GROUP ANNUAL FINANCIAL STATEMENTS 2023

Capricorn Group

The design of this report includes moments of change and transformation in nature. By showcasing natural phenomena like metamorphosis, growth, and seasonal transitions, the imagery is a powerful metaphor for the Group's evolution and progress over the years.

#MakeChangePositive

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Statement of responsibility by the board of directors

for the year ended 30 June 2023

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

To enable the directors to meet these responsibilities:

> the board and management set standards and management implements systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;

> the Group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the various Group board audit, risk and compliance committees, appraises, evaluates and, when necessary, recommends improvements in the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and

> the board audit, risk and compliance committees of the Group, together with the external and internal auditors, play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

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

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

The financial statements presented on pages 13 to 125 have been prepared in accordance with the provisions of the Namibian Companies Act and comply with International Financial Reporting Standards ("IFRS").

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

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

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

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

The financial statements, set out on pages 13 to 125, were authorised and approved for issue by the board of directors on 12 September 2023 and are signed on their behalf:

D G Fourie
Chairman

M J Prinsloo
Group Chief Executive Officer

Independent auditor’s report

To the members of Capricorn Group Limited

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Capricorn Group Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Capricorn Group Limited’s consolidated financial statements set out on pages 8 to 125 comprise:

> the directors’ report for the year ended 30 June 2023;
> the consolidated statement of financial position as at 30 June 2023;
> the consolidated statement of comprehensive income for the year then ended;
> the consolidated statement of changes in equity for the year then ended;
> the consolidated statement 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 financial statements* section of our report.

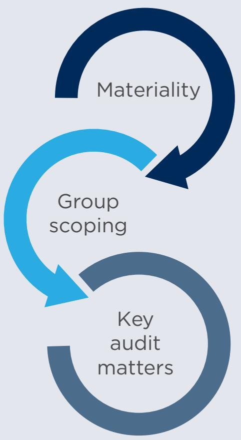
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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$99,545,650, which represents 5% of consolidated. profit before income tax

Group audit scope

> The group audit scope included full scope audits of the Company and four components, due to their financial significance to the Group, and one component based on judgement to obtain sufficient coverage. We also performed specified audit procedures on one more component and analytical reviews were performed over the remaining components

Key audit matters

> Expected credit losses (“ECL”) on loans and advances and financial assets at amortised cost

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

Independent auditor's report continued

Materiality

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

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

Overall Group materiality	N$99,545,650
How we determined it	5% of consolidated profit before income tax.
Rationale for the materiality benchmark applied	We chose profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our Group audit scope

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

We included five components in our scope as financially significant components, identified based on the components' contribution to consolidated profit before tax, and scoped one further component in to obtain sufficient coverage. The financially significant components comprises of the Company, Bank Windhoek Ltd, Capricorn Asset Management (Pty) Ltd, Bank Gaborone Ltd and Entrepo Holdings (Pty) Ltd, in addition to these entities, we scoped in Capricorn Unit Trust Management Company Ltd to obtain sufficient coverage for our group audit opinion. These entities were subjected to a full scope audit. Entities included in our audit scope operate in Namibia and Botswana. We also performed specified audit procedures on one other component, not considered to be financially significant. Analytical reviews were performed over the remaining components where audit work was not performed from a group perspective.

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

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

Independent auditor's report continued

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Expected credit losses ("ECL") on loans and advances and financial assets at amortised cost Refer to the following accounting policies and notes to the consolidated financial statements: > Note 3.2 (Credit risk); > Note 4 (Critical accounting estimates and judgements in applying accounting policies); > Note 14 (Financial assets); and > Note 16 (Loans and advances to customers) As at 30 June 2023, the Group recognised gross loans and advances to customers of N$47.2 billion against which ECL of N$1.6 billion was recognised. Gross financial assets at amortised cost amounted to N$1.1 billion against which ECL of N$123.1 million was recognised for the Group. The significant judgements and assumptions applied by the Group in determining the ECL on loans and advances to customers are described in note 3.2.2 to the consolidated financial statements. The Group writes off loans and advances, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The indicators which assist management in determining whether no reasonable expectation of recovery exists is disclosed in note 3.2.11 to the consolidated financial statements. The Group also recognised post-model adjustments which are included in stage 2, which consists of short-term adjustments to its ECL balances to reflect updates to market data and expert credit judgements. These post-model adjustments relate to risks associated with specific clients, where post model adjustments are necessary to ensure adequate provisions are held to cater for risks not adequately captured by the general models. We considered the ECL on loans and advances to customers and financial assets at amortised cost 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; and > The magnitude of the consolidated loans and advances balances and corresponding ECL balances and post model adjustments in relation to the consolidated financial statements.	Our audit procedures addressed the key areas of significant judgement and estimation in determining ECL on loans and advances as follows: *Evaluation of Significant Increase in Credit Risk ("SICR")* > Utilising our actuarial expertise, we assessed the appropriateness of SICR by assessing the transfer of accounts between different stages. We noted no matters requiring further consideration. *Calibration of ECL statistical model components (PD, EAD, LGD)* We assessed the reasonableness of the inputs, assumptions and estimation techniques applied in the measurement of ECL by performing the following procedures: > Through discussions with management and inspection of Group's documented methodologies, we obtained an understanding of how the probability of default (PD), exposure at default (EAD) and loss given default (LGD) are applied in the measurement of ECL. Our understanding obtained, included how the ECL models are calibrated to use historical information and forward looking information to estimate future cash flows. > Utilising our actuarial expertise, we recalculated the ECL and compared this to management's ECL recognised. We noted differences which were the result of post-model adjustments made by management. Refer to the post model adjustment section below for procedures performed. *Determination of write-off point* We assessed the reasonableness of the indicators used in determining the write-off point by performing the following procedures: > We tested write-offs that took place during the current year on a sample basis by agreeing the amount written off to management's policy. We also agreed the amount received for recoveries to the amounts recorded. We noted no material exceptions. > We considered whether 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.

Independent auditor's report continued

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "Group Annual Financial Statements 2023 Capricorn Group", "Company Annual Financial Statements 2023 Capricorn Group" and "Integrated Annual Report 2023 Capricorn Group". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 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 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.

Independent auditor's report continued

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated 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 financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 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.

Pricewaterhouse Coopers

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: Louis van der Riet
Partner

Windhoek
12 September 2023

Directors' report

for the year ended 30 June 2023

The directors herewith submit their report with the annual financial statements of Capricorn Group ('the Group') for the year ended 30 June 2023.

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 Hofmeyer Property (Pty) Ltd, Namib Bou (Pty) Ltd, 95.7% in Capricorn Asset Management (Pty) Ltd and Capricorn Unit Trust Management Company Ltd, a 55.5% shareholding in Entrepo Holdings (Pty) Ltd and an 84.8% shareholding in Capricorn Investment Holdings (Botswana) Ltd, as at 30 June 2023. The Group has 29.5% shareholding in Sanlam Namibia Holdings (Pty) Ltd, 28% in Santam Namibia Ltd and 26% in Paratus Group Holdings Ltd.

2. Business activities

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

Subsidiaries:

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

Subsidiaries of Bank Windhoek Ltd:

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

Directors' report continued

2. Business activities continued

Subsidiaries of Capricorn Investment Holdings (Botswana) Ltd:

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

Subsidiaries of Entrepo Holdings (Pty) Ltd

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

Associates:

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

Registered address of Capricorn Group Ltd:

6th floor
Capricorn Group Building
Kasino Street
Windhoek
Namibia

Company registration number: 96/300

Country of incorporation: Republic of Namibia

3. Financial results and dividends

The directors report that the Group's net profit after taxation from the above business activities for the year ended 30 June 2023 amounted to:

	2023 N$'000	2022 N$'000
Profit for the year	1,474,441	1,145,881

Normal dividends of N$408.8 million (2022: N$353.5 million) were declared and paid by the Group during the year under review. Refer to note 34 to the consolidated annual financial statements for details on dividends per share.

Full details of the financial results of the Group are set out on pages 13 to 125.

Directors' report continued

4. Share capital

4.1 Ordinary shares

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

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

4.2 Preference shares

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

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

4.3 Share analysis – ordinary shares

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

	2023 %	2022 %
Capricorn Investment Holdings Ltd	44.0	44.4
Government Institutions Pension Fund	26.9	26.8
Nam-mic Financial Services Holdings (Pty) Ltd	8.1	8.1
Held by the public (83,916,165 ordinary shares (2022: 88,862,215))	16.2	17.1
Held by other non-public shareholders	4.8	3.6
– Directors and executive managements' direct and indirect shareholding other than companies mentioned above (10,923,965 ordinary shares (2022: 14,939,603))	2.1	1.6
– Capricorn Group Employee Share Ownership Trust (10,996,205 ordinary shares (2022: 7,117,401))	2.1	1.4
– Capricorn Group Employee Share Benefit Trust (3,420,000 ordinary shares (2022: 3,420,000))	0.6	0.6

4.4 Share analysis – preference shares

	2023 %	2022 %
Santam Namibia Ltd	2.9	2.8
Capricorn Investment Holdings Ltd	47.1	45.1
First National Bank of Namibia Ltd	50.0	52.1

4.5 Share incentive plans

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

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

5. Subsidiaries

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

Directors' report continued

6. Associates

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

7. Management by third party

No business of the Group 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
J J Swanepoel		Namibian	1 July 1999	
J C Brandt		Namibian	5 September 1996	
G Nakazibwe-Sekandi		Ugandan	30 November 2004	
D G Fourie	Chairperson	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	
E Fahl		Namibian	16 September 2021	
D T Kali		Namibian	16 September 2021	
Executive				
M J Prinsloo	Group CEO	South African	4 March 2013	

At the annual general meeting held on 26 October 2022, Ms Sekandi and Messrs Menetté, Reyneke 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.

The authorised but unissued ordinary and preference shares of the Group are under the control of the directors of Capricorn Group, subject to the provisions of the Banking Institutions Act, section 229 of the Companies Act and the listing requirements of the Namibian Stock Exchange. This authority expires at the forthcoming annual general meeting on 25 October 2023, when this authority can be renewed.

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

Capricorn Group Building
Kasino Street
Windhoek
Namibia

P.O. Box 15
Windhoek
Namibia

9. Directors' interests

The directors' interests are disclosed in note 37.

Directors' report continued

10. Auditor

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

11. Events subsequent to year-end

On 12 September 2023 a final dividend of 61 cents per ordinary share was declared for the year ended 30 June 2023, payable on 20 October 2023.

No other matters which are material to the financial affairs of the 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 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 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's projections and sensitivity analysis show that the Group 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 financial statements on a going concern basis.

Consolidated statement of comprehensive income

for the year ended 30 June 2023

	Notes	Group 2023 N$'000	Group 2022 N$'000
Interest and similar income		5,626,476	4,187,290
Interest and similar expenses		(2,908,262)	(1,850,174)
Net interest income	5.	2,718,214	2,337,116
Credit impairment losses	6.	(235,610)	(367,303)
Net interest income after credit impairment losses		2,482,604	1,969,813
Non-interest income	7.	1,887,384	1,668,966
Fee and commission income	7.1	1,288,294	1,139,735
Net trading income	7.2	213,258	210,630
Other operating income	7.3	70,185	41,092
Net insurance premium income	7.4	179,070	161,277
Net claims and benefits paid	7.5	(50,713)	(48,374)
Asset management and administration fees	7.6	187,290	164,606
Operating income		4,369,988	3,638,779
Operating expenses	9.	(2,443,939)	(2,131,123)
Operating profit		1,926,049	1,507,656
Share of associates' results after tax	10.	64,864	67,697
Profit before income tax		1,990,913	1,575,353
Income tax expense	11.	(516,472)	(429,472)
Profit for the period		1,474,441	1,145,881
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		17,643	(43,407)
Income tax expense	11.	(7,722)	8,510
Exchange differences on translation of foreign operations		27,126	18,515
Items that will not be reclassified to profit or loss			
Change in value of equity instruments at fair value through other comprehensive income		576	(79)
Income tax expense	11.	(184)	25
Total comprehensive income for the year		1,511,880	1,129,445
Profit attributable to:			
Equity holders of the parent entity		1,366,450	1,045,983
Non-controlling interests		107,991	99,898
		1,474,441	1,145,881
Total comprehensive income attributable to:			
Equity holders of the parent entity		1,399,766	1,027,140
Non-controlling interests		112,114	102,305
		1,511,880	1,129,445
Earnings per ordinary share for the profit attributable to the equity holders of the parent entity during the year:			
Basic (cents)	12.	270.1	204.9
Fully diluted (cents)	12.	268.5	204.1

Consolidated statement of financial position

as at 30 June 2023

		Group	
	Notes	2023 N$'000	2022 N$'000
ASSETS			
Cash and cash equivalents	13.	6,080,914	6,480,396
Financial assets at fair value through profit or loss	14.	2,588,556	2,183,179
Financial assets at amortised cost	14.	989,432	915,861
Financial assets at fair value through other comprehensive income	15.	5,883,863	5,397,626
Loans and advances to customers	16.	45,396,558	43,226,296
Other assets	17.	594,076	470,091
Current tax asset		83,815	85,867
Investment in associates	19.	537,643	554,895
Intangible assets	20.	449,151	368,891
Property and equipment	21.	665,423	639,913
Deferred tax asset	27.	160,881	116,617
Total assets		63,430,312	60,439,632
LIABILITIES			
Due to other banks	22.	609,543	708,212
Other borrowings	23.	912,935	618,017
Debt securities in issue	24.	5,581,034	6,244,612
Deposits	25.	45,784,775	43,647,452
Other liabilities	26.	1,692,788	1,405,933
Current tax liability		2,850	2,750
Deferred tax liability	27.	–	162
Post-employment benefits	28.	20,752	19,168
Total liabilities		54,604,677	52,646,306
EQUITY			
Share capital and premium	29.	686,427	719,096
Non-distributable reserves	32.	65,346	80,370
Distributable reserves	33.	7,503,642	6,487,421
Equity attributable to the owners of the parent		8,255,415	7,286,887
Non-controlling interests in equity		570,220	506,439
Total shareholders' equity		8,825,635	7,793,326
Total equity and liabilities		63,430,312	60,439,632

