss given default. Specific impairment is triggered for individual non-performing loans and special mention accounts. Non-performing loans comprise loans due and unpaid for longer than 90 days.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Refer to notes 2.4 and 3.2.6 for more information on assumptions and judgements applied when determining the impairment of loans and advances.

(b) 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.

(c) Post-employment benefits

The present value of the severance pay liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the liability. The assumptions used in determining the net cost include the discount rate. The Group determined this discount rate based on the yield of South African government bonds. Other key assumptions are based on generally accepted demographic tables. Refer to note 29.

(d) 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
- 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
- The entity has no obligation to settle the share-based payment transaction

(d) Share-based payments continued

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 32.

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

(e) 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 21.

(f) Treatment of income and expenses

Capricorn Group's operating model is that of a lender and provider of funding to banking entities in the Group. Consequently the finance costs paid and investment income received by Capricorn Group on its Group financing activities, are treated as revenue in the company and consolidated financial statements, similar to that of a banking entity, and disclosed as interest expense and interest income respectively.

(g) Policyholder liability

Policyholder benefit payments are generally fixed or relatively easy to estimate, thereby limiting the uncertainty as to the expected liability of a particular policy. The reinsurance terms of each policy are also known in advance and the allowance for reinsurance recoveries is readily ascertainable, although the timing of benefit payments must be estimated. The estimate of this timing is based on the probability that a policy will be in force and the probability of the claim arising in the future from the valuation date until the expiry of the term of the policy, modified for past experience.

For each policy the present value of the expected benefit payment is estimated based on the future surrender, mortality, retrenchment, medical and morbidity rates of policyholders, modified to reflect the recent claims experience of the Group. The assumptions used are generally best estimate assumptions with compulsory margins and, where appropriate, discretionary margins being provided to cater for uncertainty. The discount rate used to capitalise the policyholder benefit values is also based on current economic conditions but reflects the Group's asset mix with an allowance for mismatching risk.

Detailed information about the carrying amounts is set out in note 27.1.

(h) Measurement of expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI 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 3.2.2.2., 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
- 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 3.2.1.

(i) Application of IFRS 16

The application of IFRS 16 requires management to make judgements and estimates that affect the measurement of right-of-use assets and lease liabilities. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Assessing whether a contract contains a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure lease liabilities.

(j) Discontinued operation

The discontinued operation is a subsidiary of the Group that has classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation (see Note 43).

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

In order to account for the profit or loss arising from the sale of a discontinued operation in note 43, judgement was applied by management with regards to the following:

- Determining the exact date of loss of control
- Determination of the fair value of the consideration received
- Derecognition of assets and liabilities of the subsidiary and reversal of the original gain on bargain purchase

5. Net interest income

	Group 2021 N$'000	Group 2020 N$'000 (Restated)	Company 2021 N$'000	Company 2020 N$'000
Interest and similar income				
Amortised cost				
Loans and advances	3,650,569	4,223,646	–	–
Cash and short-term funds	93,260	85,641	87,028	75,551
Financial assets at amortised cost	99,179	88,660	18,664	15,056
Government stock and other investments	95,495	88,660	–	–
Preference shares	3,684	–	18,664	15,056
Fair value				
Financial assets at fair value through other comprehensive income	214,419	327,961	–	–
Treasury bills	164,776	271,264	–	–
Government stock and other investments	49,643	56,697	–	–
Total interest and similar income	4,057,427	4,725,908	105,692	90,607
Interest and similar expenses				
Amortised cost				
Demand deposits	196,930	251,631	–	–
Term and notice deposits	598,819	786,963	–	–
Negotiable certificates of deposits	409,819	603,119	–	–
Cheque deposits	123,730	220,256	–	–
Debt securities in issue	307,396	437,813	116,609	139,583
Savings deposits	22,570	53,672	–	–
Deposits from banks and financial institutions	12,884	25,661	–	–
Other borrowings	62,083	85,256	5,219	6,390
Promissory notes	31,123	39,949	–	–
Other	20,915	16,332	–	–
Leases	15,855	21,280	–	–
Total interest and similar expenses	1,802,124	2,541,932	121,828	145,973
Net interest income	2,255,303	2,183,976	(16,136)	(55,366)

See note 1.3.1(b) for details regarding the restatement in the 2020 annual financial statements

6. Credit impairment losses

	Group 2021 N$'000	Group 2020 N$'000 (Restated)	Company 2021 N$'000	Company 2020 N$'000
Increase in credit impairment losses on loans and advances (note 17)	293,072	346,524	–	–
Increase in credit impairment losses on financial assets at amortised cost (notes 14 and 18)	(5,113)	(10,726)	101,349	170,476
Amounts written off as uncollectable	171,817	78,702	–	–
Initial specific impairment	159,895	67,626	–	–
Written off as uncollectable	11,922	11,076	–	–
Amounts recovered during the year	(16,028)	(7,052)	–	–
	443,748	407,448	101,349	170,476

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.

See note 1.3.1(b) for details regarding the restatement in the 2020 annual financial statements.

7. Non-interest income

7.1 Fee and commission income

	Group 2021 N$'000	Group 2020 N$'000
Transaction and related fees	1,002,159	884,085
Income from deposits	566,546	383,107
Transaction based fee income	363,977	431,458
Income from loans and advances	71,636	69,520
Commissions	37,511	33,979
Trust and fiduciary fees	10,095	8,850
	1,049,765	926,914

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
7.2 Net trading income				
Net foreign exchange gains and losses	23,437	95,846	–	–
Net gain from financial instruments at fair value	75,733	101,480	8,462	16,688
	99,170	197,326	8,462	16,688

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.

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
7.3 Other operating income				
Commission and insurance related income	7,159	3,875	7,159	3,875
Dividend received	24,365	38,123	349,477	464,620
Interest received	–	–	6,281	16,636
Net foreign exchange gains and losses	–	–	(36,242)	(8,634)
(Loss)/Profit on sale of associate	(2,130)	–	7,729	–
Profit on partial sale of subsidiary	4,840	–	4,840	–
Support services rendered	463	310	43,721	48,752
Other	5,746	469	1,116	2,922
	40,443	42,777	384,081	528,171
7.4 Net insurance premium income				
Gross written premiums	192,326	185,795	–	–
Change in unearned premium provision	(29,020)	(32,802)	–	–
	163,306	152,993	–	–
7.5 Net insurance claims and benefits paid				
Gross insurance contract claims	(33,033)	(29,157)	–	–
Transfer to provision for IBNR claims	(2,451)	(1,562)	–	–
	(35,484)	(30,719)	–	–

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
7. Non-interest income continued				
7.6 Asset management and administration fees				
Asset management and administration fees	158,711	135,420	–	–
	158,711	135,420	–	–
Total non-interest income	1,475,911	1,424,711	392,543	544,859
7.7 Types of revenue from contracts with customers				
Fee and commission income	1,049,765	926,914	–	–
Other operating income	7,622	4,185	50,880	52,627
Asset management and administration fees	158,711	135,420	–	–
Income other than from contracts with customers	259,813	358,192	341,663	492,232
Total revenue	1,475,911	1,424,711	392,543	544,859
7.8 Disaggregation of revenue from contracts with customers				
(a) Over time				
Transaction and related fees	71,636	69,520	–	–
Lending activities	71,636	69,520	–	–
Commission and insurance related income	7,159	3,875	7,159	3,875
Support services rendered	463	310	43,721	48,752
Asset management and administration fees	158,711	135,420	–	–
	237,969	209,125	50,880	52,627
(b) At a specific point in time				
Transaction and related fees	930,523	814,565	–	–
Cards and electronic channels	566,546	383,107	–	–
Transaction based fee income	363,977	431,458	–	–
Commissions	37,511	33,979	–	–
Trust and fiduciary fees	10,095	8,850	–	–
	978,129	857,394	–	–
(c) Income other than from contracts with customers	259,813	358,192	341,663	492,232
Total	1,475,911	1,424,711	392,543	544,859
8. Staff costs				
Salaries and bonuses	1,034,537	1,004,575	70,332	77,615
Share-based payment expense	13,938	12,480	6,921	6,831
Staff training costs	14,469	16,180	510	676
Pension costs – defined contribution plan	60,217	56,444	1,689	2,040
Severance pay provision (note 29)	1,197	2,697	119	1,149
	1,124,358	1,092,376	79,571	88,311

9. Operating expenses

Expenses by nature

9.1 Normal operating expenses

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Advertising and marketing	32,095	36,711	5,581	5,319
Amortisation of intangible assets (note 21)	47,831	48,080	–	–
Asset management fees	2,318	2,834	–	–
Auditor's remuneration	–	–	–	
– Audit fees	10,158	9,563	915	577
– Fees for other services	1,390	1,058	381	300
Non-executive directors' emoluments	9,523	9,459	5,643	5,452
Depreciation of property and equipment (note 22)	157,583	128,967	–	–
Finance costs	8,746	7,950	–	–
Impairment on investments	–	–	3,221	–
Insurance costs	18,952	16,112	118	–
Impairment loss on intangible assets	1,416	18,205	–	–
Loss on disposal of property and equipment	3,676	–	–	–
Motor vehicle costs	2,132	2,786	–	–
Office expenses	10,777	9,648	629	744
Professional services	50,734	55,361	13,240	10,300
Repairs and maintenance	18,148	19,668	–	–
Security expenses	19,133	18,543	–	–
Staff costs (note 8)	1,124,358	1,092,376	79,571	88,311
Stamp duty	21,071	17,577	1	1
Stationery and printing	21,850	16,701	32	52
Subscription fees	15,637	8,910	242	298
Technology costs	155,520	138,145	–	–
Telephone, postage and courier costs	17,179	15,421	9	31
Travelling	3,901	9,414	400	2,281
Water and electricity	23,722	25,247	–	–
Other expenses	77,195	56,733	17,868	14,283
Costs related to sale of subsidiary	–	–	19,287	–
	1,855,045	1,765,469	147,138	127,949

9.2 Fee and commission expenses

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Association transaction fees	116,291	114,560	–	–
Cash handling fees	13,642	9,914	–	–
Commission	11,957	10,934	–	–
	141,890	135,408	–	–
Total operating expenses	1,996,935	1,900,877	147,138	127,949

Research and development costs of N$683,712 (2020: N$129,566) are included in operating expenses above.