Consolidated statement of changes in equity

for the year ended 30 June 2023

GROUP	Notes	Share capital and premium N$'000	Insurance fund reserve N$'000	Credit risk reserve N$'000	Margin entitle-ment reserve N$'000	Easy-Wallet reserve N$'000	SBCR* N$'000	Fair value reserve N$'000	General banking reserve N$'000	FCTR** N$'000	Retained earnings N$'000	Non-control-ling interests N$'000	Total equity N$'000
			Non-distributable reserves					Distributable reserves					
Balance at 1 July 2021		714,575	55,990	153,159	–	–	33,110	1,139	4,522,236	(12,508)	1,146,233	490,289	7,104,223
Movement in treasury shares		(17,585)	–	–	–	–	–	–	–	–	–	–	(17,585)
Total comprehensive income for the year		–	–	–	–	–	–	(34,951)	–	16,108	1,045,983	102,305	1,129,445
Profit for the year		–	–	–	–	–	–	–	–	–	1,045,983	99,898	1,145,881
Other comprehensive income		–	–	–	–	–	–	(34,951)	–	16,108	–	2,407	(16,436)
Share-based payment charges	33.	–	–	–	–	–	16,916	–	–	–	–	–	16,916
Vesting of shares		22,106	–	–	–	–	(22,106)	–	–	–	–	–	–
Profit on sale of treasury shares		–	–	–	–	–	–	–	–	–	21	–	21
Transfer between reserves		–	2,001	(130,837)	57	–	–	–	710,678	–	(581,899)	–	–
Dividends	34.	–	–	–	–	–	–	–	–	–	(353,539)	(86,155)	(439,694)
Balance at 30 June 2022		719,096	57,991	22,322	57	–	27,920	(33,812)	5,232,914	3,600	1,256,799	506,439	7,793,326
Balance at 1 July 2022		719,096	57,991	22,322	57	–	27,920	(33,812)	5,232,914	3,600	1,256,799	506,439	7,793,326
Movement in treasury shares		(40,945)	–	–	–	–	–	–	–	–	–	–	(40,945)
Redemption of ordinary shares		(6,632)	–	–	–	–	–	–	–	–	–	–	(6,632)
Total comprehensive income for the year		–	–	–		–	–	10,313	–	23,003	1,366,450	112,114	1,511,880
Profit for the year		–	–	–	–	–	–	–	–	–	1,366,450	107,991	1,474,441
Other comprehensive income		–	–	–	–	–	–	10,313	–	23,003	–	4,123	37,439
Share-based payment charges	33.	–	–	–	–	–	24,413	–	–	–	–	–	24,413
Vesting of shares		14,908	–	–	–	–	(14,908)	–	–	–	–	–	–
Profit on sale of treasury shares		–	–	–	–	–	–	–	–	–	752	–	752
Transfer between reserves		–	3,515	(22,322)	803	2,980	–	–	765,207	–	(750,183)	–	–
Dividends	34.	–	–	–	–	–	–	–	–	–	(408,826)	(48,333)	(457,159)
Balance at 30 June 2023		686,427	61,506	–	860	2,980	37,425	(23,499)	5,998,121	26,603	1,464,992	570,220	8,825,635
Notes		29	32.2	32.1	32.3		33.5	33.1	33.2	33.3	33.4		

* *Share-based compensation reserve (SBCR).*
** *Foreign currency translation reserve (FCTR).*

Consolidated statement of cash flows

for the year ended 30 June 2023

	Notes	Group 2023 N$'000	2022 N$'000
Cash flows from operating activities			
Cash receipts from customers	35.1	7,848,625	6,159,551
Cash paid to customers, suppliers and employees	35.2	(5,596,569)	(3,805,371)
Cash generated from operations	35.3	2,252,056	2,354,180
(Increase)/decrease in operating assets			
Financial assets at amortised cost		(58,384)	(65,803)
Proceeds from financial assets at fair value through OCI		14,323,717	5,259,445
Purchases of financial assets at fair value through OCI		(14,747,502)	(5,571,106)
Loans and advances to customers and banks		(2,443,593)	(2,763,912)
Other assets		(119,033)	(52,853)
Increase/(decrease) in operating liabilities			
Deposits from customers and due to other banks		2,137,323	3,408,225
Other liabilities		286,855	56,465
Net cash generated from operations		1,631,439	2,624,641
Dividends received		125,854	58,303
Other interest received		1,369	939
Income taxes paid	35.4	(577,396)	(450,629)
Income taxes refunds	35.4	–	53,972
Net cash generated from operating activities		1,181,266	2,287,226
Cash flows from investing activities			
Additions to property and equipment	21.	(113,730)	(142,427)
Additions to intangible assets	20.	(120,535)	(139,040)
Redemption of unit trust investments		924,441	361,621
Investments of unit trust investments		(1,153,247)	(494,071)
Net cash utilised in investing activities		(463,071)	(413,917)
Cash flows from financing activities			
Treasury shares acquired		(74,835)	(26,145)
Treasury shares sold		61,497	25,687
Redemption of ordinary shares		(6,632)	
Proceeds from other borrowings	23.	863,982	331,177
Redemption of other borrowings	23.	(599,017)	(431,781)
Redemption of debt securities in issue	24.	(885,000)	(311,002)
Proceeds from the issue of debt securities	24.	200,000	540,000
Lease payments made	26.	(83,142)	(83,142)
Dividends paid	34.	(408,826)	(353,539)
Net cash utilised in financing activities		(931,973)	(308,745)
Net increase/(decrease) in cash and cash equivalents from continuing operations		(213,778)	1,564,564
Cash and cash equivalents at the beginning of the year		6,480,396	5,087,452
Effects of exchange rate changes on cash and cash equivalents		(185,704)	(171,620)
Cash and cash equivalents at the end of the year	13.	6,080,914	6,480,396

Notes to the consolidated annual financial statements

for the year ended 30 June 2023

1. Basis of presentation

The consolidated annual financial statements of Capricorn Group (the Group) for the year ended 30 June 2023 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 presentation currency of the Group.

1.3 Standards and interpretations issued

1.3.1 Standards and interpretations issued affecting amounts reported and disclosures in the current year

Title of standard	Nature of change	Impact	Mandatory application/ date of adoption by Group
Amendment to IFRS 3 – *Business combinations*	Reference to the Conceptual Framework: > The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination, without changing the accounting requirements for business combinations.	The Group assessed this amendment to have no material impact.	Mandatory for financial periods commencing on or after 1 January 2022. Adoption date by the Group: 1 July 2022.
Amendments to IAS 16 – *Property, Plant and Equipment*	Proceeds before intended use on property, plant and equipment: > The amendments prohibit an entity from deducting from the cost of an item any proceeds from selling such items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. > Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	The Group assessed this amendment to have no material impact.	Mandatory for financial periods commencing on or after 1 January 2022. Adoption date by the Group: 1 July 2022.
Amendments to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*	Onerous contracts – cost of fulfilling a contract: > The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.	The Group assessed this amendment to have no material impact.	Mandatory for financial periods commencing on or after 1 January 2022. Adoption date by the Group: 1 July 2022.

Notes to the consolidated annual financial statements continued

1. Basis of presentation continued

1.3 Standards and interpretations issued continued

1.3.1 Standards and interpretations issued affecting amounts reported and disclosures in the current year continued

Title of standard	Nature of change	Impact	Mandatory application/ date of adoption by Group
Annual improvements to IFRS Standards 2018 to 2020.	These amendments include minor changes to: > IFRS 1 – *First-time adoption of International Financial Reporting Standards* – Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture. > IFRS 9 – *Financial Instruments* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. Fees paid to third parties are excluded from this calculation. > IFRS 16 – *Leases* – The amendment requires to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatments of lease incentives. > IAS 41 – *Agriculture* – The amendment aligns the requirement for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.	The Group assessed this amendment to have no material impact.	Mandatory for financial periods commencing on or after 1 January 2022. Adoption date by the Group: 1 July 2022.

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 of adoption by Group
Amendments to IAS 1 – *Presentation of Financial Statements*	These amendments require the following changes to presentation: > Classification of liabilities as current or non-current: Narrow-scope amendments to clarify how to classify debt and other liabilities as current or non-current. > Disclosure of accounting policies: Entities should disclose material accounting policy information rather than significant accounting policies. Additional guidance added to explain how an entity can identify this.	The Group is not expecting a material impact.	Mandatory for financial periods commencing on or after 1 January 2024. Expected date of adoption: 1 July 2024.
Amendments to IAS 8 – *Accounting policies, changes in accounting estimates and errors*	> The definition of accounting estimates changed: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. > The new definition: accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	The Group is not expecting a material impact.	Mandatory for financial periods commencing on or after 1 January 2023. Expected date of adoption: 1 July 2023.
Amendments to IAS 12 – *Income Taxes: Deferred Tax*	The amendment requires entities to recognise deferred tax on single transactions that, on initial recognition gives rise to equal amounts of taxable and deductible temporary differences.	The Group is not expecting a material impact.	Mandatory for financial periods commencing on or after 1 January 2023. Expected date of adoption: 1 July 2023.

Notes to the consolidated annual financial statements continued

1. Basis of presentation continued

1.3 Standards and interpretations issued continued

1.3.2 Standards and interpretations issued but not yet effective that is expected to be relevant to the Group continued

Title of standard	Nature of change	Impact	Mandatory application/ date 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.	Refer to note 1.3.2 (a)	Mandatory for financial years commencing on or after 1 January 2023. Expected date of adoption by the Group: 1 July 2023.

1.3.2 (a) Standard issued, not yet effective: IFRS 17 Insurance Contracts (IFRS 17)

The effective date of IFRS 17 is for financial years commencing on or after 1 January 2023. IFRS 4 Insurance Contracts (IFRS 4), the existing standard dealing with the accounting treatment for insurance contracts, will be replaced by IFRS 17 for the Group's financial year commencing 1 July 2023 (with half year results and comparative information restated for the financial year commencing 1 July 2022 as required by the standard). IFRS 17 provides the basis of measurement for defined insurance contracts.

Whereas IFRS 4 required the use of local accounting practices in measuring insurance liabilities (which essentially referred to the local actuarial guidance), IFRS 17 introduces defined accounting models which will increase the comparability of information reported by all reporting entities that issue insurance contracts.

The group will be affected by the transition to the new standard with regard to its controlling shareholding in Entrepo Holdings (Pty) Limited as well as its significant influence in Santam Namibia Limited and Sanlam Namibia Holdings (Pty) Ltd (investments in associates that are equity accounted for).

Overview of IFRS 17

One significant change for insurers is that the standard does not allow profits to emerge on "day one" (contract recognition date). The main revenue recognition principle that IFRS 17 adopts is to recognise revenue (and consequently profit or loss) over the duration of the applicable policyholder contracts to best reflect the delivery of insurance contract services in the specific reporting period. The total recognised profit or loss outcome of contracts (i.e. the actual cash flows that emerge over the total contract term) remains unchanged. However, the year-by-year reporting of profit or loss outcomes between IFRS 4 and IFRS 17 is different. IFRS 17 includes three permitted measurement models. The measurement approach refers to the model used for valuing the liabilities and recognising profits in insurance revenue over time and should be appropriate for the contract being measured. All measurement models include two components, being a liability for remaining coverage (LRC) and a liability for incurred claims (LIC). The LRC relates to the measurement of the liability where the insured event has not occurred (i.e. the Group's obligation for insured events related to the unexpired portion of the coverage period). The LIC component relates to the measurement of the liability where the insured event has occurred (i.e. the Group's obligation to investigate and pay claims for insured events that have already occurred and includes events that have occurred but have not been reported). The LRC measured component is dependent on what measurement model is applied, whereas the measurement of the LIC component is the same under all three measurement models.

Entrepo Life Limited has elected to apply the simplified premium allocation approach (PAA), which is available for contracts that have a coverage period of 12 months or less, or if it is reasonably expected that the PAA would produce a measurement of the liability for remaining coverage (LRC) that would not materially differ from the one produced applying the general measurement model (GMM).

Notes to the consolidated annual financial statements continued

1. Basis of presentation continued

1.3 Standards and interpretations issued continued

1.3.2 Standards and interpretations issued but not yet effective that is expected to be relevant to the Group continued

1.3.2 (a) Standard issued, not yet effective: IFRS 17 Insurance Contracts (IFRS 17)

Transition Approach

Entrepo Life Limited will apply IFRS 17 as of 1 July 2023 on a fully retrospective basis for all its portfolios. IFRS 17 needs to be retrospectively applied from the transition date, 1 July 2022, as if IFRS 17 had always been effective. Any adjustments to the carrying amounts of insurance liabilities at the date of initial application will be recognised in the opening balance of retained earnings.

Project governance, status and process going forward

The Group's IFRS 17 project committee is responsible for providing overall strategic direction to the project and monitoring progress and interdependencies. The committee comprises representation from top management, finance and external actuaries, with input from the external auditors.

Summaries of IFRS 17 progress to date and IFRS 17 accounting policy elections have been submitted to the Group's Audit, Risk and Advisory Committee.

The implementation of IFRS 17 is significant for the Group, specifically in areas such as revenue recognition, presentation in the statement of comprehensive income and level of transparency of the components of measurement. A comprehensive effort has been applied to the standard's technical interpretation and the required design decisions. While audit involvement and industry discussions have been critical to the project, management is mindful of the possibility of interpretation differences. Management is also cognisant that it remains possible that certain interpretations may be further clarified as additional information becomes available.

The key focus areas for the year commencing 1 July 2023 will be finalising comparative year information to ensure IFRS 17 compliant financial statements and finalising business-as-usual accounting and the valuation and reporting processes. The Group will present restated IFRS 17 compliant results with the half year financial statements presented for 31 December 2023.

Estimated impact of adopting IFRS 17

The estimated transitional impact is still provisional as the transition assessment has not yet been finalised. The group is still in the process of estimating the provisional impact, and this may yet change due to the following:

> Final approval of IFRS 17 Policies and Methodology documents by those charged with governance;
> The new accounting policies, assumptions, judgements, and estimation techniques employed are subject to refinement until the Group finalises its first set of financial statements that include the date of initial application;
> The new models, processes and associated internal controls have not been fully operational for a full reporting cycle and may require more refinement; and
> The finalisation of external audit work on the recalculated IFRS 17 financial results.

As a result of the factors above, the Group does not deem the quantitative impact as conclusive at the date of issue of this set of financial statements.

There are no expected tax implications to the Group due to the adoption of IFRS 17.

IFRS 17 Insurance contracts: Summarised accounting policies relating to insurance liabilities

This section includes the draft key accounting policies to be applied to contracts within the scope of IFRS 17. These draft accounting policies are subject to change until the publication of the group's financial statements for the year ended 30 June 2024.

Classification and measurement

The Group will apply IFRS 17 to all insurance contracts, as currently applied under IFRS 4. A contract is classified as an insurance contract under which one party (the issuer) 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 the policyholder.

The Group sells one product which is a term-based life contract, and will group contracts by the financial year they are issued when determining cohorts. The Group will recognise contracts when insurance coverage starts, or premiums are due.

Contracts measured under PAA

The LRC at initial recognition is measured as premiums received minus acquisition costs. The LRC is released over the lifetime of a contract, in line with prescriptive revenue recognition patterns, based on discounted insurance service expenses. Also, under IFRS 17, the LIC requires the calculation of a risk adjustment and includes future claims handling expenses to be incurred in settling the LIC, which is different from the existing methodology.

Notes to the consolidated annual financial statements continued

For any group of contracts, the PAA measurement approach is therefore expected to materially impact profit emergence going forward, compared to the current basis. The profit emergence during any financial year will, however, consist of several groups, each at different stages of their lifetimes, where differences in profit emergence may be offset to a large degree.

Critical accounting estimates and judgements

The main changes in the critical estimates and judgements to be made to the Group's accounting policies in terms of IFRS 17 – Insurance contracts are summarised below.

Premium Allocation Approach (PAA) eligibility

As mentioned above, the Group has elected to apply the PAA approach to all contracts. The Group assessed the appropriateness of the PAA measurement model. According to IFSR17.53a, the PAA can be applied if it can be demonstrated that the LRC does not differ materially from the one produced if the GMM requirements were applied. A detailed investigation was undertaken, which concluded that the PAA is an actuarially sound approximation of the GMM. The continued application of the PAA is governed by the Group's "PAA Eligibility Monitoring Policy", which will be a key consideration during year-end valuations, and subject to external audit. In essence, it should be demonstrated that the PAA is appropriate for the specific business recognised during that financial year.

For contracts measured under PAA, the Group has elected:

> To defer the recognition of the acquisition costs over the coverage period.
> To adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk; and
> To adjust future cash flows for the time value of money for claims incurred but not yet paid.

Judgement as to which expenses meet the definition of directly attributable under IFRS 17 and are included in the measurement of fulfilment cash flows

The attributable expenses can broadly be considered to include the following:

> Incremental expenses that are directly attributable to a single contract, e.g., premium collection and commission.
> Overheads not directly attributable to a single policy/contract but incurred to service the portfolio of contracts.
> "Unavoidable expenses" that would need to be incurred to operate, e.g. finance, IT etc. These include once-off / project costs that are unavoidable, such as compliance / legislative costs.

The expense cash flows refer only to expenses which are directly attributable to fulfilling the insurance contracts. Non-attributable expenses will be recognised separately in profit or loss.

The technique for calculating the risk adjustment and associated confidence levels

The risk adjustment for non-financial risk (RA) is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of insurance contracts. The risk adjustment reflects an amount that an insurer would require to remove the uncertainty that future cash flows will exceed the expected value amount.

Due to the elected valuation approach, the RA will have a minimal impact on the LRC. At the same time, the risk related to the LIC is only an insignificant portion of incurred insurance services. As such, the Group has chosen to use a Margins Approach to determine its Risk Adjustment, applying the margins as specified in regulatory reporting requirements.

This approach is expected to be similar to an RA calculated between 78% and 82% confidence levels. At each year-end, the valuation process will include explicit checks that the margins remain within these confidence levels.

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.

Notes to the consolidated annual financial statements continued

2. Summary of significant accounting policies continued

2.1 Consolidation continued

2.1.1 Subsidiaries continued

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.

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

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

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

2.1.2 Common control transactions

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

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

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

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

2.1.3 Changes in ownership interests in subsidiaries without change of control

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

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

2.1.4 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is 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.

Notes to the consolidated annual financial statements continued

2. Summary of significant accounting policies continued

2.1 Consolidation continued

2.1.5 Associates

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

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

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

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

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

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

For summarised financial information on the Group's associates accounted for on the equity method, refer to note 19.

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

2.2 Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are 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.

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

2.3 Financial instruments

2.3.1 Measurement methods

Amortised cost and effective interest

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

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

Notes to the consolidated annual financial statements continued

2. Summary of significant accounting policies continued

2.3 Financial instruments continued

2.3.1 Measurement methods continued

Amortised cost and effective interest continued

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

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

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

Interest income

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

Initial recognition and measurement

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

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

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

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

2.3.2 Financial assets

(i) Classification and subsequent measurement

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

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

(ii) The cash flow characteristics of the asset.

Notes to the consolidated annual financial statements continued

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

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

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

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

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

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

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

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.

Notes to the consolidated annual financial statements continued

2. Summary of significant accounting policies continued

2.3 Financial instruments continued

2.3.2 Financial assets continued

(ii) Impairment

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

> An unbiased and probability-weighted amount that is determined by using the expected credit loss model
> 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.

(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

Financial liabilities are classified and subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss: this classification is applied to derivatives. Financial guarantee contracts and loan commitments (see note 2.13)

(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.

Notes to the consolidated annual financial statements continued

2. Summary of significant accounting policies continued

2.3 Financial instruments continued

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
> 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
> 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
> 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 Group 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 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.

Notes to the consolidated annual financial statements continued

2. Summary of significant accounting policies continued

2.3 Financial instruments continued

2.3.8 Interest capitalised on stage 3 impaired loans and advances

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

2.3.9 Sale and repurchase agreements

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

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

2.4 Intangible assets

2.4.1 Goodwill

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

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

2.4.2 Computer software and development costs

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

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

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

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense 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.

Notes to the consolidated annual financial statements continued

2. Summary of significant accounting policies continued

2.4 Intangible assets continued

2.4.2 Computer software and development costs continued

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

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

2.5 Property and equipment

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

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

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

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

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

2.6 Repossessed property

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

2.7 Impairment of non-financial assets

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

2.8 Leases

2.8.1 IFRS 16 – *Leases*

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

> The contract involves the use of an identified asset
> The Group has the right to obtain substantially all of the economic benefits associated with the use of the asset throughout the period of use
> 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.

Notes to the consolidated annual financial statements continued

2. Summary of significant accounting policies continued

2.8 Leases continued

2.8.1 IFRS 16 – *Leases* continued

Lessee accounting

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

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

Buildings	3-10 years

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

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

Initial recognition

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

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

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index rate or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option
- 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 method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be repayable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

Discount rate

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

Notes to the consolidated annual financial statements continued

2. Summary of significant accounting policies continued

2.8 Leases continued

2.8.1 IFRS 16 – *Leases* continued

Short-term and leases of low-value assets

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

Extension and termination options

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

Lessor accounting

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

2.9 Cash and cash equivalents

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

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

2.11 Financial guarantee contracts

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

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

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

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

2.12 Employee benefits

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

2.12.1 Pension obligations

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

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

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

Notes to the consolidated annual financial statements continued

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 28 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

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

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

2.14 Current and deferred income tax

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

2.14.1 Deferred income tax

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

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

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

Notes to the consolidated annual financial statements continued

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 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 investments held at fair value through other comprehensive income are is also recognised in other comprehensive income and is subsequently recognised in profit or loss together with the deferred gain or loss.

2.14.2 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates 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.

Notes to the consolidated annual financial statements continued

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 at fair value through profit or loss as well as foreign exchange gains and losses arising from instruments held at fair value through profit or loss.

2.15.2 Interest income and expenses

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

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

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

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

2.15.3 Fee and commission income

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

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

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.

Notes to the consolidated annual financial statements continued

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 (Capricorn Group company) equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group'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 Group'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 Group's shareholders is recognised as a liability in the consolidated annual financial statements in the period in which the dividends are declared by the board of directors.

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

2.19 Fiduciary activities

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

2.20 Operating segments

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

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

2.21 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.

Notes to the consolidated annual financial statements continued

2. Summary of significant accounting policies continued

2.21 Insurance contracts continued

2.21.1 Policyholder insurance contracts 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.

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.

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

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

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 cause deterioration in credit risk are discussed. At this meeting decisions are made on the risk associated with the prevailing and forecasted macroeconomic conditions and the impact on specific sectors in the applicable economies.

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

1. Assumptions
2. Inputs, including 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.

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.1 Analysis of assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on pages 21 to 36 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

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:

	2023				
Group	Financial assets/ liabilities at fair value through profit or loss N$'000	Financial assets/ liabilities at amortised cost N$'000	Financial assets at fair value through other comprehensive income N$'000	Non-financial assets/ liabilities N$'000	Total N$'000
ASSETS					
Cash and cash equivalents	–	6,080,914	–	–	6,080,914
Financial assets at fair value through profit or loss	2,588,556	–	–	–	2,588,556
Financial assets at amortised cost	–	989,432	–	–	989,432
Financial assets at fair value through other comprehensive income	–	–	5,883,863	–	5,883,863
Loans and advances to customers	–	45,396,558	–	–	45,396,558
Other assets	–	356,323	–	237,753	594,076
Current tax asset	–	–	–	102,465	102,465
Investment in associates	–	–	–	537,643	537,643
Intangible assets	–	–	–	449,151	449,151
Property and equipment	–	–	–	665,423	665,423
Deferred tax asset	–	–	–	142,231	142,231
Total assets	2,588,556	52,823,227	5,883,863	2,134,666	63,430,312
LIABILITIES					
Due to other banks	–	609,543	–	–	609,543
Other borrowings	–	912,935	–	–	912,935
Debt securities in issue	–	5,581,034	–	–	5,581,034
Deposits	–	45,784,775	–	–	45,784,775
Other liabilities	–	1,029,697	–	663,091	1,692,788
Current tax liability	–	–	–	2,850	2,850
Post-employment benefits	–	–	–	20,752	20,752
Total liabilities	–	53,917,984	–	686,693	54,604,677

Notes to the consolidated annual financial statements continued

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

3.2 Credit risk

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

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.1 Credit risk measurement

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

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

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

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

i. Probability of default (PD)

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

ii. Exposure at default (EAD)

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

iii. Loss given default (LGD)

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

b) Financial assets measured at amortised cost

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

Credit risk grading

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

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

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

i. Retail

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

ii. Corporate

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

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

Notes to the consolidated annual financial statements continued

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

Credit risk grading continued

iii. Treasury

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

Rating	Meaning	Implied PD
CG1	Virtually no risk	3%
CG2	Low risk	5%
CG3	Moderate risk	4%
CG4	Acceptable risk	8%
CG5	Borderline	9%
CG6	Special Mention	5%
CG7	Substandard	32%
CG8	Doubtful	30%
CG9	Loss	98%

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:

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.2 Expected credit loss measurement continued

3.2.2.1 Significant increase in credit risk (SICR)

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

Quantitative criteria:

The credit rating at the reporting date has deteriorated significantly (moved down two rating levels e.g. CG1 to CG3), compared to the credit rating at initial recognition of the account. The thresholds for the significant increase in credit risk 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 2022 and 30 June 2021. This was also not applied at transition.

Climate-related risk consideration

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

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

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

Physical risks

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

Transition risk

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

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

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.2 Expected credit loss measurement continued

3.2.2.1 Significant increase in credit risk (SICR) continued

Transition risk continued

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

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

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

3.2.2.2 Definition of default and credit-impaired assets

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

Qualitative criteria

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

Quantitative criteria

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

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

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

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

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.

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.2 Expected credit loss measurement continued

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

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'.

Stage 3

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

Qualitative criteria

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

Quantitative criteria

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

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

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

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.2 Expected credit loss measurement continued

3.2.2.4 Forward-looking information incorporated in the ECL models continued

Stage 1 and 2

The assessment and calculation of ECL incorporates forward-looking information (FLI). The forecast of economic variables, regression analysis and expert judgement is applied and confirmed through internal governance structures to apply a forward looking view for the ECL calculation. With the simultaneous impact of a multi-year recession as well as COVID-19 pandemic on the southern African region, statistical inference needs to be supplemented by qualitative expert judgment and input to ensure reliable and plausible forecasts are achieved. The Group has performed historical analysis and identified key 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 modeling techniques were used for this purpose.

The Group applied GDP changes as the main macroeconomic indicator in the FLI modeling process. Changes in monetary interest rates were excluded from the modeling process. The effect of monetary policy rates is therefore encapsulated in the GDP forecasts applied in the modeling 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 March 2008 to June 2022. 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	
	2023	2022	**2023**	2022
Growth in next 12 months	3.30%	3.75%	4.00%	5.54%
Growth in following 12 months	3.20%	2.96%	5.10%	7.51%

Qualitative factors influencing FLI

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

Sensitivity Analysis

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

	Allowances for credit losses	
Sensitivity Analysis	**2023 N$'000**	2022 N$'000
Base ECL for stage 1 and 2	496,490	470,154
Base ECL for stage 3	1,114,845	628,770
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	446,841	356,818
GDP 10% deterioration	546,139	569,525
Had the GDP forecast been 10% better or 10% worse, the ECL for stage 3 would be reflected as follows:		
GDP 10% improvement	1,003,361	550,174
GDP 10% deterioration	1,226,330	675,928

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.2 Expected credit loss measurement continued

3.2.2.4 Forward-looking information incorporated in the ECL models continued

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

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

	Allowances for credit losses	
Sensitivity Analysis	**2023 N$'000**	**2022 N$'000**
ECL	1,611,335	1,442,160
SICR rules		
Lower	1,565,812	1,429,835
Upper	1,643,987	1,509,405

3.2.2.5 Grouping of instruments for losses measured on a collective basis

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

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

> Product type
> Repayment type
> Collateral type

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

All stage 3 exposures are assessed individually.

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

3.2.3 Loss allowance

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

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.3 Loss allowance continued

Post-model adjustments

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

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

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

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

	2023					
Group	Opening ECL 1 July 2022	Total transfer between stages	Net impairments raised	Impaired accounts written-off	Exchange and other movements	Closing ECL 30 June 2023
Overdrafts	425,782	–	57,081	(37,031)	(5,284)	440,548
Stage 1	38,558	17,133	(17,235)	-	576	39,032
Stage 2	69,821	(20,785)	34,249	-	(1,729)	81,556
Stage 3	317,403	3,652	40,067	(37,031)	(4,131)	319,960
Term loans	520,292	–	241,853	(28,624)	14,782	748,303
Stage 1	84,570	16,848	(13,658)	-	(8,445)	79,315
Stage 2	162,563	(35,939)	69,845	-	4,329	200,798
Stage 3	273,159	19,091	185,666	(28,624)	18,898	468,190
Mortgages	424,092	–	(77,554)	(25,295)	22,411	343,654
Stage 1	22,812	17,226	(19,515)	-	5,676	26,199
Stage 2	56,914	(20,910)	1,980	-	(1,051)	36,933
Stage 3	344,366	3,684	(60,019)	(25,295)	17,786	280,522
Instalment finance	68,897	–	11,367	(3,569)	(2,212)	74,483
Stage 1	21,055	3,581	(6,397)	-	561	18,800
Stage 2	10,764	(11,544)	13,496	-	(3,210)	9,506
Stage 3	37,078	7,963	4,268	(3,569)	437	46,177
Preference shares and guarantees	3,097	–	1,250	–	–	4,347
Stage 1	3,097	–	1,250	–	–	4,347
Total loans and advances	1,442,160	–	233,997	(94,519)	29,697	1,611,335
Other financial instruments	113,328	–	(2,019)	–	11,873	123,182
Stage 1	110,122	–	1,187	–	11,873	123,182
Stage 2	3,206	–	(3,206)	–	–	–
Total	1,555,488	–	231,978	(94,519)	41,570	1,734,517

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.3 Loss allowance continued

	2022					
Group	**Opening ECL 1 July 2021**	**Total transfer between stages**	**Net impairments raised**	**Impaired accounts written-off**	**Exchange and other movements[1]**	**Closing ECL 30 June 2022**
Overdrafts	370,412	–	83,029	(27,840)	181	425,782
Stage 1	34,951	11,705	(8,152)	–	54	38,558
Stage 2	80,582	(16,040)	5,251	–	28	69,821
Stage 3	254,879	4,335	85,930	(27,840)	99	317,403
Term loans	389,381	–	178,835	(48,593)	669	520,292
Stage 1	80,898	8,290	(4,860)	–	242	84,570
Stage 2	49,119	(6,270)	119,631	–	83	162,563
Stage 3	259,364	(2,020)	64,064	(48,593)	344	273,159
Mortgages	447,373	–	3,638	(27,149)	230	424,092
Stage 1	35,042	10,180	(22,447)	–	37	22,812
Stage 2	70,910	(9,501)	(4,504)	–	9	56,914
Stage 3	341,421	(679)	30,589	(27,149)	184	344,366
Instalment finance	81,516	–	(5,900)	(6,888)	169	68,897
Stage 1	21,833	3,657	(4,520)	–	85	21,055
Stage 2	11,808	(1,695)	640	–	11	10,764
Stage 3	47,875	(1,962)	(2,020)	(6,888)	73	37,078
Preference shares and guarantees	1,467	–	1,630	–	–	3,097
Stage 1	1,467	–	1,630	–	–	3,097
Total loans and advances	1,290,149	–	261,232	(110,470)	1,249	1,442,160
Other financial instruments	99,232	–	(1,482)	–	15,578	113,328
Stage 1	94,519	–	25	–	15,578	110,122
Stage 2	4,713	–	(1,507)	–	–	3,206
Total	1,389,381	–	259,750	(110,470)	16,827	1,555,488

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.3 Loss allowance continued

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

Overdrafts

- Gross overdrafts decreased by N$154.1 million (2.5%) from the prior period. Despite the decrease year-on-year, the expected credit loss allowance increased year-on-year by N$14.8 million (3.5%), mainly driven by an increase in net impairments raised of N$57.1 million, offset by the write-off of overdrafts of N$37.0 million.
- Non-performing overdrafts decreased year-on-year to N$603.5 million. The non-performing overdrafts are well secured with a fair value of security of N$327.1 million.