10. Share of associates' results after tax

The following represents Capricorn Group's share of the associates' after tax results:

	Group 2021 N$'000	Group 2020 N$'000
Profit before taxation	124,750	84,192
Taxation	(21,137)	(20,481)
	103,613	63,711

11. Income tax expense

11.1 Normal tax

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Current tax	428,448	352,850	–	–
Deferred tax	(58,605)	52,756	(375)	11,659
Total normal tax	369,843	405,606	(375)	11,659
Income tax expense is attributable to:				
Profit from continuing operations				
Current tax	428,448	352,850	–	–
Deferred tax	(58,605)	1,945	(375)	11,659
Total normal tax from continuing operations	369,843	354,795	(375)	11,659
Deferred tax	–	50,811	–	–
Total normal tax from discontinued operations	–	50,811	–	–
	369,843	405,606	(375)	11,659
Normal tax on other comprehensive income				
Current tax through other comprehensive income	(12,382)	12,372	–	–
Total income tax expense	357,461	417,978	(375)	11,659

11. Income tax expense continued

11.2 Tax rate reconciliation

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'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	1,290,531	1,366,890	127,920	191,068
Loss from discontinued operation before income tax expense	–	(104,872)	–	–
Other comprehensive income	(38,694)	38,662	–	–
Tax at the applicable tax rate of 32% (2020: 32%)	400,588	416,218	40,934	61,142
Dividends received	(62,414)	(122,207)	(113,176)	(148,678)
Fair value adjustment on interest free staff loans and investments	(782)	(7,274)	–	–
Other non-taxable income	(77,089)	(79,826)	(1,846)	(7,410)
Non-deductible expenses	101,426	72,566	73,713	41,449
Derecognise previously recognised deferred tax asset	1,026	68,593	–	–
Unrecognised deferred tax asset	–	63,834	–	63,834
Expired assessed loss	–	18,719	–	–
Utilised tax loss previously not recognised	–	(78)	–	–
Difference in tax rates	(5,328)	(11,280)	–	–
Other	34	(1,287)	–	1,322
Income tax expense	357,461	417,978	(375)	11,659
Effective tax rate	28.6%	32.1%	(0.3%)	6.1%

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.

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

12. Earnings and headline earnings per share continued

	2020 Gross N$'000	2020 Taxation N$'000	2020 Net N$'000
Earnings			
Profit from continuing operations for the year attributable to the equity holders of the parent entity			913,387
Headline adjustments	43,473	(114)	43,359
Loss on disposal of assets	1,781	(114)	1,667
Impairment loss on intangible assets	18,205	–	18,205
Fair value loss on disposal of shares in associate	23,487	–	23,487
Headline earnings			956,746
Loss from discontinued operation for the year attributable to the equity holders of the parent entity			(152,414)
Headline adjustments	1	–	1
Other	1	–	1
Headline earnings			(152,413)

	Group 2021 N$'000	Group 2020 N$'000
Number of ordinary shares in issue at year-end ('000) (note 30)	511,108	511,945
Weighted average number of ordinary shares in issue during the year ('000)	511,108	511,945
Adjusted for effect of future share-based payment transactions ('000)	1,594	1,450
Diluted weighted average number of ordinary shares in issue during the year ('000)	512,702	513,395
Earnings per ordinary share (cents) from continuing operations		
Basic	178.7	178.4
Fully diluted	178.2	177.9
Headline earnings per ordinary share (cents) from continuing operations		
Basic	181.4	186.9
Fully diluted	180.9	186.4
Loss per ordinary share (cents) from discontinued operation		
Basic	(8.0)	(29.8)
Fully diluted	(8.0)	(29.7)
Headline loss per ordinary share (cents) from discontinued operation		
Basic	(8.0)	(29.8)
Fully diluted	(8.0)	(29.7)
Earnings per ordinary share (cents)		
Basic	170.7	148.6
Fully diluted	170.1	148.2
Headline earnings per ordinary share (cents)		
Basic	173.4	157.2
Fully diluted	172.9	156.7

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
13. Cash and balances with the central bank				
Cash balances	694,699	563,505	–	–
Bank balances	–	–	665,789	387,857
Reserve deposits	252,772	(25,904)	–	–
Included in cash and cash equivalents	947,471	537,601	665,789	387,857
Mandatory reserve deposits with the respective central banks	371,918	371,516	–	–
	1,319,389	909,117	665,789	387,857

Mandatory reserve deposits are not available for use in the Group's day-to-day operations. 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.

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
14. Financial assets				
Financial assets at fair value through profit or loss				
Unit trust and money market investments	2,050,729	2,314,333	79,316	716,953
Repo investments	199,398	–	–	–
	2,250,127	2,314,333	79,316	716,953
Current	2,250,127	2,314,333	79,316	716,953
	2,250,127	2,314,333	79,316	716,953
Financial assets at amortised cost				
Government stock	741,446	723,596	–	–
Preference shares	207,843	–	471,834	462,264
	949,289	723,596	471,834	462,264
Less expected credit loss allowance	(99,232)	(10,839)	(93,506)	(167,416)
Net financial assets at amortised cost	850,057	712,757	378,328	294,848
Current	39,631	–	–	–
Non-current	810,426	712,757	378,328	294,848
	850,057	712,757	378,328	294,848
Movement in impairment on financial assets at amortised cost is as follows for the Group:				
Opening balance	10,839	36,873	167,416	17,132
Reclassified to discontinued operation	–	(15,308)	–	–
Restated opening balance	10,839	21,565	167,416	17,132
Impairment derecognised	–	–	(167,416)	–
Impairment charge for the year	(5,113)	(10,726)	99,705	153,933
Impairment charge reclassified to discontinued operation	99,705	–	–	–
Exchange movements	(6,199)	–	(6,199)	(3,649)
Closing balance	99,232	10,839	93,506	167,416

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.).

Unit trust investments are included in cash and cash equivalents for the purposes of the cash flow statement. Refer to note 38.

15. Financial assets at fair value through other comprehensive income

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Debt instruments				
Treasury bills	3,745,868	4,191,108	–	–
Government stock	468,984	799,427	–	–
Tradable instruments	802,328	683,151	802,328	683,151
Corporate bonds	14,376	40,764	–	–
Exchange traded funds[2]	60,371	55,191	–	–
Equity instruments				
Investment securities – listed[1]	25,669	2,479	–	–
Investment securities – unlisted	2,640	1,513	–	–
	5,120,236	5,773,633	802,328	683,151
Current	4,666,148	5,180,388	802,328	683,151
Non-current	454,088	593,245	–	–
	5,120,236	5,773,633	802,328	683,151
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:				
Treasury bills	3,747,043	4,197,228	–	–
Government stock	453,738	576,288	–	–
Amounts recognised in other comprehensive income				
During the year under review, the following gains/(losses) were recognised in other comprehensive income:				
Changes in the fair value of debt instruments at fair value through other comprehensive income	(38,353)	37,877	–	–
Changes in the fair value of equity instruments at fair value through other comprehensive income	(341)	786	–	–
	(38,694)	38,663	–	–

[1] *Listed ordinary shares are held as follows: 6,583,247 shares in Weatherley International Plc, 13,035 shares in Dundee Precious Metals Inc, 28,308 shares in China Africa Resources Plc. The election was made to recognise the equity instruments at fair value through other comprehensive income.*

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

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 for the purposes of the cash flow statement. Refer to note 38.

Treasury bills with a nominal value of N$500 million (2020: N$700 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 (2020: NIL) at the Bank of Namibia. Bank of Botswana certificates with a nominal value of N$251 million (2020: N$251 million) are pledged as security with the Bank of Botswana. At 30 June 2021 treasury bills of N$200 million have been collateralised under a sale-and-buyback agreement (2020: N$430 million).

Refer to note 3.5 for fair value methodology used.

	Group 2021 N$'000	Group 2020 N$'000 (Restated)
16. Due from other banks		
Placement with other banks	3,568,665	2,996,527

Placements with other banks are callable on demand and are therefore current assets.

	Group 2021 N$'000	Group 2020 N$'000 (Restated)
17. Loans and advances to customers		
Overdrafts	6,197,794	5,863,186
Term loans	13,522,974	13,130,751
Mortgages	18,856,923	18,464,170
– Residential mortgages	11,825,893	11,254,890
– Commercial mortgages	7,031,030	7,209,280
Instalment finance	3,324,257	3,323,045
Preference shares	362,135	467,346
Gross loans and advances	42,264,083	41,248,498
Effective interest rate impact per IFRS 9	(144,247)	(126,577)
Gross loans and advances after effective interest impact	42,119,836	41,121,921
Less impairment		
Stage 1	(174,191)	(183,229)
Stage 2	(212,419)	(100,250)
Stage 3	(903,539)	(759,820)
	40,829,687	40,078,622

N$75.0 million (2020: N$68.8 million) of loans and advances have been ceded to Caliber Capital Trust as security for a loan (Note 24).

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

	Overdrafts 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	373,309	278,406	95,906	1,043,299
Stage 1	43,135	88,484	15,367	36,243	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
Adjusted balance at the beginning of the year	295,678	373,309	278,406	95,906	1,043,299
Loan impairments	101,085	171,040	187,095	5,669	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	389,381	447,373	82,983	1,290,149
Stage 1	34,951	80,898	35,042	23,300	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

17. Loans and advances to customers continued

	Overdrafts N$'000	Term loans N$'000	Mortgages N$'000	Instalment finance N$'000	Total N$'000
30 June 2020					
Balance at the beginning of the year	197,638	209,767	164,841	191,273	763,519
Stage 1	34,079	40,279	13,177	65,001	152,536
Stage 2	38,902	23,474	14,925	24,955	102,256
Stage 3	124,657	146,014	136,739	101,317	508,727
Discontinued operation	(2,835)	(79)	(1,763)	(76,353)	(81,030)
Adjusted balance at the beginning of the year	194,803	209,688	163,078	114,920	682,489
Loan impairments	110,946	205,367	119,502	(10,589)	425,226
Foreign exchange differences	755	8,814	2,012	2,705	14,286
Amounts written off during the year as uncollectible	(10,826)	(50,560)	(6,186)	(11,130)	(78,702)
Balance at the end of the year	295,678	373,309	278,406	95,906	1,043,299
Stage 1	43,135	88,484	15,367	36,243	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

	Group			
	2021 N$'000	2021 %	2020 N$'000	2020 %
Total impairment by geographical area				
Namibia	1,076,119	83.4	780,148	74.8
Botswana	198,022	15.3	247,629	23.7
Zambia	16,008	1.2	15,522	1.5
	1,290,149	100.0	1,043,299	100.0
Maturity analysis of loans and advances to customers for the Group were as follows:				
Repayable within 1 month	6,547,645	15.5	6,208,428	15.1
Repayable after 1 month but within 3 months	134,216	0.3	95,863	0.2
Repayable after 3 months but within 6 months	211,886	0.5	310,142	0.8
Repayable after 6 months but within 12 months	328,057	0.8	337,412	0.8
Repayable after 12 months	35,042,279	82.9	34,296,653	83.1
	42,264,083	100.0	41,248,498	100.0

	Group	
	2021 N$'000	2020 N$'000
The loans and advances to customers include instalment finance receivables which are analysed as follows:		
Repayable within 1 year	81,479	164,945
Repayable after 1 year but within 5 years	3,139,961	3,531,691
Repayable after 5 years	205,438	113,672
Gross investment in instalment finances	3,426,878	3,810,308
Unearned future finance income on instalment finances	(102,621)	(487,263)
Net investment in instalment finances	3,324,257	3,323,045

17. 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. Thus 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$33.0 million (2020: N$34.6 million) relating to the above-mentioned scheme.

The movements on these staff loans were as follows:

	Group	
	2021 N$'000	2020 N$'000
Opening balance	34,608	46,625
New loans advanced during the year	4,941	6,584
Loans redeemed during the year	(3,760)	(30,209)
Staff costs (adjustment to fair value)	(6,878)	8,755
Effective interest charged	4,081	2,853
Closing balance	32,992	34,608

18. Other assets

	Group		Company	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000
Insurance fund asset	55,990	54,100	–	–
Accounts receivable	81,798	60,295	198	60
Receivables from related parties*	–	–	96,610	85,729
Dividends receivable	–	–	–	862
Clearing and settlement accounts	147,061	175,523	–	–
Prepayments	25,449	39,489	1,307	1,724
Other taxes	728	735	–	–
Inventory**	108,116	68,514	–	–
	419,142	398,656	98,115	88,375
Less expected credit loss allowance	–	–	(25,986)	(32,065)
Net other assets	419,142	398,656	72,129	56,310
Current	362,452	343,356	72,129	56,310
Non-current	56,690	55,300	–	–
	419,142	398,656	72,129	56,310
Movement in impairment on other assets				
Opening balance	–	–	32,065	16,303
Impairment charge for the year	–	–	1,644	16,543
Foreign exchange gain	–	–	(7,723)	(781)
Closing balance	–	–	25,986	32,065

* *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. 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.*

The notional principal amount of the outstanding interest rate swap contracts, included above and in other liabilities (note 27), at 30 June 2021 was N$123.5 million (2020: N$173.5 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.

19. Investment in subsidiaries

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

	Principal place of business	Number of shares held '000	Issued ordinary share capital and premium N$'000	Effective holding 2021 %	Effective holding 2020 %
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	100
Capricorn Unit Trust Management Company Ltd	Namibia	1,913	2,000	95.7	100
Capricorn Capital (Pty) Ltd	Namibia	4	100	100	100
Capricorn Investment Holdings (Botswana) Ltd	Botswana	52,873	318,858	84.8	84.8
Cavmont Capital Holdings Zambia Plc	Zambia	77,262	207,340	99.6	97.9
Mukumbi Investments (Pty) 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	100.0	100.0
Capricorn Investment Group (Pty) Ltd	South Africa	0.1	0.1	100.0	100.0
Capricorn Hofmeyer Property (Pty) Ltd	Namibia	0.1	0.1	100.0	100.0
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 Micro (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

19. Investment in subsidiaries continued

	Aggregate income of subsidiaries (after tax)		Total investment	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000
Financial details of subsidiaries				
Subsidiaries of Capricorn Group				
Bank Windhoek Ltd (consolidated)	669,544	721,448	520,440	520,440
Namib Bou (Pty) Ltd	1	100	23,000	23,000
Capricorn Asset Management (Pty) Ltd	40,075	30,758	122,391	127,954
Capricorn Unit Trust Management Company Ltd	25,309	24,092	61,940	64,750
Capricorn Capital (Pty) Ltd	(869)	(4,036)	163	163
Capricorn Investment Holdings (Botswana) Ltd	69,733	54,206	438,776	438,776
Cavmont Capital Holdings Zambia Plc	–	(155,682)	–	–
Mukumbi Investments (Pty) Ltd	(26)	(66)	–	–
Entrepo Holdings Ltd	226,152	202,630	238,680	238,680
Capricorn Mobile (Pty) Ltd	(2,038)	(269)	0.1	5,000.0
Capricorn Investment Group (Pty) Ltd	(935)	(383)	0.1	0.1
Capricorn Hofmeyer Property (Pty) Ltd	(42)	(1)	11,508	0.1
Capricorn Foundation	5,103	–	–	–
	1,032,007	872,797	1,416,898	1,418,763
Non-current			1,416,898	1,418,763

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 BWP1.388 (2020: BWP1.399) and ZMW0.791 (2020: ZMW1.024) 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.

Refer to note 39 for related party transactions and balances with subsidiaries.

20. Investment in associates

Set out below are the associates of the Group as at 30 June 2021. 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$'000	2021 %	2020 %	2021 N$'000	2020 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 Namibia Holdings Ltd	–	28,711	–	17.7	–	88,737
Paratus Group Holdings Ltd	48	2,757	30.0	30.0	232,263	232,263
					342,458	431,195

20. Investment in associates continued

20.1 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	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'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	26,743	29,250		
– Profit before tax	34,802	45,688		
– Current and deferred tax	(8,059)	(16,438)		
Dividends paid	(25,159)	(27,116)		
Post-acquisition retained income at the beginning of the year	73,041	70,907		
	137,530	135,946	62,905	62,905
Directors' valuation	159,792	190,441	159,792	190,441

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	
	2021 N$'000	2020 N$'000
Summarised financial information (unaudited)		
Revenue (net earned premium)	646,472	899,793
Profit after tax	86,911	104,633
Total comprehensive income	86,911	104,633
Non-current assets	588,347	539,182
Technical assets	423,331	400,129
Current assets	93,317	126,402
Non-current liabilities	(7,834)	(15,675)
Technical liabilities	(391,526)	(387,897)
Current liabilities	(297,222)	(260,321)
Net asset value	408,413	401,820
Interest in associate (28%)	114,170	112,327
Goodwill on acquisition	23,360	23,360
Carrying value of investment in associate	137,530	135,687

20. Investment in associates continued

20.2 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	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'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	41,293	29,547		
– Profit before tax	47,515	31,518		
– Current and deferred tax	(6,222)	(1,971)		
Dividends paid	(38,090)	(32,111)		
Post-acquisition retained income at the beginning of the year	73,512	76,076		
	124,005	120,802	47,290	47,290
Directors' valuation	573,486	512,914	573,486	512,914

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	
	2021 N$'000	2020 N$'000
Summarised financial information (unaudited)		
Revenue (net insurance income)	755,472	763,178
Profit after tax	140,484	100,300
Total comprehensive income	140,484	100,300
Non-current assets	6,279,276	5,379,570
Current assets	594,779	584,840
Non-current liabilities	(5,886,695)	(5,191,060)
Current liabilities	(629,590)	(426,452)
Net asset value	357,770	346,898
Interest in associate (29.5 %)	105,399	102,196
Goodwill on acquisition	18,606	18,606
Carrying value of investment in associate	124,005	120,802

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 2021 have been used for equity accounting the share of results of associates for their half year ended 30 June 2021.

20. Investment in associates continued

20.3 Paratus Namibia Holdings Ltd

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

	Group		Company	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000
Carrying value of investment in associate				
Investment at cost	88,737	88,737	88,737	88,737
Share of current year's retained income	5,171	4,180		
– Profit before tax	7,159	5,591		
– Current and deferred tax	(1,988)	(1,411)		
Dividends paid	(1,723)	(862)		
Post-acquisition retained income at the beginning of the year	517	–		
Disposal of associate	(92,702)	–	(88,737)	
	–	92,055	–	88,737
Valuation	–	94,767	–	94,767

Technique used for directors' valuation

Paratus Namibia Holdings Ltd is listed on the Namibia Stock Exchange ("NSX") and therefore has a quoted market price available for its shares.