Term Loans

- Term loans increased by N$1.4 billion (9.1%) from the prior period, mainly driven by growth in commercial loans.
- The expected credit loss allowance increased by N$228.0 million (43.8%) mainly as a result of an increase in the stage 3 net impairments raised of N$185.6 million.

Mortgages

- Mortgages grew by N$334.8 million (1.7%) over the prior period.
- Non-performing mortgage loans decreased by N$72.0 million (6.6%) year-on-year.
- The non-performing mortgage loans are secured with a fair value of security of N$660.3 million.

Instalment finance

- Gross instalment finance loans grew by N$407.4 million (10.4%) year-on-year.
- The non-performing instalment finance loans are well secured with a fair value of security of N$50.4 million.

Preference shares and guarantees

- Impairments raised against preference shares and guarantees increased by N$1.3 million (40.4%) during the year under review. Total impairment raised at year end amounts to N$4.3 million.

Financial assets at amortised cost and other assets

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.4 Maximum exposure to credit risk before collateral held or other credit enhancements

The table represents a worst-case scenario of credit risk exposure to the Group as at 30 June 2023 and 2022, without taking account of any collateral held or other credit enhancements attached. For all assets listed on the statement of financial position, the exposures set out below are based on carrying amounts as reported.

3.2.4.1 Maximum exposure to credit risk – All Financial instruments

		Maximum exposure	
Group	Notes	2023 N$'000	2022 N$'000
Credit risk exposures relating to on–statement of financial position assets are as follows:			
Cash and cash equivalents	13.	6,080,914	6,480,396
Financial assets at fair value through profit or loss	14.	2,588,556	2,183,179
– Unit trust investments		2,588,556	2,183,179
Financial assets at amortised cost	14.	989,432	915,861
– Treasury bills		42,143	18,645
– Government stock		766,267	744,846
– Preference shares		181,022	152,370
Financial assets at fair value through other comprehensive income	15.	5,883,863	5,397,626
– Investment Securities		40,955	7,831
– Treasury bills		4,278,456	3,830,964
– Government stock		539,719	543,053
– Tradable instruments		949,427	949,518
– Exchange traded funds		71,290	62,346
– Corporate bonds		4,016	3,914
Loans and advances to customers	16.	45,396,558	43,226,296
– Overdrafts		6,340,010	6,185,939
– Term loans		15,925,835	14,484,243
– Mortgages		20,353,270	20,018,492
– Instalment finance		4,335,424	3,927,985
– Preference shares		220,090	230,449
– Impairment		(1,611,335)	(1,442,160)
– Effective interest rate impact per IFRS 9		(166,736)	(178,652)
Other assets*	17.	356,323	221,568
Total exposure on statement of financial position		61,295,646	58,424,926
Credit risk exposure relating to off–statement of financial position items are as follows:			
Liabilities under guarantees	36.	2,414,104	2,538,568
Letters of credit	36.	631,964	196,643
Loan commitments	36.	2,948,866	2,808,400
Total exposure off statement of financial position		5,994,934	5,543,611
Total credit risk exposure		67,290,580	63,968,537

* *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 3.2.4.
- 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.

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.4 Maximum exposure to credit risk before collateral held or other credit enhancements continued

3.2.4.2 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.

	2023			
Group	**Stage 1 12-month ECL N$'000**	**Stage 2 Lifetime ECL N$'000**	**Stage 3 Lifetime ECL N$'000**	**Total N$'000**
Credit grade – Loans and advances				
Low Risk (CG1 – CG2)	(135,072)	(155,938)	(159,124)	(450,134)
Medium Risk (CG3 – CG5)	(24,923)	(96,854)	–	(121,777)
Special monitoring (CG6 –CG7)	(7,599)	(64,731)	–	(72,330)
Doubtful (CG8 – CG9)	(96)	(11,277)	(955,721)	(967,094)
Loss allowance	(167,690)	(328,800)	(1,114,845)	(1,611,335)
Gross carrying amount[1]	41,776,473	2,942,795	2,455,361	47,174,629
Carrying amount	41,608,783	2,613,995	1,340,516	45,563,294

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

Financial instruments at amortised cost

	2023			
Group	**Stage 1 12-month ECL N$'000**	**Stage 2 Lifetime ECL N$'000**	**Stage 3 Lifetime ECL N$'000**	**Total N$'000**
Credit grade				
Low risk (CG1)	(123,182)	–	–	(123,182)
Loss allowance	(123,182)	–	–	(123,182)
Gross carrying amount	1,112,614	–	–	1,112,614
Carrying amount	989,432	–	–	989,432

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

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.4 Maximum exposure to credit risk before collateral held or other credit enhancements continued

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

Financial instruments at amortised cost continued

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

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.

3.2.5 Risk limit control and mitigation policies

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

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

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

Other specific control and mitigation measures are outlined below:

a) Collateral

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

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

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.5 Risk limit control and mitigation policies continued

a) Collateral continued

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.

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:

	2023			
	Gross exposure N$'000	Impairment allowance N$'000	Carrying amount N$'000	Fair value of collateral held N$'000
Credit-impaired assets				
– Overdrafts	603,530	(319,959)	283,571	327,119
– Term Loans	745,129	(468,111)	277,018	437,534
– Mortgages	1,015,050	(280,681)	734,369	660,335
– Instalment finance	91,652	(46,094)	45,558	50,402
Total credit-impaired assets	2,455,361	(1,114,845)	1,340,516	1,475,390

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

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.5 Risk limit control and mitigation policies continued

a) Collateral continued

Property valuation

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

Life insurance valuation

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

Credit life insurance

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

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

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.

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.6 Credit quality of loans and advances and other financial instruments

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.

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.

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

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

i. Credit quality and management of loans and advances continued

Subsequent credit assessments continued

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

Group	Stage 1 Not past due N$'000	0 – 30 days N$'000	Stage 2 31 - 60 days N$'000	61 - 90 days N$'000	Stage 3 More than 90 days N$'000	Total N$'000
As at 30 June 2023						
Overdrafts	5,355,975	304,822	31,214	45,495	603,530	6,340,010
Term loans	14,595,235	362,648	167,654	61,988	745,129	15,925,835
Mortgages	18,219,739	604,528	331,059	174,407	1,015,050	20,353,270
Instalment finance	4,126,964	54,506	47,212	15,732	91,652	4,335,424
Preference shares	220,090	–	–	–	–	220,090
Total gross loans and advances[1]	42,518,003	1,326,504	577,139	297,622	2,455,361	47,174,629
Impairments raised	(167,690)	(198,138)	(86,207)	(44,455)	(1,114,845)	(1,611,335)
Net loans and advances[1]	42,350,313	1,128,366	490,932	253,167	1,340,516	45,563,294
As at 30 June 2022						
Overdrafts	5,020,647	359,168	139,029	29,485	637,610	6,185,939
Term loans	13,308,602	274,562	124,361	143,186	633,532	14,484,243
Mortgages	17,537,349	938,984	321,921	133,221	1,087,017	20,018,492
Instalment finance	3,717,198	78,636	34,314	17,956	79,881	3,927,985
Preference shares	230,449	–	–	–	–	230,449
Total gross loans and advances[1]	39,814,245	1,651,350	619,625	323,848	2,438,040	44,847,108
Impairments raised	(170,092)	(190,960)	(71,653)	(37,449)	(972,006)	(1,442,160)
Net loans and advances[1]	39,644,153	1,460,390	547,972	286,399	1,466,034	43,404,948

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

Further information of the impairment allowance for loans and advances to customers is provided in note 16.

ii. Non-performing loans and advances

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

Non-performing loans and advances to customers before taking into consideration the cash flows from collateral held is N$2.5 billion (2022: N$2.4 billion). The increase in non-performing loans and advances is mainly due to the deterioration of the macroeconomic environment, attributable to higher interest and inflation rates noted during the year.

Refer to note 3.2.5 (a) for the range of collateral policies and practices in place.

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

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

iii. Non-performing loans and advances by geographical area continued

	Group	
Geographical area	2023 N$'000	2022 N$'000
Namibia	1,884,305	1,963,576
Botswana	546,140	452,447
Zambia	24,916	22,017
	2,455,361	2,438,040

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	
Group	2023 N$'000	2022 N$'000
Cash and cash equivalents	6,080,914	6,480,396
Financial assets at fair value through profit or loss	2,588,556	2,183,179
Financial assets at fair value through other comprehensive income	5,883,863	5,397,626
Other assets	356,323	220,732

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

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

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

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

Group	Investment grade AAA N$'000	Investment grade AA N$'000	Investment grade A N$'000	Investment grade BBB N$'000	Speculative grade BB N$'000	Speculative grade CCC N$'000	Unrated N$'000	Total N$'000
As at 30 June 2023								
Cash and cash equivalents	265,254	2,663	9,627	45,000	5,693,234	–	65,136	6,080,914
Financial assets at fair value through profit or loss	–	–	–	–	2,588,556	–	–	2,588,556
– Unit Trust and money market investments	–	–	–	–	2,588,556	–	–	2,588,556
Financial assets at amortised cost	–	–	–	–	989,432	–	–	989,432
– Treasury bills	–	–	–	–	42,143	–	–	42,143
– Government stock	–	–	–	–	766,267	–	–	766,267
– Preference shares	–	–	–	–	181,022	–	–	181,022
Financial assets at fair value through other comprehensive income	–	–	–	–	5,802,034	–	81,829	5,883,863
– Investment securities	–	–	–	–	34,432	–	6,523	40,955
– Treasury bills	–	–	–	–	4,278,456	–	–	4,278,456
– Government stock	–	–	–	–	539,719	–	–	539,719
– Tradable instruments	–	–	–	–	949,427	–	–	949,427
– Exchange traded funds	–	–	–	–	–	–	71,290	71,290
– Corporate bonds	–	–	–	–	–	–	4,016	4,016
Other assets	–	–	–	–	–	–	356,323	356,323
Non-financial assets	2,134,666	–	–	–	–	–	–	2,134,666
Total assets (excluding loans and advances)	2,399,920	2,663	9,627	45,000	15,073,256	–	503,288	18,033,754

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

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

Group	Investment grade AAA N$'000	Investment grade AA N$'000	Investment grade A N$'000	Investment grade BBB N$'000	Speculative grade BB N$'000	Speculative grade CCC N$'000	Unrated N$'000	Total N$'000
As at 30 June 2022								
Cash and cash equivalents	538,312	–	–	141,823	5,713,615	–	41,383	6,480,396
Financial assets at fair value through profit or loss	–	–	–	–	2,183,179	–	–	2,183,179
– Unit Trust and money market investments	–	–	–	–	2,183,179	–	–	2,183,179
Financial assets at amortised cost	–	–	–	–	915,861	–	–	915,861
– Treasury bills	–	–	–	–	18,645	–	–	18,645
– Government stock					744,846			744,846
– Preference shares	–	–	–	–	152,370	–	–	152,370
Financial assets at fair value through other comprehensive income	–	–	–	–	5,325,404	–	72,222	5,397,626
– Investment securities	–	–	–	–	1,869	–	5,962	7,831
– Treasury bills	–	–	–	–	3,830,964	–		3,830,964
– Government stock	–	–	–	–	543,053	–		543,053
– Tradable instruments	–	–	–	–	949,518	–		949,518
– Exchange traded funds	–	–	–	–	–	–	62,346	62,346
– Corporate bonds	–	–	–	–	–	–	3,914	3,914
Other assets	–	–	–	221,568	–	–	–	221,568
Non-financial assets	2,014,706	–	–	–	–	–	–	2,014,706
Total assets (excluding loans and advances)	2,553,018	–	–	363,391	14,183,322	–	113,605	17,213,336

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.

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.

Notes to the consolidated annual financial statements continued

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 2023 was N$140.8 million (30 June 2022: N$144.2 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.

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.

3.2.8 Credit risk weighted amounts

	Exposure N$'000	Impairment N$'000	Risk-weighted amounts N$'000	Written off N$'000
As at 30 June 2023				
Counterparties				
Sovereign and central bank	6,386,465	–	–	–
Security firms	21,215	–	21,215	–
Public sector entities	97,070	–	27,192	–
Banks	3,431,452	–	1,611,591	–
Corporate	15,337,563	223,979	15,323,438	–
Retail	11,255,977	644,733	8,191,897	49,624
Residential mortgage properties	12,939,039	75,914	6,691,039	–
Commercial real estate	7,570,445	101,181	7,585,519	–
Other assets	8,217,112	–	4,876,428	–
Included in other assets:				
– Listed shares	34,432	–	34,432	–
	65,256,338	1,045,807	44,328,319	49,624
Commitments	5,997,559	57,570	2,068,667	–
As at 30 June 2022				
Counterparties				
Sovereign and central bank	6,909,743	–	–	–
Security firms	9,756	–	9,756	
Public sector entities	187,423	–	67,307	–
Banks	3,403,574	–	804,470	–
Corporate	14,019,097	208,331	14,013,105	–
Retail	10,688,289	657,858	7,730,934	42,452
Residential mortgage properties	12,549,226	68,219	6,339,374	–
Commercial real estate	7,484,349	89,834	7,532,832	–
Other assets	6,788,707	–	4,903,926	–
Included in other assets:				
- Listed shares	1,869	–	1,869	–
	62,040,164	1,024,242	41,401,704	42,452
Commitments	5,481,302	57,225	2,361,623	–

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.8 Credit risk weighted amounts continued

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

	2023	2022
Namibia long-term local currency issuer default rating	BB-	BB-
Namibia long-term issuer default rating	BB-	BB-
Botswana long-term local currency issuer default rating	BBB+	BBB+
Botswana long-term issuer default rating	BBB+	BBB+

3.2.9 Credit concentration risk

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

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

Group	Cash and cash equivalents N$'000	Financial assets at fair value through other compre-hensive income N$'000	Financial assets at fair value through profit or loss N$'000	Financial assets at amortised cost N$'000	Loans and advances to customers N$'000	Other assets[2] N$'000	Total N$'000
As at 30 June 2023							
Agriculture and forestry	–	–	–	–	4,584,535	–	4,584,535
Fishing	–	–	–	–	1,728,421	–	1,728,421
Mining	–	–	–	–	1,213,343	–	1,213,343
Manufacturing	–	–	–	–	1,387,865	–	1,387,865
Building and construction	–	–	–	–	2,476,384	–	2,476,384
Electricity, gas and water	–	–	–	–	1,578,895	–	1,578,895
Trade and accommodation[1]	–	–	–	–	6,025,992	–	6,025,992
Transport and communication	–	–	–	–	1,663,755	–	1,663,755
Finance and insurance	5,384,516	1,076,701	2,558,556	301,979	3,428,680	–	12,780,432
Real estate and business services	–	–	–	–	12,983,237	–	12,983,237
Government	696,398	4,807,162	–	810,635	3,353,544	–	9,667,739
Individuals	–	–	–	–	6,055,303	–	6,055,303
Other	–	–	–	–	527,939	356,323	884,262
Impairment	–	–	–	(123,182)	(1,611,335)	–	(1,734,517)
	6,080,914	5,883,863	2,558,556	989,432	45,396,558	356,323	61,295,646

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.9 Credit concentration risk continued

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

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

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.10 Credit risk concentration by geographical area

Group	Cash and cash equivalents N$'000	Financial assets at fair value through other compre-hensive income N$'000	Financial assets at fair value through profit or loss N$'000	Loans and advances to customers N$'000	Financial assets at amortised cost N$'000	Other assets N$'000	Total N$'000
As at 30 June 2023							
Namibia	1,104,920	4,806,588	1,963,089	36,601,069	808,410	302,549	45,586,625
Botswana	2,498,196	–	298,039	8,448,722	–	53,774	11,298,731
South Africa	1,132,327	1,077,275	–	–	–	–	2,209,602
United Kingdom	12,804	–	–	1,796	–	–	14,600
United States of America	1,183,288	–	–	327,305	167,904	–	1,678,497
Zambia	2,353	–	–	4,043	13,118	–	19,514
Other countries[1]	147,026	–	327,428	13,623	–	–	488,077
	6,080,914	5,883,863	2,588,556	45,396,558	989,432	356,323	61,295,646
As at 30 June 2022							
Namibia	2,853,480	4,385,762	1,632,154	35,805,278	763,491	221,568	45,661,733
Botswana	2,684,707	–	312,101	7,033,259	–	–	10,030,067
South Africa	150,756	1,011,864	–	–	–	–	1,162,620
United Kingdom	26,219	–	–	19,198	–	–	45,417
United States of America	614,908	–	–	288,863	–	–	903,771
Zambia	82	–	–	5,546	152,370	–	157,998
Other countries[1]	150,244	–	238,924	74,152	–	–	463,320
	6,480,396	5,397,626	2,183,179	43,226,296	915,861	221,568	58,424,926

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$147.0 million due from other banks.*

3.2.11 Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators revealing no reasonable expectation of recovery, include (i) ceasing enforcement activity, (ii) where the Group'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. Below is the detailed policy for secured and unsecured financial assets:

> Secured financial assets: Ensure that all collateral security is realised and perform research on any additional collateral to be used. If the collateral value does not exceed the financial asset value, the unrecoverable portion will be written off.