	Group	
	2021 N$'000	2020 N$'000
Summarised financial information (unaudited)		
Revenue	–	169,548
Profit after tax	–	23,742
Total comprehensive income	–	23,742
Non-current assets	–	553,496
Current assets	–	182,443
Non-current liabilities	–	(157,015)
Current liabilities	–	(58,839)
Net asset value	–	520,085
Interest in associate (17.7%)	–	92,055
Carrying value of investment in associate	–	92,055

20. Investment in associates continued

20.4 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	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'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	30,406	734		
– Profit before tax	35,274	1,395		
– Current and deferred tax	(4,868)	(661)		
Post-acquisition retained income at the beginning of the year	734	–		
	263,403	232,997	232,263	232,263
Valuation	302,407	244,569	302,407	244,569

Technique used for directors' valuation
The directors' valuation was determined by using the discounted cash flow and sum of parts valuation.

	Group		Company	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000
Summarised financial information (unaudited)				
Revenue	725,277	777,289		
Profit after tax	110,454	21,723		
Total comprehensive income	159,876	21,723		
Non-current assets	785,110	918,306		
Current assets	530,373	385,009		
Non-current liabilities	(33,133)	(57,462)		
Current liabilities	(232,656)	(285,310)		
Non-controlling interest	(171,685)	(183,885)		
Net asset value	878,009	776,658		
Interest in associate (30.0%)	263,403	232,997		
Carrying value of investment in associate	263,403	232,997		
Total investment in associates (non-current)	524,938	581,800	342,458	431,195

Refer to note 39 for related party transactions and balances with associates.

21. 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 2021					
Cost					
Cost at 1 July 2020	71,068	54,171	31,851	344,924	502,014
Transfers	–	–	(10,476)	10,476	–
Additions	–	6,712	57,458	–	64,170
Exchange differences	–	(22,614)	(1,092)	–	(23,706)
Cost at 30 June 2021	71,068	38,269	77,741	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	–	4,704
Amortisation at 30 June 2021	–	(43,249)	288	(196,523)	(239,485)
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	(4,980)	78,029	140,672	284,789
30 June 2020					
Cost					
Cost at 1 July 2019	71,068	109,231	26,049	281,962	488,310
Transfers	–	–	(29,265)	26,138	(3,127)
Additions	–	3,830	30,014	36,824	70,668
Exchange differences	–	17,905	5,053	–	22,958
Reclassification to assets held for sale	–	(76,795)	–	–	(76,795)
Cost at 30 June 2020	71,068	54,171	31,851	344,924	502,014
Amortisation					
Amortisation at 1 July 2019	–	(97,417)	(6,875)	(108,179)	(212,471)
Charge for the year	–	(6,613)	–	(41,467)	(48,080)
Transfer	–	–	6,875	(6,875)	–
Exchange differences	–	(7,753)	–	–	(7,753)
Reclassification to assets held for sale	–	71,946	–	–	71,946
Amortisation at 30 June 2020	–	(39,837)	–	(156,521)	(196,358)
Impairment loss					
Charge for the year	–	–	–	(18,205)	(18,205)
Impairment loss at 30 June	–	–	–	(18,205)	(18,205)
Net book value at 30 June 2020	71,068	14,334	31,851	170,198	287,451

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 2021 nor 30 June 2020.

[1] *Goodwill is tested for impairment on 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.

22. 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 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						
Continuing operations	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

22. Property and equipment continued

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 2020						
Cost						
Cost at 1 July 2019	81,165	311,377	31,753	312,196	–	736,491
Initial adoption of IFRS 16	–	–	–	–	359,138	359,138
Adjusted cost at 1 July 2019	81,165	311,377	31,753	312,196	359,138	1,095,629
Additions*	53,153	30,240	7,520	20,783	83,842	195,538
Transfers	(44,413)	(3,293)	–	50,833	–	3,127
Exchange differences	(4,724)	(17,980)	(983)	(12,927)	–	(36,614)
Reclassification to assets held for sale	(26,772)	(21,927)	(4,716)	(70,011)	(43,244)	(166,670)
Disposals	(1,922)	(1,619)	(1,427)	(4,889)	–	(9,857)
Cost at 30 June 2020	56,487	296,798	32,147	295,985	399,736	1,081,153
Depreciation						
Accumulated depreciation at 1 July 2019	(32,486)	(195,133)	(17,005)	(207,423)	–	(452,047)
Charge for the year	(1,398)	(35,950)	(1,230)	(21,719)	(91,698)	(151,995)
Depreciation reversal due to useful lives review	–	15,847	2,051	5,130	–	23,028
Exchange differences	2,006	2,060	155	(1,992)	–	2,229
Reclassification to assets held for sale	11,369	22,930	1,793	56,669	–	92,761
Depreciation on disposals	274	1,376	1,333	4,382	–	7,365
Accumulated depreciation at 30 June 2020	(20,235)	(188,870)	(12,903)	(164,953)	(91,698)	(478,659)
Net book value at 30 June 2020	36,252	107,928	19,244	131,032	308,038	602,494
****Additions***						
For cash flow purposes						
Continuing operations	53,130	27,121	5,981	16,773	–	103,005
Discontinued operations	23	3,119	1,539	4,010	–	8,691
Non-cash flow items	–	–	–	–	83,842	83,842
	53,153	30,240	7,520	20,783	83,842	195,538

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

The useful lives of the assets were reviewed during June 2021 and the expectations differ from previous estimates, thus the change is accounted for as a change in estimates under IAS 8. Refer to note 1.3.1(b) for further disclosures.

Details regarding the fixed properties as required in terms of Schedule 4 of the Companies Act of Namibia 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 of Namibia Act. The company does not own any property and equipment.

No assets were encumbered at 30 June 2021 nor 30 June 2020. All property and equipment are classified as non-current assets.

23. Due to other banks

	Group 2021 N$'000	Group 2020 N$'000
Current accounts	188	6,355
Borrowings from other banks – in the normal course of business	762,125	962,788
	762,313	969,143
Current	762,313	969,143

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

Due to other banks include repurchase agreements of nil (2020: N$422.7 million).

24. Other borrowings

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Balance as at 1 July	861,502	996,372	172,601	141,726
Additions	231,198	146,435	166,229	146,435
Redemptions	(362,579)	(312,868)	(164,020)	(145,595)
Accrued interest	62,083	85,256	5,219	6,390
Coupon payments	(61,321)	(83,728)	(5,219)	(6,390)
Foreign exchange movement	(38,164)	30,035	(31,926)	30,035
Balance as at 30 June	692,719	861,502	142,884	172,601
Current	549,083	393,829	142,884	172,601
Non-current	143,636	467,673	–	–
	692,719	861,502	142,884	172,601

Other borrowings consist of N$920 million long-term funding with IFC (International Finance Corporation), of which N$669.1 million has been repaid to date, as well as a long-term loan from AFD (Agence Francaise de Developpement) of N$219 million, of which N$33.9 million has been repaid to date. The balance is further made up of two separate Bank One loans of N$143 million and N$53.7 million, and a loan from the Caliber Capital Trust of N$60 million.

The IFC loan is 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 is 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. The group is in the in process of renegotiating the covenant requirement for the AFD loan to bring it in line with the current macroeconomic context. The group does not have an unconditional right to defer settlement for a period longer than 12 months and therefore the AFD loan has been classified as due within 12 months.

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 2021, December 2021 and March 2022 . Interest is charged at three-month LIBOR plus a spread of 3.1%.

The Caliber Capital Trust loan bears interest at Namibian prime plus 3.5% and is repayable at the end of the loan term.

25. Debt securities in issue

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Balance as at 1 July	5,642,291	5,670,974	2,286,355	1,769,729
Redemptions	(951,000)	(762,182)	(75,000)	–
Additions	1,441,104	700,872	–	500,000
Effective interest	307,220	437,813	116,609	139,583
Coupon payments	(321,780)	(447,909)	(121,001)	(137,599)
Forex (gain)/loss	(67,326)	42,723	(19,213)	14,642
Balance as at 30 June	6,050,509	5,642,291	2,187,750	2,286,355
Current	212,478	1,125,544	25,099	423,159
Non-current	5,838,031	4,516,747	2,162,651	1,863,196
	6,050,509	5,642,291	2,187,750	2,286,355

Debt instruments	Interest rate	Maturity date	Notes	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Five-year callable bonds							
BW25	9.75%	18-Aug-25	25.1	–	187,545	–	–
Bonds issued by Bank Gaborone	3 mth BoBC rate + 2.1%	31-Oct-21	25.1	65,569	73,182	–	–
				65,569	260,727	–	–
Senior debt – unsecured							
BWi20 floating rate note	3mth JIBAR + 180bps	18-Sep-20	25.2	–	265,546	–	–
BWJL21G Floating rate note	3 mth JIBAR + 150bps	6-Dec-21	25.2	66,234	66,246	–	–
BWRj21 fixed rate note	7.75%	15-Oct-21	25.2	60,634	59,461	–	–
BWZj21 floating rate note	3 mth JIBAR + 230bps	10-Nov-21	25.2	60,511	60,584	–	–
BWJd21 floating rate note	3mth JIBAR + 185bps	20-Apr-21	25.2	–	131,721	–	–
BWZ21B floating rate note	3mth JIBAR + 205bps	27-Mar-21	25.2	–	300,196	–	–
BWFh22 fixed rate note	9.50%	18-Aug-22	25.2	284,941	285,371	–	–
BWJh22 floating rate note	3mth JIBAR + 195bps	18-Aug-22	25.2	135,984	136,062	–	–
BWFK22 fixed rate note	9.98%	21-Nov-22	25.2	247,724	247,724	–	–
BWJK22 floating rate note	3 mth JIBAR + 187 bps	21-Nov-22	25.2	155,965	156,066	–	–
BWZJ23 floating rate note	3 mth JIBAR + 190 bps	19-Nov-22	25.2	342,233	342,523	–	–
BWFI23 fixed rate note	8.72%	29-Sep-23	25.2	48,802	48,802	–	–
BWJI24 floating rate note	3m JIBAR + 150bps	30-Sep-24	25.2	95,014	95,014	–	–
BWJ1e27 floating rate note	3 mth JIBAR + 215bps	19-May-27	25.2	503,431	503,858	–	–
BWJ2e27 floating rate note	3 mth JIBAR	19-May-27	25.2	301,299	301,555	–	–
BWFL23 fixed rate note	5.06%	4-Dec-23	25.2	148,740	–	–	–
BWJL23 floating rate note	3m JIBAR + 95bps	4-Dec-23	25.2	441,222	–	–	–
BWZJ24 floating rate note	3m JIBAR + 200bps	29-Mar-24	25.2	500,156	–	–	–
BWJL25 floating rate note	3m JIBAR + 116bps	2-Dec-25	25.2	75,289	–	–	–
BWJF26S floating rate note	3m JIBAR + 150bps	26-Jun-26	25.2	227,927	–	–	–
CGL001 floating rate note	Botswana bank rate + 160bps	8-Apr-24	25.2	170,576	190,738	170,576	190,738
Senior debt issued by Bank Gaborone	7.3% – 7.5%	June 2028; June 2027	25.2	84,836	94,480	–	–
				3,951,518	3,285,947	170,576	190,738

25. Debt securities in issue continued

Debt instruments	Interest rate	Maturity date	Notes	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Preference shares (floating rate note)							
2,500 Preference shares – Santam Namibia Ltd	64.5% of prime	1-Dec-21	25.3	25,099	25,105	25,099	25,105
40,000 Preference Shares – Capricorn Investment Holdings Ltd	3mth JIBAR	23-Mar-27	25.3	402,336	403,042	402,336	403,042
35,000 Preference Shares – First National Bank of Namibia	72.1% of Namibian prime	15-Mar-24	25.3	353,161	353,358	353,161	353,358
22,500 Preference Shares – First National Bank of Namibia	70.6% of Namibian prime	15-Mar-24	25.3	226,991	302,820	226,991	302,820
				1,007,587	1,084,325	1,007,587	1,084,325
Debentures							
Various funds administered by Capricorn Asset Management (Pty) Ltd	3 mth JIBAR + 195bps	30-Apr-23	25.4	403,760	404,373	403,760	404,373
Capricorn Investment Holdings Ltd	3 mth JIBAR + 235bps	31-Dec-27	25.4	100,957	101,153	100,957	101,153
Government Institutions Pension Fund ("GIPF")	3 mth JIBAR + 235bps	31-Jan-30	25.4	504,870	505,766	504,870	505,766
Kgori Capital (Pty) Ltd	6.35%	24-Jul-25	25.4	16,248	–	-	-
				1,025,835	1,011,292	1,009,587	1,011,292
Total debt securities in issue at the end of the year				6,050,509	5,642,291	2,187,750	2,286,355
Listed debt securities				3,866,682	3,379,012	170,576	190,738
Unlisted debt securities				2,183,827	2,263,279	2,017,174	2,095,617
				6,050,509	5,642,291	2,187,750	2,286,355

25.1 Five-year callable bonds

The five-year callable bond BW25, issued on 15 August 2015, have been called in August 2020. Interest was paid semi-annually in February and August of each year. This bond qualified as Tier II capital for the Group. BW 25 was issued under Bank Windhoek's Medium Term Note Programme, a programme registered with the Johannesburg and Namibian Stock Exchanges.

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 Ltd.

25.2 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.

25. Debt securities in issue continued

25.3 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.

25.4 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 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 (2020: N$4.6 billion).

26. Deposits

	Group 2021 N$'000	Group 2020 N$'000
Current accounts	8,910,530	7,677,228
Savings accounts	1,594,643	2,652,053
Demand deposits	6,427,121	6,276,981
Term and notice deposits	13,433,229	13,429,113
Negotiable certificates of deposits ("NCDs")	8,656,745	7,448,626
Other deposits	1,157,431	1,839,263
	40,179,699	39,323,264

	Group 2021 N$'000	Group 2021 %	Group 2020 N$'000	Group 2020 %
Maturity analysis within the customer current, savings, deposit account portfolio for the Group were as follows:				
Withdrawable on demand	16,982,368	42.3	16,284,467	41.4
Maturing within 1 month	2,801,126	7.0	3,491,559	8.9
Maturing after 1 month but within 6 months	8,690,838	21.6	7,552,611	19.2
Maturing after 6 months but within 12 months	7,111,302	17.7	8,726,826	22.2
Maturing after 12 months	4,594,065	11.4	3,267,801	8.3
	40,179,699	100.0	39,323,264	100.0

27. Other liabilities

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Accounts payable and other accruals	279,211	212,610	17,647	30,290
Employee liabilities	205,634	232,348	25,289	26,424
– Employee-related accruals	169,556	187,919	25,289	26,424
– Provision for share-based payment liability	9,357	8,378	–	–
– PAYE payable	10,412	10,367	–	–
– Medical aid payable	8,207	7,631	–	–
– Pension payable	6,564	6,580	–	–
– Other	1,538	11,473	–	–
Indirect taxes	17,002	19,249	141	372
Derivative financial instruments – interest rate swaps	6,511	10,863	–	–
Policyholder liability (see Note 27.1)	219,862	188,390	–	–
Clearing, settlement and internal accounts	182,028	306,218	–	–
Lease liabilities (see Note 27.2)	289,250	327,919	–	–
	1,199,498	1,297,597	43,077	57,086
Current	767,743	978,405	43,077	57,086
Non-current	431,755	319,192	–	–
	1,199,498	1,297,597	43,077	57,086

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 18) at 30 June 2021 was N$123.5 million (2020: N$173.5 million).

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

27.1 Policyholder liabilities

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
The policyholder liability at year-end comprises:				
Claims IBNR liability	12,557	10,106	–	–
Unearned premium reserve	207,305	178,284	–	–
	219,862	188,390	–	–
Reconciliation of the policyholder liability:				
Opening balance	188,390	153,978	–	–
Allocation to the IBNR liability	2,451	1,610	–	–
Transfer to unearned premium reserve	29,021	32,802	–	–
	219,862	188,390	–	–

27. Other liabilities continued

27.2 Lease liabilities

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Maturity analysis – contractual undiscounted cashflows				
– Within one year	77,357	70,118	–	–
– Later than one year but not later than five years	157,561	163,510	–	–
– Later than five years	54,332	94,291	–	–
Total undiscounted lease liabilities	289,250	327,919	–	–
Lease liabilities included in statement of financial position	289,250	327,919	–	–
Current	77,357	70,118	–	–
Non-current	211,893	257,801	–	–

The Group leases various offices, branches and houses. Rental contracts are typically made for fixed periods of five 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% (2020: 7.64%).

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Amounts recognised in profit or loss				
Interest on lease liabilities	24,601	29,230	–	–
Variable lease payments not included in measurement of lease liabilities	–	–	–	–
Expenses relating to short-term leases	2,244	2,883	–	–
Expenses relating to leases of low value assets, excluding short-term lease of low value assets	–	–	–	–
	26,845	32,113	–	–
Amounts recognised in statement of cashflows				
Total cash outflow for leases	90,607	89,617	–	–
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	34,250	1,867	–	–
100 basis points decrease				
– Decrease in interest expense on lease liabilities	5,553	2,788	–	–

28. Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 32% (2020: 32%).

The movement on the deferred income tax account is as follows:

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Deferred tax (asset)/liability as at 1 July	(54,746)	(107,502)	(10,717)	(22,376)
Charge to profit or loss (note 11)	(58,605)	52,756	(375)	11,659
Accelerated tax depreciation and amortisation	(5,070)	8,172	–	–
Loans and receivables	(21,410)	(64,417)	–	–
Government stock and other securities	(24,394)	5,395	–	–
Prepaid expenses	(4,329)	(789)	–	–
Accruals	1,334	(9,040)	361	(193)
Loan loss impairment	(5,881)	107,830	–	10,700
Assessed loss	(7,954)	20,261	(736)	1,152
Other	9,099	(14,656)	–	–
Deferred tax asset as at 30 June	(113,351)	(54,746)	(11,092)	(10,717)
Deferred income tax assets and liabilities are attributable to the following items:				
Deferred income tax liability				
Accelerated tax depreciation and amortisation	75,973	81,043	–	–
Government stock and other securities	–	12,121	–	–
Derivative financial instruments	5,258	–	–	–
Prepaid expenses	7,726	12,055	–	–
Other temporary differences	939	565	–	–
	89,896	105,784	–	–
Deferred income tax asset				
Accruals	33,484	34,818	8,613	8,974
Loan loss impairment	31,951	26,070	–	–
Government stock and other securities	12,273	–	–	–
Assessed loss	15,123	7,169	2,479	1,743
Derivative financial instruments	–	4,845	–	–
Unrealised foreign exchange gains or losses	11,024	1,475	–	–
Loans and receivables	101,721	80,311	–	–
Other temporary differences	(2,329)	5,842	–	–
	203,247	160,530	11,092	10,717
Net deferred income tax asset	(113,351)	(54,746)	(11,092)	(10,717)

28. 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	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000
Deferred tax liability				
Current	536	24,345	–	–
Non-current	89,360	81,439	–	–
Total	89,896	105,784	–	–
Deferred tax asset				
Current	12,586	147,087	8,613	8,974
Non-current	190,661	13,443	2,479	1,743
Total	203,247	160,530	11,092	10,717

29. Post-employment benefits

29.1 Severance pay liability

A valuation was performed for 30 June 2021 by an independent actuary on the Group's liability with respect to severance pay. The benefit is not funded.