> Unsecured financial assets: The long outstanding financial assets will be handed over to debt collectors and if no recovery is made within 1 year and 6 months (debt below N$150k) or 2 years (debt above N$150k), the unrecoverable portion will be written off.

Where financial assets have been written off, the Group continues to engage in enforcement activities (accounts are handed over to debt collectors for a further period of 6 months) attempting to recover the receivable due.

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.2 Credit risk continued

3.2.12 Modification of financial assets

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

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

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

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.3 Market risk continued

3.3.2 Foreign currency risk continued

Concentration of foreign currency denominated financial instruments

Group	NAD N$'000	ZMW N$'000	US$ N$'000	€ N$'000	BWP N$'000	ZAR[1] N$'000	Other[2] N$'000	Total N$'000
As at 30 June 2023								
ASSETS								
Cash and cash equivalents	1,104,920	2,353	1,183,288	147,026	2,498,196	1,132,327	12,804	6,080,914
Financial assets at fair value through profit or loss	2,290,517	–	–	–	298,039	–	–	2,588,556
Financial assets at amortised cost	808,410	13,118	167,904	–	–	–	–	989,432
Financial assets at fair value through other comprehensive income	4,749,454	–	–	–	–	1,133,833	576	5,883,863
Loans and advances to customers	36,601,069	4,043	327,305	1,796	8,448,722	–	13,623	45,396,558
Other assets	302,549	–	–	–	53,774	–	–	356,323
Total financial assets	45,856,919	19,514	1,678,497	148,822	11,298,731	2,266,160	27,003	61,295,646
Non-financial assets	2,134,666	–	–	–	–	–	–	2,134,666
Total assets	47,991,585	19,514	1,678,497	148,822	11,298,731	2,266,160	27,003	63,430,312
LIABILITIES								
Due to other banks	257,994	–	188,854	99,777	1,320	59,607	1,991	609,543
Other borrowings	148,587	–	639,853	–	–	124,495	–	912,935
Debt securities in issue	4,015,349	–	–	–	386,777	1,178,908	–	5,581,034
Deposits	34,641,078	–	1,568,968	94,599	9,476,409	–	3,721	45,784,775
Other liabilities	811,469	–	–	–	218,228	–	–	1,029,697
Total financial liabilities	39,874,477	–	2,397,675	194,376	10,082,734	1,363,010	5,712	53,917,984
Non-financial liabilities	686,693	–	–	–	–	–	–	686,693
Total liabilities	40,561,170	–	2,397,675	194,376	10,082,734	1,363,010	5,712	54,604,677
Total equity (including NCI)	8,825,635	–	–	–	–	–	–	8,825,635
Total equity and liabilities	49,386,805	–	2,397,675	194,376	10,082,734	1,363,010	5,712	63,430,312
Net financial position of financial instruments	5,982,442	19,514	(719,178)	(45,554)	1,215,997	903,150	21,291	7,144,612
Credit commitments	–	–	338,981	261,112	–	5,195	–	605,288

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

[2] *Other foreign currency exposures relate mainly to exposures to the Pound Sterling N$8.9 million (2022: N$26.2 million) due from other banks was nil (2022: N$19.2 million) foreign currency loans and advances to customers. Included in deposits are exposures to the Pound Sterling of N$ 3.7 million (2022: N$39.8 million).*

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.3 Market risk continued

3.3.2 Foreign currency risk continued

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

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

[2] *Other foreign currency exposures relate mainly to exposures to the Pound Sterling N$8.9 million (2022: N$26.2 million) due from other banks was nil (2022: N$19.2 million) foreign currency loans and advances to customers. Included in deposits are exposures to the Pound Sterling of N$ 3.7 million (2022: N$39.8 million).*

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.3 Market risk continued

3.3.2 Foreign currency risk continued

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:

	2023	2022
USD	18.74	16.24
GBP	23.67	19.71
EUR	20.37	16.99
ZAR	1.00	1.00
ZMW	1.07	0.95
BWP	1.39	1.32

	Group Effect on profit for the year	
The following is a sensitivity analysis, monitored on the following major currencies of non-equity instruments, had a 5% change arisen on the various currencies:	2023 N$'000	2022 N$'000
US dollar/Namibian dollar	(35,959)	(6,310)
– Foreign currency financial assets	83,925	57,135
– Foreign currency financial liabilities	(119,884)	(63,445)
Euro/Namibian dollar	(2,278)	(35)
– Foreign currency financial assets	7,441	11,118
– Foreign currency financial liabilities	(9,719)	(11,153)
Botswana Pula/Namibian dollar	60,800	49,229
– Foreign currency financial assets	564,937	501,503
– Foreign currency financial liabilities	(504,137)	(452,274)
Kwacha/Namibian dollar	976	280
– Foreign currency financial assets	976	281
– Foreign currency financial liabilities	–	(1)

There are no foreign currency sensitivity on other comprehensive income.

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.

Notes to the consolidated annual financial statements continued

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 2023						
ASSETS						
Cash and cash equivalents	5,342,410	–	–	–	738,504	6,080,914
Financial assets at fair value through profit or loss	2,564,626				23,930	2,588,556
Financial assets at amortised cost	–	–	140,177	972,437	(123,182)	989,432
Financial assets at fair value through other comprehensive income	1,962,095	918,514	2,483,370	512,053	7,831	5,883,863
Loans and advances to customers	35,708,291	105,794	1,032,304	6,938,834	1,611,335	45,396,558
Other assets	199,671	–	–	–	156,652	356,323
Total financial assets	45,777,093	1,024,308	3,655,851	8,423,324	2,415,070	61,295,646
Non-financial assets	–	–	–	–	2,134,666	2,134,666
Total assets	45,777,093	1,024,308	3,655,851	8,423,324	4,549,736	63,430,312
LIABILITIES						
Due to other banks	609,543	–	–	–	–	609,543
Other borrowings	–	912,935	–	–	–	912,935
Debt securities in issue	–	4,113,521	1,190,308	74,491	202,714	5,581,034
Deposits	23,714,397	7,621,303	6,667,486	7,781,589	–	45,784,775
Other liabilities	–	–	–	–	1,029,697	1,029,697
Total financial liabilities	24,323,940	12,647,759	7,857,794	7,856,080	1,232,411	53,917,984
Total non-financial liabilities	–	–	–	–	686,693	686,693
Total liabilities	24,323,940	12,647,759	7,857,794	7,856,080	1,919,104	54,604,677
Total equity (including NCI)	–	–	–	–	8,825,635	8,825,635
Total equity and liabilities	24,323,940	12,647,759	7,857,794	7,856,080	10,744,739	63,430,312
Interest sensitivity gap (financial instruments)	21,453,153	(11,623,451)	(4,201,943)	567,244	1,182,659	7,377,662
Cumulative interest sensitivity gap (financial instruments)	21,453,153	9,829,702	5,627,759	6,195,003	7,377,662	
As at 30 June 2022						
Interest sensitivity gap (financial instruments)	22,412,964	(12,493,424)	(6,273,914)	1,879,680	520,918	6,046,224
Cumulative interest sensitivity gap (financial instruments)	22,412,964	9,919,540	3,645,626	5,525,306	6,046,224	

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.3 Market risk continued

3.3.3 Interest rate risk continued

ii) Interest rate sensitivity analysis

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

	Group	
The following interest-rate sensitivity is based on the effect of changes to the interest rate over a twelve-month period on net interest income:	**2023 N$'000**	**2022 N$'000**
50 basis points increase	85,635	57,997
– Increase in interest income	266,170	256,779
– Increase in interest expense	(180,535)	(198,782)
50 basis points decrease	(76,489)	(55,339)
– Decrease in interest income	(252,139)	(246,619)
– Decrease in interest expense	175,650	191,280
100 basis points increase	169,150	112,911
– Increase in interest income	532,517	513,638
– Increase in interest expense	(363,367)	(400,727)
100 basis points decrease	(154,286)	(111,642)
– Decrease in interest income	(504,199)	(493,178)
– Decrease in interest expense	349,913	381,536
200 basis points increase	337,127	223,441
– Increase in interest income	1,065,788	1,027,666
– Increase in interest expense	(728,661)	(804,225)
200 basis points decrease	(310,034)	(224,391)
– Decrease in interest income	(1,007,965)	(986,039)
– Decrease in interest expense	697,931	761,648

3.3.4 Price risk

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

	Group	
Sensitivity analysis	**2023 N$'000**	**2022 N$'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)	7,178	5,717
10% decrease in share price (effect on other comprehensive income)	(7,178)	(5,717)
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)	(26,846)	(175)
100 basis points decrease in discount rate (effect on profit or loss)	20,854	177

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.3 Market risk continued

3.3.4 Price risk continued

Sensitivity analysis	2023 N$'000	2022 N$'000
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)	(14,152)	(15,288)
100 basis points decrease in discount rate (effect on profit or loss)	14,286	15,461
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)	8,616	(11,850)
100 basis points decrease in discount rate (effect on profit or loss)	9,038	12,407

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	
	2023 N$'000	2022 N$'000
Interest rate risk	41,938	47,911
Foreign exchange risk	15,032	20,796

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.

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.4 Liquidity risk continued

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

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

- Includes a buffer portion
- Is additional to credit lines
- Is adequate to cater for unexpected outflows
- Is simultaneously limiting the effect this surplus has on interest margins

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 cashflows					
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 2023						
FINANCIAL LIABILITIES						
Due to other banks	609,543	–	–	–	–	609,543
Other borrowings	51,834	–	218,658	221,248	455,016	946,756
Debt securities in issue	64,288	187,707	2,411,014	3,828,591	74,491	6,566,091
Deposits	23,960,886	4,408,978	11,602,650	4,192,245	1,910,688	46,075,447
Other liabilities	1,096,063	–	–	145,260	21,424	1,262,747
Total liabilities (contractual maturity dates)	25,782,614	4,596,685	14,232,322	8,387,344	2,461,619	55,227,534
Commitments	5,994,934	–	–	–	–	5,994,934
Loan commitments	2,948,866	–	–	–	–	2,948,866
Liabilities under guarantees	2,414,104	–	–	–	–	2,414,104
Letters of credit	631,964	–	–	–	–	631,964
As at 30 June 2022						
FINANCIAL LIABILITIES						
Due to other banks	708,212	–	–	–	–	708,212
Other borrowings	200,839	162,419	125,143	191,904	–	680,305
Debt securities in issue	36,478	524,781	725,633	5,897,115	376,979	7,560,986
Deposits	21,472,720	4,409,405	12,366,132	4,333,373	1,603,578	44,185,208
Other liabilities	1,160,409	–	–	–	–	1,160,409
Total liabilities (contractual maturity dates)	23,578,658	5,096,605	13,216,908	10,422,392	1,980,557	54,295,120
Commitments	5,543,611	–	–	–	–	5,543,611
Loan commitments	2,808,400	–	–	–	–	2,808,400
Liabilities under guarantees	2,538,568	–	–	–	–	2,538,568
Letters of credit	196,643	–	–	–	–	196,643

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.4 Liquidity risk continued

Liquidity risk analysis continued

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

	Contractual discounted cash-flows						
Group	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$'000	Carrying value N$'000	Total N$'000
As at 30 June 2023							
ASSETS							
Cash and cash equivalents	6,080,914	–	–	–	–	–	6,080,914
Financial assets at fair value through profit or loss	2,588,556	–	–	–	–	–	2,588,556
Gross financial assets at amortised cost	–	14,674	125,503	301,979	670,458	–	1,112,614
Financial assets at fair value through other comprehensive income	1,407,406	1,636,043	2,589,122	153,572	97,720	–	5,883,863
Gross loans and advances to customers	6,088,514	69,711	85,666	17,811,504	23,119,234		47,174,629
Other assets	356,323	–	–	–	–	–	356,323
Non-financial instruments	–	–	–	–	–	2,134,666	2,134,666
Effective interest rate impact per IFRS 9	–	–	–	–	–	(166,736)	(166,736)
Impairment	–	–	–	–	–	(1,734,517)	(1,734,517)
Total assets	16,521,713	1,720,428	2,800,291	18,267,055	23,887,412	233,413	63,430,312
LIABILITIES							
Due to other banks	609,543	–	–	–	–	–	609,543
Other borrowings	1,712	3,425	234,068	673,730	–	–	912,935
Debt securities in issue	49,577	67,721	2,180,203	3,283,533	–	–	5,581,034
Deposits	23,714,397	4,417,396	9,871,393	6,616,510	1,165,079	–	45,784,775
Other liabilities	1,029,697	–	–	–	–	–	1,029,697
Non-financial instruments	–	–	–	–	–	686,693	686,693
Total liabilities	25,404,926	4,488,542	12,285,664	10,573,773	1,165,079	686,693	54,604,677
Net liquidity gap	(8,883,213)	(2,768,114)	(9,485,373)	7,693,282	22,722,333	(453,280)	8,825,635
Cumulative liquidity gap	(8,883,213)	(11,651,327)	(21,136,700)	(13,443,418)	9,278,915	8,825,635	

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.4 Liquidity risk continued

Liquidity risk analysis continued

Group	Contractual discounted cash-flows						
	Call to 1 month N$'000	1 - 3 months N$'000	3 - 12 months N$'000	1 - 5 years N$'000	Over 5 years N$'000	Carrying value N$'000	Total N$'000
As at 30 June 2022							
ASSETS							
Cash and cash equivalents	6,480,396	–	–	–	–	–	6,480,396
Financial assets at fair value through profit or loss	2,183,179	–	–	–	–	–	2,183,179
Financial assets at amortised cost	–	–	18,645	572,112	438,432	–	1,029,189
Financial assets at fair value through other comprehensive income	1,466,278	918,514	2,490,141	449,081	73,612	–	5,397,626
Gross loans and advances to customers	5,982,181	420,611	861,633	13,480,754	24,101,929		44,847,108
Other assets	221,568	–	–	–	–	–	221,568
Non-financial instruments	–	–	–	–	–	2,014,706	2,014,706
Effective interest rate impact	–	–	–	–	–	(178,652)	(178,652)
Impairment	–	–	–	–	–	(1,555,488)	(1,555,488)
Total assets	16,333,602	1,339,125	3,370,419	14,501,947	24,613,973	280,566	60,439,632
LIABILITIES							
Due to other banks	708,212	–	–	–	–	–	708,212
Other borrowings	151,419	162,419	113,390	190,789	–	–	618,017
Debt securities in issue	18,750	454,338	471,172	5,226,976	73,376	–	6,244,612
Deposits	21,973,715	3,924,496	12,551,632	4,200,500	997,109	–	43,647,452
Other liabilities	1,133,689	26,720	–	–	–	–	1,160,409
Non-financial instruments	–	–	–	–	–	267,604	267,604
Total liabilities	23,985,785	4,567,973	13,136,194	9,618,265	1,070,485	267,604	52,646,306
Net liquidity gap	(7,652,183)	(3,228,848)	(9,765,775)	4,883,682	23,543,488	12,962	7,793,326
Cumulative liquidity gap	(7,652,183)	(10,881,031)	(20,646,806)	(15,763,124)	7,780,364	7,793,326	

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.