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
The amount recognised in the statement of financial position is determined as follows:				
Present value of unfunded obligation (non-current)	16,126	14,929	1,268	1,149
The movement in the severance pay obligation over the year is as follows:				
As at 1 July	14,929	12,232	1,149	–
Current service costs	20	1,044	37	–
Interest cost	1,177	1,095	82	–
Past service cost	–	558	–	1,149
As at 30 June	16,126	14,929	1,268	1,149
The amounts recognised in the statement of comprehensive income are as follows:				
Current service costs	20	1,044	37	–
Past service cost	–	558	–	1,149
Interest cost	1,177	1,095	82	–
	1,197	2,697	119	1,149
The principal actuarial assumptions used were as follows:	%	%	%	%
Discount rate	7.0	7.0	7.0	7.0
Inflation rate	2.5	2.5	2.5	2.5
Salary increases	3.5	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	(622)	(622)	(60)	(54)
Salary increase 1 % higher per annum	686	686	65	59
Inflation increase 1 % lower per annum	(676)	(676)	(88)	(80)
Inflation increase 1 % higher per annum	745	745	97	88
Discount increase 1 % lower per annum	(676)	(676)	(88)	(80)
Discount increase 1 % higher per annum	745	745	97	88

29. Post-employment benefits continued

29.2 Medical aid scheme

The Group has no liability in respect of post-retirement medical aid contributions.

29.3 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 2020 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$60.2 million (2020: N$56.4 million).

30. Share capital and premium

	Group		Company	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'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	(63,971)	(60,468)	(20,002)	(17,879)
Total ordinary share capital and premium	714,575	718,078	758,544	760,667
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	(8,076)	(7,239)	(1,379)	(1,253)
Total number of ordinary shares issued at year-end	511,108	511,945	517,805	517,931

Issued ordinary shares

Ordinary shares have a par value of N0.025. 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).

30. 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 on 27 October 2021, 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 (2020: 519,184,399). All issued shares are fully paid up.

31. Net asset value per share

	Group 2021	Group 2020
Net asset value per ordinary share (cents)		
Net assets (excluding non-controlling interest) (N$'000)	6 613 934	6,308,105
Weighted average number of ordinary shares in issue during the year ('000)	511,108	511,945
Net asset value per share (cents)	1,294	1,232

32. 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$ 13.9 million in 2021 (2020: N$12.5 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 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
30 June 2020					
Opening balance	585	667	174	146	1,572
Granted	269	242	107	66	684
Vested	(106)	(170)	(38)	(43)	(357)
Closing balance	748	739	243	169	1,899

SARs issued in September 2017 vested in September 2020 and were exercised during the current financial year.

No SAR expired during the periods covered by the above tables.

32. **Share-based payment** continued

Share appreciation rights ("SAR") continued

SAR's outstanding ('000) at the end of the year have the following vesting and expiry dates:

Grant date	Vest date	Expiry date	2021	2020
September 2017	September 2020	September 2022	**–**	608
September 2018	September 2021	September 2023	**583**	608
September 2019	September 2022	September 2024	**651**	683
September 2020	September 2023	September 2025	**828**	–
			2,062	1,899
Grant date				
The weighted average remaining contractual life of options outstanding at the end of the year			**3.1 years**	2 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 2021	
Spot and strike price (N$)	13.00
Risk-free rate	6.8 %
Dividend yield	3.8 %
Volatility	30 %
Membership attrition	5 %
30 June 2020	
Spot and strike price (N$)	16.00
Risk-free rate	7.8 %
Dividend yield	4.0 %
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:

	2021 No. of CSPs '000	**2020** No. of CSPs '000
Opening balance	2,322	1,726
Granted	1,076	831
Vested	(522)	(221)
Forfeited	(109)	(14)
Closing balance	2,767	2,322

32. Share-based payments continued

Conditional share plan ("CSP") continued

Outstanding number of CSP's ('000) expected to vest as follows:

Grant date	Vest date	2021	2020
September 2017	September 2020	–	536
September 2018	September 2021	984	978
September 2019	September 2022	774	808
September 2020	September 2023	1,009	–
		2,767	2,322

The fair value of shares granted during the year was determined with reference to the listed share price at grant date of N$13.00 (2020: N$16.00) and taking into account a membership attrition of 5% (2020: 5%). Refer to note 8 for the total expense recognised in profit or loss for shares granted to executive directors and employees.

	Group		Company	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000
33. Non-distributable reserves				
33.1 Credit risk reserve				
Balance at 1 July	–	34,829		
Adjusted balance at 1 July	–	34,829		
Transfer from/(to) retained earnings	153,159	(34,829)		
Balance as at 30 June	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.				
33.2 Insurance fund reserve				
Balance at 1 July	54,100	51,125		
Transfer from retained earnings	1,890	2,975		
Balance as at 30 June	55,990	54,100		
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.				
33.3 Net investment in foreign subsidiary reserve				
Net exchange differences on net investments	–	(19,483)	–	(19,483)
Balance as at 30 June	–	(19,483)	–	(19,483)
Total non-distributable reserves	209,149	34,617	–	(19,483)

34. Distributable reserves

	Group 2021 N$'000	Group 2020 N$'000
34.1 Fair value reserve		
Balance as at 1 July	1,480	695
Change in value of financial assets at fair value through other comprehensive income	(26,312)	26,291
Transfer (to)/from reserves	25,971	(25,506)
Balance as at 30 June	1,139	1,480
34.2 General banking reserve		
Balance as at 1 July	3,846,093	3,843,797
Transfer from retained earnings	676,143	2,296
Balance as at 30 June	4,522,236	3,846,093

The general banking reserve is maintained to fund future expansion.

	Group 2021 N$'000	Group 2020 N$'000
34.3 Foreign currency translation reserve		
Balance as at 1 July	59,891	5,000
Revaluation for the year	(72,391)	54,889
Change in shareholding	–	–
Transfer of FCTR	(8)	2
Balance as at 30 June	(12,508)	59,891

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
34.4 Retained earnings				
Balance as at 1 July	1,618,741	1,136,427	724,588	887,841
Profit for the year	872,326	760,973	128,295	179,409
Transfer to reserves	(857,163)	55,064	–	–
Transfer from reserves – Reclassifications to retained earnings	(19,483)	–	(19,483)	–
Profit on sale of treasury shares	3,841	1,917	–	–
Dividends paid	(205,000)	(338,076)	(217,330)	(342,662)
Disposal of subsidiary	(267,029)	–	–	–
Change in ownership interest in subsidiary	–	2,436	–	–
Balance as at 30 June	1,146,233	1,618,741	616,070	724,588
34.5 Share-based compensation reserve				
Balance as at 1 July	29,205	23,221	20,534	14,922
Share-based payment charges recognised in equity	13,938	12,480	6,921	6,832
Vesting of shares	(10,033)	(6,496)	(3,587)	(1,220)
Balance as at 30 June	33,110	29,205	23,868	20,534

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 32)
- The grant date fair value of conditional shares issued to employees (refer to note 32)

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Total distributable reserves	5,690,210	5,555,410	639,938	745,122

35 Dividends per share

Normal dividends amounting to N$217.3 million (2020: N$342.7 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 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Declared during the financial year				
Interim dividend per share (cents)			22	30
Declared after the financial year				
Final dividend per share (cents)*			38	20
Total dividend per share (cents)			60	50
Dividends declared during the year	240,500	363,218	217,330	342,662
Dividends paid during the year	(240,500)	(363,218)	(217,330)	(342,662)
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.*

36. Statement of cash flows disclosure information

36.1 Receipts from customers

	Group 2021 N$'000	Group 2020 N$'000 Restated	Company 2021 N$'000	Company 2020 N$'000
Interest receipts	4,059,949	4,728,883	–	–
Commission and fee receipts	1,049,765	926,914	–	–
Other income received	293,874	391,031	107,352	90,352
Gross written premiums	192,326	185,795	–	–
	5,595,914	6,232,623	107,352	90,352

36.2 Payments to customers, suppliers and employees

	Group 2021 N$'000	Group 2020 N$'000 Restated	Company 2021 N$'000	Company 2020 N$'000
Interest payments	1,401,698	1,978,839	–	–
Cash payments to employees and suppliers	1,982,062	1,650,189	134,035	140,253
Gross insurance contract claims	33,033	29,157	–	–
Other borrowings coupon payments	61,321	83,728	5,219	6,390
Debt securities coupon payments	321,780	447,909	121,001	137,599
	3,799,894	4,189,822	260,255	284,242