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

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.

i. Cash and cash equivalents

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

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

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

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

iii. Financial assets at fair value

Treasury bills

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

Government stock

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

Unit trust investments

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

Money market investments

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

Other debt securities

Corporate bonds

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

a) Fair value estimation continued

iv. Financial assets at amortised cost continued

Treasury bills

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

Government stock

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

v. Investment securities

Listed

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

vi. Due to other banks

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

vii. Loans and advances to customers

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

viii. Other assets and liabilities

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

ix. Other borrowings

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

x. Debt securities in issue

Financial instruments included in this category include senior debt, callable bonds and preference shares issued. The fair value of issued debt securities for disclosure purposes is estimated by discounting the future contractual cash flows at the available market interest rate. Quoted prices for similar instruments are utilised in the event that active prices are not available. The fair values of these instruments were N$5.7 billion (2022: N$6.3 billion), refer to note 3.5(b). The fair value of the issued preference shares approximates the carrying value, due to the floating rate nature of the instruments. Refer to note 24.

xi. Deposits

The carrying amount approximates the fair value of these financial liabilities, except for promissory notes and replica notes. The fair value of promissory notes and replica notes for disclosure purposes is estimated by discounting the future contractual cash flows at the available market interest rate. Quoted prices for similar instruments are utilised in the event that active prices are not available. The fair value of these instruments is N$45.8 million (2022: N$43.6 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.

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

b) Fair value hierarchy

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

> Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

> Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like JIBAR yield curve or counterparty credit risk are Bloomberg and Reuters.

> Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2023				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Unit trust and money market investments	–	2,588,556	–	2,588,556
Financial assets at fair value through other comprehensive income	105,722	5,771,618	6,523	5,883,863
Treasury bills	–	4,278,456	–	4,278,456
Government stock	–	539,719	–	539,719
Corporate bonds	–	4,016	–	4,016
Tradable instruments	–	949,427	–	949,427
Exchange traded funds	71,290	–	–	71,290
Investment securities – listed	34,432	–	–	34,432
Investment securities – unlisted	–	–	6,523	6,523
	105,722	8,360,174	6,523	8,472,419
Financial assets for which the fair value is disclosed				
Loans and advances to customers	–	–	46,387,489	46,387,489
Financial assets at amortised cost	–	820,614	181,022	1,001,636
Treasury bills	–	43,049	–	43,049
Government stock	–	777,565	–	777,565
Preference shares	–	–	181,022	181,022
Director's valuation of investment in associates	–	1,105,907	–	1,105,907
	–	1,926,521	46,568,511	48,495,032
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments (included in other liabilities)	–	(23,213)	–	(23,213)
Financial liabilities for which the fair value is disclosed				
Other borrowings	–	–	912,935	912,935
Debt securities in issue	–	–	5,653,290	5,653,290
Senior debt	–	–	3,760,987	3,760,987
Preference shares	–	–	861,213	861,213
Debentures	–	–	1,031,090	1,031,090
Deposits	–	–	45,784,775	45,784,775
Deposits	–	–	45,784,775	45,784,775
	–	–	52,351,000	52,351,000

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

Notes to the consolidated annual financial statements continued

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

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

Notes to the consolidated annual financial statements continued

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	
	2023 N$'000	2022 N$'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	(948,546)	(1,240,930)
100 basis points decrease in discount rate	1,021,921	1,343,028
100 basis points increase in earnings rate	202,608	245,082
100 basis points decrease in earnings rate	(184,625)	(236,278)
1 month increase in term to maturity	(274,260)	(314,759)
1 month decrease in term to maturity	314,245	378,958
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of treasury bills at amortised cost had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	(140)	(175)
100 basis points decrease in discount rate	142	177
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of government stock at amortised cost had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	(21,268)	(27,394)
100 basis points decrease in discount rate	22,309	28,918
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	(4,791)	(7,394)
100 basis points decrease in discount rate	307	473
100 basis points increase in coupon rate	(2,491)	(3,762)
100 basis points decrease in coupon rate	2,491	3,762
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	(55,241)	(83,316)
100 basis points decrease in discount rate	56,837	83,294
100 basis points increase in coupon rate	57,862	87,765
100 basis points decrease in coupon rate	(57,862)	(87,765)

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.5 Fair values of financial assets and liabilities continued

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

	Valuation technique	Types of valuation inputs	Valuation inputs (ranges) 2023	2022
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: 7.6% - 9.4%	BW: 4.6% – 7.5%
Government stock	Income approach*	Note 1	BW &Entrepo: 8.1% - 10.8%	BW &Entrepo: 0.2% – 11.9%
Unit trust investments	Market approach**	Note 4	BW: 5.3% - 8.5%	BW: 1.2% – 6.5%
– OTC currency options	Income approach*	Note 1	N/A	N/A
Other debt securities				
– Corporate bonds	Income approach*	Note 1	N/A	BW: 7.8%
Financial assets for which the fair value is disclosed				
Loans and advances to customers				
– Discount rate		Note 1	BW: 11.5% BG:5.3% Entrepo: 15.3%	BW: 8.5% BG:5.3% Entrepo: 15.3%
– Earnings rate		Note 2	BW:3.5% - 17.5% BG: 5.3% - 32.0% Entrepo: 15.3% - 21.0%	BW:3.5% – 14.7% BG: 5.3% – 32.0% Entrepo: 15.3% – 21.0%
– Term to maturity		Note 3	3 - 360 mth	3 – 360 mth
Financial assets at amortised cost				
Treasury bills	Income approach*	Note 1	BW: 8.7% - 9.3%	BW: 7.5%
Government stock	Income approach*	Note 1	BW:8.1% - 10.8%	BW:3.9% – 11.9%
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	Income approach*	Note 1	BW: 7.6% - 11.7%	BW: 5.0% – 10.6%
Financial liabilities for which the fair value is disclosed				
Other borrowings	Income approach*			
– Discount rate		Note 1	BW: 9.5% – 10.8% CG: 7.9%***	BW: 5.8% – 10.2% CG: 3.0%***
– Earnings rate		Note 1	BW: 9.5% - 10.0% CG: 7.9%***	BW: 7.4% – 12.5% CG: 3.0%***
Debt securities in issue				
Five-year callable bonds	Income approach*	Note 1	N/A	N/A
Senior debt – unsecured	Income approach*	Note 1	BW: 5.0% - 8.9% BG: 6.0%	BW: 3.7% – 8.1% BG: 6.0%
Debentures	Income approach*	Note 1	BG: 6.7%	BG: 6.7%
Deposits				
Promissory notes	Income approach*	Note 1	N/A	N/A

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 Ltd

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.6 Insurance risk

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

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

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

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

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

The policyholder liability was calculated with the following assumptions:

> A discount rate of 4.75% (2022: 4.75%).
> A tax assumption of 40% (2022: 40%) of investment income being taxed at a rate of 32% (2022: 32%).
> Expense inflation of 4.5% (2022: 4.5%).
> The incurred-but-not-reported (IBNR) liability was determined using the Bornhuetter-Fergusson method.

3.7 Capital management

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

> Comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate
> Safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders
> 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; and
> Tier 3 capital: includes short-term subordinated debt that may be used only to cover a portion of the banking institution's capital charges for market risk.

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.7 Capital management continued

Capital management for the banking group continued

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	Deduction approach	Full consolidation
Capricorn Investment Holdings (Botswana) Ltd (CIHB)	Full consolidation	Full consolidation
Mukumbi Investments Ltd	Deduction approach	Full consolidation
Capricorn Capital (Pty) Ltd	Deduction approach	Full consolidation
Entrepo Holdings (Pty) Ltd	Full consolidation	Full consolidation
Entrepo Finance (Pty) Ltd	Full consolidation	Full consolidation
Entrepo Life Ltd	Deduction approach	Full consolidation

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

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

Notes to the consolidated annual financial statements continued

3. Financial risk management continued

3.7 Capital management 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	
	2023 N$'000	**2022 N$'000**
Tier 1 capital		
Share capital and premium	744,635	764,071
General banking reserves	6,017,042	5,251,257
Retained earnings	2,036,700	1,701,271
Minority interests	289,375	263,469
Subtotal	9,087,752	7,980,068
Deduct: 50% investments in group entities		
Goodwill	(465,484)	(311,483)
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities and 100% of treasury shares	(354,053)	(380,266)
Net total Tier 1 capital	8,268,215	7,288,319
Tier 2 capital		
Subordinated debt	911,592	821,414
Five-year callable bonds	382,960	351,626
General provisions	528,632	469,788
Subtotal	911,592	821,414
Deduct: 50% investments in group entities		
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	(323,020)	(338,504)
Net total Tier 2 capital	588,572	482,910
Total regulatory capital	8,856,787	7,771,229
Risk-weighted assets:		
Operational risk	5,225,880	4,831,626
Credit risk	46,396,986	43,763,327
Market risk	665,256	687,068
Total risk-weighted assets	52,288,122	49,282,021
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	12.5%	12.7%
Tier 1 risk-based capital ratio	15.8%	14.8%
Total risk-based capital ratio	16.9%	15.8%

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

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

Based on the ICAAP assessment performed on 30 November 2022, 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.

Notes to the consolidated annual financial statements continued

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 2.3.2 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 28.

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

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

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

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 20.

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 Group and consolidated financial statements, similar to that of a banking entity, and disclosed as interest expense and interest income respectively.

Notes to the consolidated annual financial statements continued

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

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 26.1.

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 3.2.2.3., which also sets out key sensitivities of the ECL to changes in these elements.

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

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

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	2022 N$'000
5. Net interest income		
Interest and similar income		
Amortised cost		
Loans and advances	4,930,062	3,749,836
Cash and short-term funds	218,513	111,821
Financial assets at amortised cost	94,057	92,176
Government stock and other investments	91,696	90,118
Preference shares	2,361	2,058
Fair value		
Financial assets at fair value through other comprehensive income	383,844	233,457
Treasury bills	336,656	151,602
Government stock and other investments	47,188	41,888
Derivatives	–	39,967
Total interest and similar income	5,626,476	4,187,290
Interest and similar expenses		
Amortised cost		
Demand deposits	373,700	194,924
Term and notice deposits	879,697	566,080
Negotiable certificates of deposits	715,045	425,988
Cheque deposits	295,250	136,034
Debt securities in issue	448,053	349,154
Savings deposits	54,579	24,004
Deposits from banks and financial institutions	43,127	6,608
Other borrowings	45,677	51,099
Promissory notes	–	5,427
Other	43,979	21,087
Leases	9,155	9,979
Fair value		
Derivatives	–	59,790
Total interest and similar expenses	2,908,262	1,850,174
Net interest income	2,718,214	2,337,116
6. Credit impairment losses		
Increase in specific impairment	88,688	188,430
Increase in specific impairment	46,660	94,907
Increase in interest in suspense impairment	42,028	93,523
Amounts written off as uncollectable	94,519	110,470
Initial specific impairment	89,784	104,285
Written off as uncollectable	4,735	6,185
Increase in portfolio impairment	48,771	80,012
Increase in portfolio impairment for OCI instruments	13,207	–
Amounts recovered during the year	(9,575)	(11,609)
	235,610	367,303

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.

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	2022 N$'000
7. Non-interest income		
7.1 Fee and commission income		
Transaction and related fees	1,232,032	1,088,354
Income from deposits	631,768	579,655
Transaction based fee income	522,747	432,106
Income from loans and advances	77,517	76,593
Commissions	40,641	38,398
Trust and fiduciary fees	15,621	12,983
	1,288,294	1,139,735
7.2 Net trading income		
Net foreign exchange gains	122,523	114,551
Net gains/(losses) from financial instruments at fair value	90,735	96,079
	213,258	210,630

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 2023 N$'000	2022 N$'000
7.3 Other operating income		
Commission and insurance related income	3,943	3,830
Dividend received	43,738	20,564
Support services rendered	298	261
Other	22,206	16,437
	70,185	41,092
7.4 Net insurance premium income		
Gross written premiums	196,292	156,968
Change in unearned premium provision	(17,222)	4,309
	179,070	161,277
7.5 Net insurance claims and benefits paid		
Gross insurance contract claims	(50,343)	(48,469)
Transfer to provision for IBNR claims	(370)	95
	(50,713)	(48,374)
7.6 Asset management and administration fees		
Asset management and administration fees	187,290	164,606
	187,290	164,606
Total non-interest income	1,887,384	1,668,966

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	2022 N$'000
7.7 Types of revenue from contracts with customers		
Fee and commission income	1,288,294	1,139,735
Other operating income	4,241	4,091
Asset management and administration fees	187,290	164,606
Income other than from contracts with customers	407,559	360,534
Total revenue	1,887,384	1,668,966
7.8 Disaggregation of revenue from contracts with customers		
a) Over time		
Transaction and related fees	77,517	76,593
Lending activities	77,517	76,593
Commission and insurance related income	3,943	3,830
Support services rendered	298	261
Asset management and administration fees	187,290	164,606
	269,048	245,290
b) At a specific point in time		
Transaction and related fees	1,154,515	1,011,761
Cards and electronic channels	631,768	579,655
Transaction based fee income	522,747	432,106
Commissions	40,641	38,398
Trust and fiduciary fees	15,621	12,983
	1,210,777	1,063,142
c) Income other than from contracts with customers	407,559	360,534
Total non-interest income	1,887,384	1,668,966

Refer to note 41 for the cost to income ratio calculation.