36. Statement of cash flows disclosure information continued

36.3 Cash generated from/(utilised in) operations

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Profit before income tax from continuing operations	1,394,144	1,366,890	127,920	191,068
Dividends received	(87,615)	(97,350)	(349,477)	(463,758)
Other borrowings coupon payments	(61,321)	(83,728)	(5,219)	(6,390)
Debt securities coupon payments	(321,780)	(447,909)	(121,001)	(137,599)
Adjusted for non-cash items:				
– Accrued interest on debt securities	307,220	437,813	116,609	139,583
– Accrued interest on deposits	71,124	42,535	–	–
– Accrued interest on other borrowings	62,083	85,256	5,219	6,390
– Interest receivable	–	-	(105,692)	(90,607)
– Adjustment to fair value of financial instruments	(44,408)	(101,480)	(8,462)	(16,688)
– Amortisation of intangible assets	47,831	48,080	–	–
– Depreciation of property and equipment	157,583	128,967	–	–
– Share-based payment expense	13,938	12,480	6,921	6,831
– Loss/(Profit) on sale of property and equipment	3,676	2,380	–	–
– 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	443,748	407,448	101,349	170,475
– Provision for post-employment benefits	1,197	2,697	119	–
– Share of associates' results after tax	(103,613)	(63,711)	–	–
– Share of joint arrangements' results after tax	–	(2,817)	–	–
– Net exchange differences	(193,814)	206,387	–	–
– Other	108,737	98,863	88,159	6,805
	1,796,020	2,042,801	(152,903)	(193,890)
In the statement of cash flows, proceeds from sale of property and equipment comprise of:				
Net book value (note 22)	3,676	2,492	–	–
(Loss)/Profit on sale of property and equipment	(3,676)	(2,380)	–	–
Proceeds from sale of property and equipment	–	112	–	–

36.4 Income taxes paid

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Amounts receivable/(payable) as at 1 July	108,147	107,497	3,703	2,717
Current tax charged to profit or loss	(428,448)	(352,850)	–	–
Taxes not yet received	–	–	1,420	986
Amounts (receivable)/payable as at 30 June	(114,908)	(108,147)	(5,123)	(3,703)
Income taxes paid during the year	(435,209)	(353,500)	–	–

36.5 Proceeds on sale of subsidiaries

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Cash consideration received	738	–	738	–
Net cash inflow on sale of subsidiary	738	–	738	–

36.6 Proceeds on sale of associate

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Cash consideration received	96,466	–	96,466	–
Net cash inflow on sale of associate	96,466	–	96,466	–

36.7 Acquisition of subsidiaries

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Cash portion				
Cash consideration paid	–	–	–	(7,415)
Net cash outflow on acquisition of subsidiary	–	–	–	(7,415)

	Group 2021 N$'000	Group 2020 N$'000
37. Contingent assets, liabilities and commitments		
37.1 Capital commitments		
Authorised but not contracted for:		
Property and equipment	95,805	101,156
Intangible assets	167,809	126,457
Contracted for but not yet incurred:		
For completion of office building	28,000	68,000
	291,614	295,613
37.2 Letters of credit	317,295	209,717
37.3 Liabilities under guarantees	1,977,216	1,345,544
Guarantees mainly consist of endorsements and performance guarantees.		
37.4 Loan commitments	2,959,618	2,757,157

37.5 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.

38. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Cash and balances with the central banks – excluding mandatory reserve (note 13)	947,471	537,601	665,789	387,857
Treasury bills and government stock with a maturity of less than 90 days	966,475	1,490,601	–	–
Unit trusts and money market investments (note 14)	2,050,729	2,314,333	79,316	716,953
Placement with other banks (note 16)	3,568,665	2,996,527	–	–
Borrowings from other banks (note 23)	(762,313)	(969,143)	–	–
Cash and cash equivalents from continuing operations	6,771,027	6,369,919	745,105	1,104,810
Cash and cash equivalents from discontinued operations	–	(92,102)	–	–
	6,771,027	6,277,817	745,105	1,104,810

39. 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 board of 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).
(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 43.1% (2020: 43.1%) owned by Capricorn Investment Holdings Ltd, which is incorporated in Namibia and 25.9% (2020: 25.9%) owned by Government Institutions Pension Fund, its non-listed major shareholders.

Details of subsidiaries and associates are disclosed in notes 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 (2020: 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
Peo Micro (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

39. Related parties continued

Entity	Relationship	Type of transaction
Capricorn Capital (Pty) Ltd	Subsidiary	Support services Banking relationship
Cavmont Capital Holdings Zambia Plc	Subsidiary	Support services Banking relationship
Mukumbi Investments Ltd	Subsidiary	Banking relationship
Namib Bou (Pty) Ltd	Subsidiary	Support services Banking relationship
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 Banking relationship Insurance 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

	Group		Company	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000
The volumes of related party transactions and outstanding balances at year-end are as follows:				
39.1 Trade and other receivables from related parties				
Major shareholders	–	–	–	75
Subsidiaries	–	–	40,114	44,184
Other indirect related parties	8,460	10,267	8,460	10,267
Refer to note 18 for terms and conditions related to receivables from related parties.				
39.2 Loans and advances to related parties				
Other indirect related parties	58,734	61,460	–	–
Key management personnel	19,405	18,967	–	–

	Group		Company	
	2021 N$'000	2020 N$'000	**2021 N$'000**	2020 N$'000

39. Related parties continued

39.3 Cash and cash equivalents held by related parties

Subsidiaries	–	–	665,789	387,857

39.4 Preference shares issued by related parties

Subsidiaries	–	–	263,991	294,848

39.5 Trade and other payables to related parties

Subsidiaries	–	–	6,973	10,894

39.6 Deposits from related parties

Major shareholders	1,207,953	52,360	–	–
Other indirect related parties	70,022	88,014	–	–
Key management personnel	13,276	2,237	–	–

All deposits are issued in accordance with the Group's normal terms and conditions.

39.7 Debt securities issued to related parties

Major shareholders	1,062,433	1,892,726	1,009,587	1,009,961
Other indirect related parties	427,435	429,479	427,435	429,479

Refer to note 25 for the terms and conditions related to debt securities in issue.

39.8 Expenses paid to related parties

Other indirect related parties	25,222	19,791	–	–

39.9 Interest and similar expenses paid to related parties

Major shareholders	68,319	60,489	50,116	47,374
Other indirect related parties	22,689	37,798	21,127	32,730
Key management personnel	288	180	–	–

39.10 Income received from related party transactions

Major shareholders	742	800	742	800
Subsidiaries	–	–	42,516	47,156
Other indirect related parties	19,958	22,834	19,834	22,505

Income received from related party transactions mainly relates to insurance related income and inter-Group charges.

39. Related parties continued

39.11 Interest and similar income received from related parties

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Subsidiaries	–	–	24,618	28,312
Other indirect related parties	4,710	5,877	–	–
Key management personnel	850	1,637	–	–

39.12 Dividends received on ordinary shares from related parties

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Subsidiaries	–	–	276,538	365,158
Other indirect related parties	72,938	99,462	72,938	99,462

39.13 Compensation paid to key management

39.13.1 Executive management team

	Group 2021 N$'000	Group 2020 N$'000	Company 2021 N$'000	Company 2020 N$'000
Salaries	17,260	14,633		
Short-term incentives	12,589	14,491		
Long-term incentives	6,152	5,670		
Contribution to defined contribution medical schemes	616	615		
Contribution to defined contribution pension schemes	944	850		
Share-based payment charges	4,780	4,238		
Other allowances	5,583	7,532		
	47,924	48,029		

Compensation paid to key management comprises remuneration and other employee benefits to the executive management team, which excludes executive directors' emoluments.

39. Related parties continued

39.13 Compensation paid to key management continued

39.13.2 Non-executive directors' emoluments

	Directors' fees		Total
	Paid by company N$'000	Paid by subsidiary N$'000	N$'000
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 (chairperson)	1,880	1,825	3,705
Total	5,643	3,880	9,523
30 June 2020			
Non-executive directors			
Black, K B	339	237	576
Brandt, J C	297	423	720
Fourie, D G	712	1,209	1,921
Gaomab II, H M	320	–	320
Menetté, G	267	–	267
Nakazibwe-Sekandi, G	462	278	740
Reyneke, D J	448	–	448
Schimming-Chase, E M	300	–	300
Solomon, E	427	–	427
Swanepoel, J J (chairperson)	1,880	1,860	3,740
Total	5,452	4,007	9,459

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 2021 and 2020 financial years.

39. Related parties continued

39.13 Compensation paid to key management continued

39.13.3 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 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
30 June 2020					
Executive directors					
Prinsloo, M J	3,033	3,200	206	1,079	7,518
Esterhuyse, J J	1,461	1,600	169	703	3,933
	4,494	4,800	375	1,782	11,451

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 shares	Share Appreciation Rights	Conditional Share Plan-Performance	Conditional Share Plan-Retention
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
30 June 2020			
Executive directors			
Prinsloo, M J	94,000	19,000	9,000
Esterhuyse, J J	46,900	9,400	6,300
	140,900	28,400	15,300

39.14 Directors' holdings in Capricorn Group shares

	2021			2020	
	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:					
Esterhuyse JJ[1]	15,223	494,411	0.10 %	479,188	0.09 %
Fourie, D G	28,300	178,300	0.03 %	150,000	0.03 %
Gaomab II, H M	–	2,000	0.00 %	2,000	0.00 %
Nakazibwe-Sekandi, G	(197,489)	1,248,295	0.24 %	1,445,784	0.28 %
Prinsloo, M J[1]	–	2,363,647	0.46 %	2,363,647	0.46 %
Indirect holding:					
Swanepoel, J J (chairperson)			1.82 %		1.82 %
Brandt, J C			18.36 %		18.36 %
Prinsloo, M J			0.11 %		0.11 %

[1] *Movement due to maturing of shares under the share purchase scheme and vesting of options awarded under the long-term incentive schemes.*

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.

40. Assets under custody

As at year-end, the Group has no assets under custody (2020: nil).

41. 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 2021 financial year, the Group was providing financial support of N$17.5 million (2020: N$11.8 million) to the Capricorn Group Employee Share Ownership Trust.

42. Segment information

The Group considers its banking operations in Namibia and Botswana as major 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'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 43.

42. Segment information continued

42.1 Entity-wide disclosures

42.1.1 Products and services

Operating segments

Banking operations – Namibia

Microlending 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 – Microlending 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.