8. Staff costs

	2023 N$'000	2022 N$'000
Salaries and bonuses	1,269,944	1,110,747
Share-based payment expense	24,413	16,916
Staff training costs	18,187	18,527
Pension costs - defined contribution plan	65,831	61,716
Severance pay provision (note 28)	1,584	3,042
	1,379,959	1,210,948

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	2022 N$'000
9. Operating expenses		
Expenses by nature		
9.1 Normal operating expenses		
Advertising and marketing	46,235	37,738
Amortisation of intangible assets (note 20)	51,761	45,674
Asset management fees	2,210	2,136
Auditor's remuneration		
– Audit fees	13,405	10,245
– Fees for other services	2,784	1,341
Non-executive directors' emoluments	10,369	10,017
Depreciation of property and equipment (note 21)	162,565	145,933
Finance costs on leases	7,870	6,983
Insurance costs	28,365	22,802
Loss on disposal of property and equipment	4,230	2,586
Motor vehicle costs	3,899	3,168
Office expenses	12,036	10,793
Professional services	76,493	59,784
Repairs and maintenance	24,797	18,433
Security expenses	20,844	19,521
Staff costs (note 8)	1,379,959	1,210,948
Stamp duty	17,282	22,270
Stationery and printing	29,656	25,650
Subscription fees	17,989	15,388
Technology costs	180,418	147,347
Telephone, postage and courier costs	19,887	18,091
Travelling	11,348	9,186
Water and electricity	24,539	23,284
Other expenses	85,684	86,218
Total normal operating expenses	2,234,625	1,955,536
9.2 Fee and commission expenses		
Association transaction fees	174,926	135,780
Cash handling fees	21,102	27,954
Commission	13,286	11,853
	209,314	175,587
Total operating expenses	2,443,939	2,131,123

Research and development costs of N$1,205,352 (2022: N$518,288) are included in operating expenses above.

Refer to note 41 for the cost to income ratio calculation.

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	2022 N$'000
10. Share of associates' results after tax		
The following represents Capricorn Group's share of the associates' after tax results:		
Profit before taxation	80,993	89,906
Taxation	(16,129)	(22,209)
	64,864	67,697
11. Income tax expense		
11.1 Normal tax		
Current tax	560,898	432,576
Deferred tax	(44,426)	(3,104)
Total normal tax	516,472	429,472
Normal tax on other comprehensive income		
Current tax through other comprehensive income	7,906	(8,535)
– changes in fair value of debt instruments	7,722	(8,510)
– changes in fair value of equity instruments	184	(25)
Total income tax expense	524,378	420,937
11.2 Tax rate reconciliation		
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	1,926,049	1,507,656
Other comprehensive income	18,219	(26,673)
Tax at the applicable tax rate of 32% (2022: 32%)	622,166	473,915
Dividends received	(35,275)	(28,396)
Fair value adjustment on interest free staff loans and investments	(2,240)	501
Other non-taxable income	(75,682)	(59,864)
Non-deductible expenses	41,221	44,973
Unrecognised deferred tax asset	(552)	552
Difference in tax rates	(16,036)	(10,988)
Other	(9,224)	244
Income tax expense	524,378	420,937
Effective tax rate	27.0%	28.4%

Notes to the consolidated annual financial statements continued

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 Group 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 Group and held as treasury shares.

Group	2023 Gross N$'000	2023 Taxation N$'000	2023 Net N$'000
Earnings			
Profit for the year attributable to the equity holders of the parent entity			1,366,450
Headline adjustments	42,383	–	42,383
Loss on disposal of assets	4,230	–	4,230
Loss on dilution of associates	38,153	–	38,153
Headline earnings			1,408,833

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

	Group 2023 N$'000	Group 2022 N$'000
Number of ordinary shares in issue at year-end ('000) (note 29)	505,937	510,505
Weighted average number of ordinary shares in issue during the year ('000)	505,937	510,505
Adjusted for effect of future share-based payment transactions ('000)	3,056	1,864
Diluted weighted average number of ordinary shares in issue during the year ('000)	507,801	512,369
Earnings per ordinary share (cents)		
Basic	270.1	204.9
Fully diluted	268.5	204.1
Headline earnings per ordinary share (cents)		
Basic	278.5	205.4
Fully diluted	276.8	204.6

Headline earnings per share is based on the JSE guidance.

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	2022 N$'000
13. Cash and cash equivalents		
Cash balances	488,059	403,890
Due from other banks	4,896,457	3,546,230
Repurchased agreements	–	668,202
Balances with the central bank other than mandatory reserve deposits	278,319	1,477,674
Mandatory reserve deposits with the respective central banks	418,079	384,400
	6,080,914	6,480,396

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

14. Financial assets

	Group 2023 N$'000	2022 N$'000
Financial assets at fair value through profit or loss		
Unit trust and money market investments*	2,588,556	2,183,179
	2,588,556	2,183,179
Current	2,588,556	2,183,179
Financial assets at amortised cost		
Treasury bills	42,143	18,645
Government stock	768,492	749,090
Preference shares	301,979	261,454
	1,112,614	1,029,189
Less expected credit loss allowance	(123,182)	(113,328)
Net financial assets at amortised cost	989,432	915,861
Current	140,177	18,645
Non-current	849,255	897,216
	989,432	915,861
Movement in impairment on financial assets at amortised cost is as follows for the Group:		
Opening balance	113,328	99,232
Impairment charge for the year	(2,019)	(1,482)
Exchange movements	11,873	15,578
Closing balance	123,182	113,328

* *Unit trust and money market investments are mandatorily measured at fair value through profit or loss.*

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

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	2022 N$'000
15. Financial assets at fair value through other comprehensive income		
Debt instruments		
Treasury bills	4,278,456	3,830,964
Government stock	539,719	543,053
Tradable instruments[3]	949,427	949,518
Corporate bonds	4,016	3,914
Exchange traded funds[2]	71,290	62,346
Equity instruments		
Investment securities – listed[1]	34,432	1,869
Investment securities – unlisted	6,523	5,962
	5,883,863	5,397,626
Current	5,633,870	4,875,239
Non-current	249,993	522,387
	5,883,863	5,397,626
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	4,265,330	3,834,726
Government stock	537,752	557,125
Corporate bonds	3,921	4,009
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	17,643	(43,407)
Changes in the fair value of equity instruments at fair value through other comprehensive income	576	(79)
	18,219	(43,486)

[1] *Listed ordinary shares are held as follows: 13,035 shares in Dundee Precious Metals Inc, and 28,308 shares in China Africa Resources Plc. The election was made to recognise the equity instruments at fair value through other comprehensive income. No dividends were received during the year under review (2022: Nil).*

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

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

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

Treasury bills with a nominal value of N$750 million (2022: N$850 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 (2022: Nil) at the Bank of Namibia.

Refer to note 3.5 for fair value methodology used.

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	2022 N$'000
16. Loans and advances to customers		
Overdrafts	6,340,010	6,185,939
Term loans	15,925,835	14,484,243
Mortgages	20,353,270	20,018,492
– Residential mortgages	12,939,039	12,549,226
– Commercial mortgages	7,414,231	7,469,266
Instalment finance	4,335,424	3,927,985
Preference shares	220,090	230,449
Gross loans and advances	47,174,629	44,847,108
Effective interest rate impact per IFRS 9	(166,736)	(178,652)
Gross loans and advances after effective interest impact	47,007,893	44,668,456
Less impairment		
Stage 1 impairment	(167,690)	(170,092)
– Included in the stage 1 impairment		
Off-balance sheet exposure impairment	(3,746)	(2,459)
Stage 2 impairment	(328,800)	(300,062)
Stage 3 impairment	(1,114,845)	(972,006)
	45,396,558	43,226,296

N$75.0 million (2022: N$75.0 million) of loans and advances have been ceded to Caliber Capital Trust as security for a loan (Note 23).

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

	Overdrafts N$000	Preference shares and guarantees N$000	Term loans N$000	Mortgages N$000	Instalment finance N$000	Total N$000
30 June 2023						
Balance at the beginning of the year	425,781	3,097	520,292	424,092	68,898	1,442,160
Stage 1	38,557	3,097	84,570	22,812	21,056	170,092
Stage 2	69,822	–	162,563	56,914	10,763	300,062
Stage 3	317,402	–	273,159	344,366	37,079	972,006
Loan impairments	57,081	1,250	241,853	(77,554)	11,367	233,997
Exchange and other movements	(5,284)	–	14,782	22,411	(2,212)	29,697
Amounts written off during the year as uncollectible	(37,031)	–	(28,624)	(25,295)	(3,569)	(94,519)
Balance at the end of the year	440,547	4,347	748,303	343,654	74,484	1,611,335
Stage 1	39,030	4,347	79,315	26,199	18,799	167,690
Stage 2	81,556	–	200,798	36,933	9,513	328,800
Stage 3	319,961	–	468,190	280,522	46,172	1,114,845

Notes to the consolidated annual financial statements continued

16. Loans and advances to customers continued

	Overdrafts N$000	Preference shares and guarantees N$000	Term loans N$000	Mortgages N$000	Instalment finance N$000	Total N$000
30 June 2022						
Balance at the beginning of the year	370,412	1,467	389,381	416,373	81,516	1,259,149
Stage 1	34,951	1,467	80,898	35,042	21,833	174,191
Stage 2	80,582	–	49,119	70,910	11,808	212,419
Stage 3	254,879	–	259,364	310,421	47,875	872,539
Loan impairments	83,028	1,630	178,835	3,638	(5,899)	261,232
Exchange and other movements	181	–	669	230	169	1,249
Amounts written off during the year as uncollectible	(27,840)	–	(48,593)	(27,149)	(6,888)	(110,470)
Balance at the end of the year	425,781	3,097	520,292	424,092	68,898	1,442,160
Stage 1	38,557	3,097	84,570	22,812	21,056	170,092
Stage 2	69,822	–	162,563	56,914	10,763	300,062
Stage 3	317,402	–	273,159	344,366	37,079	972,006

	Group 2023 N$'000	Group 2022 N$'000
Value of non-performing loans		
Non-performing loans	2,104,629	2,129,907
Interest recognised on these loans (interest in suspense)	350,732	308,133
Non-performing loans inclusive of interest	2,455,361	2,438,040

	Group 2023 N$'000	Group 2023 %	Group 2022 N$'000	Group 2022 %
Total impairment by geographical area				
Namibia	1,360,780	84.5	1,266,258	87.8
Botswana	229,682	14.3	159,431	11.1
Zambia	20,873	1.2	16,471	1.1
	1,611,335	100.0	1,442,160	100.0
Maturity analysis of loans and advances to customers for the Group were as follows:				
Repayable within 1 month	6,088,514	12.9	5,982,181	13.3
Repayable after 1 month but within 3 months	69,711	0.1	420,611	0.9
Repayable after 3 months but within 6 months	35,689	0.1	207,421	0.5
Repayable after 6 months but within 12 months	49,977	0.1	654,212	1.5
Repayable after 1 year but within 5 years	17,811,504	37.8	13,480,754	30.1
Repayable after 5 year but within 10 years	7,354,877	15.6	10,700,572	23.9
Repayable after 10 years	15,764,357	33.4	13,401,357	30.0
	47,174,629	100.0	44,847,108	100.0

Notes to the consolidated annual financial statements continued

16. Loans and advances to customers continued

	Group 2023 N$'000	2022 N$'000
The loans and advances to customers include instalment finance receivables which are analysed as follows:		
Repayable within 1 year	1,597,418	58,447
Repayable after 1 year but within 5 years	2,823,228	3,771,668
Repayable after 5 years	397,638	288,620
Gross investment in instalment finances	4,818,284	4,118,735
Unearned future finance income on instalment finances	(482,860)	(190,750)
Net investment in instalment finances	4,335,424	3,927,985

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$20.8 million (2022: N$23.4 million) relating to the above-mentioned scheme.

The movements on these staff loans were as follows:

	Group 2023 N$'000	2022 N$'000
Opening balance	23,424	32,992
New loans advanced during the year	8,588	5,593
Loans repaid during the year	(5,289)	(11,292)
Staff costs (adjustment to fair value)	(7,900)	(6,620)
Effective interest charged	1,977	2,751
Closing balance	20,800	23,424

17. Other assets

	Group 2023 N$'000	2022 N$'000
Financial other assets	356,323	221,568
Insurance fund asset*	61,506	57,991
Accounts receivable	140,034	80,673
Clearing and settlement accounts	154,783	82,904
Non-financial other assets	237,753	248,523
Prepayments	57,676	55,853
Other taxes	829	801
Inventory***	179,248	191,869
	594,076	470,091
Less expected credit loss allowance	–	–
Net other assets	594,076	470,091
Current	526,872	412,100
Non-current	67,204	57,991
	594,076	470,091

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

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

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

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.

Notes to the consolidated annual financial statements continued

18. Investment in subsidiaries

(a) Investment in subsidiaries

The following information relates to the Group'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 2023 %	Effective holding 2022 %
Subsidiaries of Capricorn Group					
Bank Windhoek Ltd	Namibia	4,920	485,000	100	100
Namib Bou (Pty) Ltd	Namibia	600	23,000	100	100
Capricorn Asset Management (Pty) Ltd	Namibia	53	1,001	95.7	95.7
Capricorn Unit Trust Management Company Ltd	Namibia	1,913	2,000	95.7	95.7
Capricorn Capital (Pty) Ltd	Namibia	4	100	100	100
Capricorn Investment Holdings (Botswana) Ltd	Botswana	52,873	318,858	84.8	84.8
Mukumbi Investments (Pty) Ltd	Zambia	5	33	100	100
Entrepo Holdings (Pty) Ltd	Namibia	15	130,000	55.5	55.5
Capricorn Mobile (Pty) Ltd	Namibia	–	–	–	100
Capricorn Investment Group (Pty) Ltd	South Africa	0.1	0.1	100	100
Capricorn Hofmeyer Property (Pty) Ltd	Namibia	0.1	0.1	100	100
Subsidiaries of Bank Windhoek Ltd					
Bank Windhoek Nominees (Pty) Ltd	Namibia	0.1	0.1	100	100
BW Finance (Pty) Ltd	Namibia	0.1	0.1	100	100
Bank Windhoek Properties (Pty) Ltd	Namibia	1	1	100	100
Subsidiaries of Capricorn Investment Holdings (Botswana) Ltd					
Bank Gaborone Ltd (BG)	Botswana	220,000	297,309	100	100
CIH Insurance Brokers (Pty) Ltd	Botswana	1	8,124	100	100
Capricorn Asset Management (Botswana) (Pty) Ltd	Botswana	1	2,579	100	100
Peo Finance (Pty) Ltd	Botswana	30	30	100	100
Subsidiaries of Entrepo Holdings (Pty) Ltd					
Entrepo Life Ltd	Namibia	4	4,200	100	100
Entrepo Finance (Pty) Ltd	Namibia	4	4	100	100

Notes to the consolidated annual financial statements continued

18. Investment in subsidiaries continued

(a) Investment in subsidiaries continued

	Aggregate income of subsidiaries (after tax)		Total investment	
	2023 N$'000	2022 N$'000	2023 N$'000	2022 N$'000
Financial details of subsidiaries				
Subsidiaries of Capricorn Group				
Bank Windhoek Ltd (consolidated)	1,090,639	813,198	520,440	520,440
Namib Bou (Pty) Ltd	2,028	(1,197)	23,000	23,000
Capricorn Asset Management (Pty) Ltd	49,478	44,338	122,391	122,391
Capricorn Unit Trust Management Company Ltd	26,303	23,285	61,940	61,940
Capricorn Capital (Pty) Ltd	210	1,477	163	163
Capricorn Investment Holdings (Botswana) Ltd	124,096	74,046	438,776	438,776
Entrepo Holdings (Pty) Ltd	200,067	199,196	238,680	238,680
Capricorn Mobile (Pty) Ltd	–	–	–	0.1
Capricorn Investment Group (Pty) Ltd	315	(7)	0.1	0.1
Capricorn Hofmeyer Property (Pty) Ltd	(686)	387	11,508	11,508
	1,492,450	1,154,723	1,416,898	1,416,898
Non-current			1,416,898	1,416,898

The at-acquisition exchange rate of NAD 0.776 has been applied to the conversion of the investment. The average exchange rate for the year of NAD 1.355 (2022: NAD 1.316) has 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.