42.1.2 Geographical segments

There are no other material segment operations outside Namibia and Botswana.

42.1.3 Major customers

There are no other material segment operations outside Namibia and Botswana.

Segment reporting requires the disclosure of an entity's reliance on its major customers, if revenue from transactions with a single customer is 10 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.

42. Segment information continued

42.2 Financial information

	Banking – Namibia		Microlending and related activities – Namibia		Banking – Botswana		Other		Group	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000
Net interest income – external	1,734,789	1,616,055	153,482	111,835	320,233	331,711	46,799	21,298	2,255,303	2,080,899
Net interest income – internal	(7,985)	(31,748)	52,554	70,664	18,395	15,293	(62,964)	(54,209)	–	–
Impairment charges on loans and advances	(375,952)	(207,090)	(16,050)	(26,992)	(51,745)	(70,289)	(1)	–	(443,748)	(304,371)
Net interest income after loan impairment charges	1,350,852	1,377,217	189,986	155,507	286,883	276,715	(16,166)	(32,911)	1,811,555	1,776,528
Non-interest income	1,112,058	1,066,608	128,614	123,238	108,314	76,957	126,925	157,908	1,475,911	1,424,711
Fee and commission income	978,726	883,919	–	–	71,067	43,020	(28)	(25)	1,049,765	926,914
Net trading income	96,098	162,653	792	964	28,810	27,236	(26,530)	6,473	99,170	197,326
Other operating income	37,234	20,036	–	–	8,437	6,701	(5,228)	16,040	40,443	42,777
Net insurance premium income	–	–	163,306	152,993	–	–	–	–	163,306	152,993
Net claims and benefits paid	–	–	(35,484)	(30,719)	–	–	–	–	(35,484)	(30,719)
Asset management and administration fee	–	–	–	–	–	–	158,711	135,420	158,711	135,420
Operating income	2,462,910	2,443,825	318,600	278,745	395,197	353,672	110,759	124,997	3,287,466	3,201,239
Operating expenses	(1,511,743)	(1,443,492)	(57,943)	(52,296)	(300,406)	(276,205)	(126,843)	(128,884)	(1,996,935)	(1,900,877)
Operating profit	951,167	1,000,333	260,657	226,449	94,791	77,467	(16,084)	(3,887)	1,290,531	1,300,362
Share of joint arrangement and associates' results after tax	–	2,817	–	–	–	–	103,613	63,711	103,613	66,528
Profit before income tax	951,167	1,003,150	260,657	226,449	94,791	77,467	87,529	59,824	1,394,144	1,366,890
Income tax expense	(281,624)	(281,702)	(34,503)	(23,819)	(25,057)	(23,261)	(28,659)	(26,013)	(369,843)	(354,795)
Profit from continuing operations	669,543	721,448	226,154	202,630	69,734	54,206	58,870	33,811	1,024,301	1,012,095
Loss from discontinued operations	–	–	–	–	–	–	(41,274)	(155,683)	(41,274)	(155,683)
Profit for the period	669,543	721,448	226,154	202,630	69,734	54,206	17,596	(121,872)	983,027	856,412
Change in value of financial assets at fair value through other comprehensive income	(38,694)	38,663	–	–	–	–	–	–	(38,694)	38,663
Income tax expense	12,382	(12,372)	–	–	–	–	–	–	12,382	(12,372)
Exchange differences on translation of foreign operations	–	–	–	–	(40,997)	55,813	(7,439)	(1,925)	(48,436)	53,888
Exchange differences on translation of discontinued operation	–	–	–	–	–	–	(30,834)	9,719	(30,834)	9,719
Net exchange differences on net investments	–	–	–	–	–	–	–	(19,483)	–	(19,483)
Total comprehensive income	643,231	747,739	226,154	202,630	28,737	110,019	(20,677)	(133,561)	877,445	926,827

42. Segment information continued
42.2 Financial information continued

	Banking – Namibia		Microlending and related activities – Namibia		Banking – Botswana		Other		Group	
	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000	2021 N$'000	2020 N$'000
ASSETS										
Cash and balances with the central bank	949,571	705,937	(111,785)	(7,487)	165,286	202,394	316,317	8,273	1,319,389	909,117
Financial assets at fair value through profit or loss	1,680,520	1,348,929	114,839	216,174	5,471	4,754	449,297	744,476	2,250,127	2,314,333
Financial assets at amortised cost	735,720	712,757	–	8,282	–	–	114,337	(8,282)	850,057	712,757
Financial assets at fair value through other comprehensive income	4,300,987	4,862,878	16,920	2,512	194,158	216,809	608,171	691,434	5,120,236	5,773,633
Due from other banks	1,640,828	1,442,751	–	–	2,035,238	1,727,475	(107,401)	(173,699)	3,568,665	2,996,527
Loans and advances to customers	33,700,430	32,691,865	1,416,159	1,218,528	6,315,875	6,682,504	(602,777)	(514,275)	40,829,687	40,078,622
Other assets	331,992	335,138	2,206	1,971	41,204	35,783	43,740	25,764	419,142	398,656
Current tax asset	111,028	97,552	5,970	5,327	72	1,263	5,624	6,262	122,694	110,404
Investment in associates	–	–	–	–	–	–	524,938	581,800	524,938	581,800
Intangible assets	203,937	182,955	1,557	1,557	25,662	25,675	53,633	77,264	284,789	287,451
Property and equipment	427,587	446,262	1,883	2,298	140,181	158,744	40,147	(4,810)	609,798	602,494
Deferred tax asset	84,807	25,664	9,380	10,523	–	–	19,282	18,751	113,469	54,938
Assets held for sale	–	–	–	–	–	–	–	1,517,394	–	1,517,394
Total assets	44,167,407	42,852,688	1,457,129	1,459,685	8,923,147	9,055,401	1,465,308	2,970,352	56,012,991	56,338,126
LIABILITIES										
Due to other banks	538,023	902,052	–	–	289,859	240,790	(65,569)	(173,699)	762,313	969,143
Other borrowings	436,104	633,901	60,000	55,000	53,731	–	142,884	172,601	692,719	861,502
Debt securities in issue	3,696,106	3,188,274	–	–	430,644	462,510	1,923,759	1,991,507	6,050,509	5,642,291
Deposits	33,411,957	32,319,110	–	–	7,265,489	7,434,950	(497,747)	(430,796)	40,179,699	39,323,264
Other liabilities	639,207	830,775	541,437	703,522	198,506	228,179	(179,652)	(464,879)	1,199,498	1,297,597
Current tax liability	–	–	–	–	4,684	–	3,102	2,256	7,786	2,256
Deferred tax liability	–	–	–	–	118	192	–	–	118	192
Post-employment benefits	13,638	12,935	1,220	845	–	–	1,268	1,149	16,126	14,929
Liabilities held for sale	–	–	–	–	–	–	–	1,496,888	–	1,496,888
Total liabilities	38,735,035	37,887,047	602,657	759,367	8,243,031	8,366,621	1,328,045	2,595,027	48,908,768	49,608,062
EQUITY										
Share capital and premium	485,000	485,000	130,005	130,005	316,565	318,858	(216,995)	(215,785)	714,575	718,078
Non-distributable reserves	209,149	54,100	–	–	–	–	–	(19,483)	209,149	34,617
Distributable reserves	4,738,223	4,426,541	724,467	570,313	363,551	369,922	(136,031)	188,634	5,690,210	5,555,410
	5,432,372	4,965,641	854,472	700,318	680,116	688,780	(353,026)	(46,634)	6,613,934	6,308,105
Non-controlling interests in equity	–	–	–	–	–	–	490,289	421,959	490,289	421,959
Total shareholders' equity	5,432,372	4,965,641	854,472	700,318	680,116	688,780	137,263	375,325	7,104,223	6,730,064
Total equity and liabilities	44,167,407	42,852,688	1,457,129	1,459,685	8,923,147	9,055,401	1,465,308	2,970,352	56,012,991	56,338,126

43. 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 Ltd, 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 Ltd, 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 and the year ended 30 June 2020.

	2021 N$'000	2020 N$'000
Net interest income	42,234	76,754
Credit impairment losses	(21,316)	(20,563)
Non-interest income	26,167	54,558
Operating income	47,085	110,749
Operating expenses	(76,840)	(215,621)
Loss before income tax	(29,755)	(104,872)
Income tax expense	–	(50,811)
Loss after tax of discontinued operation	(29,755)	(155,683)
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)	(155,683)
Exchange differences on translation of discontinued operations	(30,716)	9,719
Other comprehensive income from discontinued operations	(71,990)	(145,964)
Net cash outflow from operating activities	(22,993)	(60,722)
Net cash outflow from investing activities	–	(9,666)
Net decrease in cash generated by the subsidiary	(22,993)	(70,388)

Details of the sale of the subsidiary	2021 N$'000	2020 N$'000
Consideration received or receivable:		
Fair value of contingent consideration	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.

43. Discontinued operation continued

Financial performance and cash flow information continued

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)

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2020:

	2021 N$'000	2020 N$'000
Assets classified as held for sale		
Cash and balances with the central bank	–	157,401
Financial assets at fair value through amortised cost	–	311,006
Due from other banks	–	133,825
Loans and advances to customers	–	769,479
Other assets	–	48,604
Current tax asset	–	27,014
Intangible assets	–	11,850
Property and equipment	–	58,216
Total assets of disposal group held for sale	–	1,517,394
Liabilities classified as held for sale		
Due to other banks	–	286,142
Deposits	–	1,146,953
Other liabilities	–	63,793
Total liabilities of disposal group held for sale	–	1,496,888

The cumulative foreign exchange losses recognised in other comprehensive income in relation to the discontinued operation as at 30 June 2020 were N$19.5m.

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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