(b) Non-controlling interests

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

	2023 N$'000	2022 N$'000
Summarised statement of financial position		
Current assets	175,918	121,854
Current liabilities	190,056	126,875
Current net liabilities	(14,138)	(5,021)
Non-current assets	1,533,146	1,421,896
Non-current liabilities	566,775	556,708
Non-current net assets	966,371	865,188
Net assets	952,233	860,167
Accumulated NCI	423,744	382,774
Summarised statement of comprehensive income		
Total income	293,379	300,196
Profit for the period	200,067	199,196
Total comprehensive income	200,067	199,196
Profit allocated to NCI	89,030	88,642
Dividends paid to NCI	48,060	86,108
Summarised cash flows		
Cash flows from operating activities	102,341	216,442
Cash flows from investing activities	(29,472)	13,994
Cash flows from financing activities	(108,101)	(193,650)
Net increase/(decrease) in cash and cash equivalents	(35,232)	36,786

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

Notes to the consolidated annual financial statements continued

19. Investment in associates

Set out below are the associates of the Group as at 30 June 2023. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

	Number of shares held '000	Issued ordinary share capital and premium N$000	Effective holding 2023 %	Effective holding 2022 %	Shares at cost 2023 N$000	Shares at cost 2022 N$000
Associates of Capricorn Group						
Santam Namibia Ltd	1,230	8,307	28.0	28.0	62,905	62,905
Sanlam Namibia Holdings (Pty) Ltd	30	160,665	29.5	29.5	47,290	47,290
Paratus Group Holdings Ltd	42	2,757	26.0	30.0	201,295	232,263
					311,490	342,458

19.1 Santam Namibia Ltd

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

	Group 2023 N$'000	Group 2022 N$'000
Carrying value of investment in associate		
Investment at cost	62,905	62,905
Share of current year's retained income	24,724	21,991
– Profit before tax	33,520	30,731
– Current and deferred tax	(8,796)	(8,740)
Dividends paid	(17,332)	(37,740)
Post-acquisition retained income at the beginning of the year	58,876	74,625
	129,173	121,781
Directors' valuation	140,512	123,495

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 2023 N$'000	Group 2022 N$'000
Summarised financial information (unaudited)		
Revenue (net earned premium)	724,919	686,514
Profit after tax	83,095	68,924
Total comprehensive income	83,095	68,924
Non-current assets	576,183	516,685
Current assets	577,507	534,672
Non-current liabilities	(13,291)	(9,348)
Current liabilities	(761,881)	(689,934)
Net asset value	378,518	352,075
Interest in associate (28%)	105,813	98,421
Goodwill on acquisition	23,360	23,360
Carrying value of investment in associate	129,173	121,781

Notes to the consolidated annual financial statements continued

19. Investment in associates continued

19.2 Sanlam Namibia Holdings (Pty) Ltd

The Group 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 2023 N$'000	Group 2022 N$'000
Carrying value of investment in associate		
Investment at cost	47,290	47,290
Share of current year's retained income	48,572	21,714
– Profit before tax	51,082	24,452
– Current and deferred tax	(2,510)	(2,738)
Dividends paid	(64,784)	-
Post-acquisition retained income at the beginning of the year	98,429	76,715
	129,507	145,719
Directors' valuation	564,792	534,198

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 2023 N$'000	Group 2022 N$'000
Summarised financial information (unaudited)		
Revenue (net insurance income)	636,801	694,041
Profit after tax	97,343	75,071
Total comprehensive income	97,343	75,071
Non-current assets	6,995,652	6,117,947
Current assets	1,195,167	911,619
Non-current liabilities	(6,722,350)	(5,846,419)
Current liabilities	(1,092,016)	(751,662)
Net asset value	376,453	431,485
Interest in associate (29.5%)	110,901	127,113
Goodwill on acquisition	18,606	18,606
Carrying value of investment in associate	129,507	145,719

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 2023 have been used for equity accounting the share of results of associates for their half year ended 30 June 2023.

Notes to the consolidated annual financial statements continued

19. Investment in associates continued

19.3 Paratus Group Holdings Ltd

The Group holds an effective 26.0% (2022: 30%) 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.

On 28 June 2023 the Group diluted its investment in Paratus Group from 30% to 26%.

	Group 2023 N$'000	Group 2022 N$'000
Carrying value of investment in associate		
Investment at cost	232,263	232,263
Share of current year's retained income	(8,432)	23,992
– Profit before tax	34,544	34,723
– Current and deferred tax	(4,823)	(10,731)
– Loss on share dilution*	(38,153)	–
Post-acquisition retained income at the beginning of the year	55,132	31,140
	278,963	287,395
Valuation	400,603	367,291

* *The reduction relates to a loss of N$38.2 million incurred by the Group as a result of diluting its investment in Paratus from 30% to 26%. Per the original sale-of-shares agreement concluded in 2019, Capricorn Group would remit to the founding shareholders of Paratus Group up to a maximum of 4% of shareholding if the original business case for EBITDA targets is exceeded over a 3-year period ended 30 June 2022. Paratus Group far exceeded the business case and thus a loss of N$38.2 million was recognised on 28 June 2023 when these shares were transferred to the founding shareholders of Paratus Group. This was a once-off arrangement stipulated in the contract and no risk of further dilution without compensation exists.*

Technique used for directors' valuation:

A third party valuation was performed on Paratus to determine the fair value.

	Group 2023 N$'000	Group 2022 N$'000
Summarised financial information (unaudited)		
Revenue	1,131,807	989,017
Profit after tax	151,936	132,124
Total comprehensive income	177,060	154,722
Non-current assets	1,520,771	925,825
Current assets	431,417	548,043
Non-current liabilities	(308,209)	(39,071)
Current liabilities	(282,183)	(274,359)
Non-controlling interest	(304,743)	(202,455)
Net asset value	1,057,053	957,983
Interest in associate (26.0%)	317,116	287,395
Loss on share dilution	(38,153)	–
Carrying value of investment in associate	278,963	287,395
Total investment in associates (non-current)	537,643	554,895

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

Notes to the consolidated annual financial statements continued

20. Intangible assets

Group	Goodwill[1] N$'000	Purchased software N$'000	Intangible assets in development N$'000	Internally generated software N$'000	Total N$'000
30 June 2023					
Cost					
Cost at 1 July 2022	71,068	50,321	181,474	369,880	672,743
Transfers	–	–	(46,167)	45,704	(463)
Additions	–	804	119,674	57	120,535
Exchange differences	–	17,472	420	–	17,892
Disposals	–	–	–	(11,877)	(11,877)
Cost at 30 June 2023	71,068	68,597	255,401	403,764	798,830
Amortisation					
Amortisation at 1 July 2022	–	(47,233)	(16)	(238,397)	(285,647)
Charge for the year	–	(3,764)	–	(47,997)	(51,761)
Transfer	–	–	16	(16)	–
Exchange differences	–	(3,517)	–	–	(3,517)
Amortisation on disposals	–	–	–	9,450	9,450
Amortisation at 30 June 2023	–	(54,514)	–	(276,960)	(331,474)
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 2023	71,068	14,083	255,401	108,599	449,151
30 June 2022					
Cost					
Cost at 1 July 2021	71,068	44,269	71,741	355,400	542,478
Transfers	–	–	(24,094)	14,480	(9,614)
Additions	–	5,273	133,767	–	139,040
Exchange differences	–	779	60	–	839
Cost at 30 June 2022	71,068	50,321	181,474	369,880	672,743
Amortisation					
Amortisation at 1 July 2021	–	(43,249)	288	(196,523)	(239,484)
Charge for the year	–	(3,512)	–	(42,162)	(45,674)
Transfer	–	–	(288)	288	–
Exchange differences	–	(472)	(16)	–	(489)
Amortisation at 30 June 2022	–	(47,233)	(16)	(238,397)	(285,647)
Impairment loss					
Impairment loss at 1 July	–	–	–	(18,205)	(18,205)
Impairment loss at 30 June	–	–	–	(18,205)	(18,205)
Net book value at 30 June 2022	71,068	3,088	181,458	113,278	368,891

All intangible assets are held by the Group and all are classified as non-current assets. No assets were encumbered at 30 June 2023 nor 30 June 2022.

[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 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.

Notes to the consolidated annual financial statements continued

21. Property and equipment

Group	Freehold land and buildings N$'000	Computer and other equipment N$'000	Motor Vehicles N$'000	Furniture, fittings and other office equipment N$'000	Right-of-use assets** N$'000	Total N$'000
30 June 2023						
Cost						
Cost at 1 July 2022	146,439	453,065	32,008	328,537	401,826	1,361,875
Additions*	50,876	47,046	1,880	13,927	79,224	192,953
Transfers	(34,738)	27,458	550	7,193	–	463
Exchange differences	–	2,771	253	4,327	6,351	13,702
Disposals	–	(28,032)	(824)	(6,167)	(56,289)	(91,312)
Cost at 30 June 2023	162,577	503,831	33,867	342,803	434,603	1,477,681
Depreciation						
Accumulated depreciation at 1 July 2022	(22,650)	(312,028)	(16,190)	(188,668)	(182,426)	(721,962)
Charge for the year	(3,097)	(48,724)	(2,010)	(30,201)	(78,533)	(162,565)
Exchange differences	–	(2,316)	(189)	(3,766)	(5,367)	(11,638)
Depreciation on disposals	–	27,599	588	4,877	50,843	83,907
Accumulated depreciation at 30 June 2023	(25,747)	(335,469)	(17,801)	(217,758)	(215,483)	(812,258)
Net book value at 30 June 2023	136,830	166,839	16,066	130,059	215,629	665,423
**Additions*						
For cash flow purposes						
Cash flow items	50,876	47,046	1,880	13,927	–	113,729
Non-cash flow items	–	–	–	–	79,224	79,224
	50,876	47,046	1,880	13,927	79,224	192,953
30 June 2022						
Cost						
Cost at 1 July 2021	107,231	393,257	31,953	287,532	437,665	1,257,638
Additions*	80,875	33,668	1,207	26,677	35,987	178,414
Transfers	(41,667)	28,051	–	23,230	–	9,614
Exchange differences	–	616	36	692	4,463	5,807
Disposals	–	(2,527)	(1,188)	(9,594)	(76,289)	(89,598)
Cost at 30 June 2022	146,439	453,065	32,008	328,537	401,826	1,361,875
Depreciation						
Accumulated depreciation at 1 July 2021	(20,420)	(274,037)	(14,774)	(166,527)	(172,082)	(647,840)
Charge for the year	(2,230)	(40,060)	(2,089)	(29,032)	(72,522)	(145,933)
Depreciation reversal due to useful lives review	–	–	–	–	–	–
Exchange differences	–	(265)	(22)	(424)	(566)	(1,277)
Depreciation on disposals	–	2,334	695	7,315	62,744	73,088
Accumulated depreciation at 30 June 2022	(22,650)	(312,028)	(16,190)	(188,668)	(182,426)	(721,962)
Net book value at 30 June 2022	123,789	141,037	15,818	139,869	219,400	639,913
*Additions**						
For cash flow purposes						
Cash flow items	80,875	33,668	1,207	26,677	–	142,427
Non-cash flow items	–	–	–	–	35,987	35,987
	80,875	33,668	1,207	26,677	35,987	178,414

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

Details regarding the fixed properties as required in terms of Schedule 4 of the Companies Act are available to shareholders at the registered office of the Group. This information will be open for inspection in terms of the provisions of section 120 of the Companies Act, 2004.

No assets were encumbered at 30 June 2023 nor 30 June 2022. All property and equipment are classified as non-current assets.

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	Group 2022 N$'000
22. Due to other banks		
Current accounts	609,543	708,212
	609,543	708,212
Current	609,543	708,212

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

23. Other borrowings

	Group 2023 N$'000	Group 2022 N$'000
Balance as at 1 July	618,017	692,719
Additions	863,982	331,177
Redemptions	(599,017)	(431,781)
Accrued interest	45,677	51,099
Coupon payments	(40,632)	(47,230)
Foreign exchange movement	24,908	22,033
Balance as at 30 June	912,935	618,017
Current	239,205	427,228
Non-current	673,730	190,789
	912,935	618,017

Other borrowings consist of a long-term loan from AFD (Agence Francaise de Developpement) of N$213.1 million, of which N$31.3 million has been repaid during the financial year under review. The balance is further made up of a Bank One loan of N$187.4 million, a loan from the Caliber Capital Trust of N$60 million, and IFC funding of N$452.5 million.

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.

Bank One loan:

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 SOFR plus a spread of 3.0%.

Loan with International Financial Corporation of USD40 million. The facility allows to draw down in two tranches of USD25 million and USD15 million respectively. The facility is repayable in six consecutive installments. The first tranche was disbursed in the month of September 2022 and the interest rate for the tranche was fixed at 11.54% per annum.

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

24. Debt securities in issue

	Group 2023 N$'000	Group 2022 N$'000
Balance as at 1 July	6,244,612	6,050,509
Redemptions	(885,000)	(311,002)
Additions	200,000	540,000
Effective interest	448,053	349,154
Coupon payments	(435,531)	(341,090)
Forex (gain) / loss	8,900	(42,959)
Balance as at 30 June	5,581,034	6,244,612
Current	2,297,501	1,017,636
Non-current	3,283,533	5,226,976
	5,581,034	6,244,612

Notes to the consolidated annual financial statements continued

24. Debt securities in issue continued

Debt instruments	Interest rate	Maturity date	Notes	Group 2023 N$'000	Group 2022 N$'000
Senior debt – unsecured					
BWFh22 fixed rate note	9.50%	18-Aug-22	24.1	–	284,639
BWJh22 floating rate note	3mth JIBAR + 195bps	18-Aug-22	24.1	–	136,071
BWFK22 fixed rate note	9.98%	21-Nov-22	24.1	–	247,724
BWJK22 floating rate note	3 mth JIBAR + 187 bps	21-Nov-22	24.1	–	156,176
BWZJ23 floating rate note	3 mth JIBAR + 190 bps	19-Nov-23	24.1	344,002	342,574
BWFI23 fixed rate note	8.72%	29-Sep-23	24.1	48,822	48,802
BWJI24 floating rate note	3m JIBAR + 150bps	30-Sep-24	24.1	252,284	125,289
BWJ1e27 floating rate note	3 mth JIBAR + 215bps	19-May-27	24.1	506,033	503,932
BWJ2e27 floating rate note	3 mth JIBAR	19-May-27	24.1	302,860	301,598
BWFL23 fixed rate note	5.06%	4-Dec-23	24.1	150,234	149,441
BWJL23 floating rate note	3m JIBAR + 95bps	4-Dec-23	24.1	444,664	442,552
BWZJ24 floating rate note	3m JIBAR + 200bps	29-Mar-24	24.1	500,287	500,192
BWJL25 floating rate note	3m JIBAR + 116bps	2-Dec-25	24.1	152,896	75,361
BWJF26S floating rate note	3m JIBAR + 150bps	26-Jun-26	24.1	409,253	409,253
BWZJ25 floating rate note	3m JIBAR + 200bps	11-Feb-25	24.1	334,619	332,982
CGL001 floating rate note	MoPR rate + 421bps	8-Apr-24	24.1	181,331	170,905
Senior debt issued by Bank Gaborone	7.3%-7.5%	30-Jun-27	24.1	61,446	56,599
				3,688,731	4,284,090
Preference shares (floating rate note)					
2,500 Preference shares – Santam Namibia Ltd	64.5% of prime	1-Dec-24	24.2	25,149	25,109
40,000 Preference Shares – Capricorn Investment Holdings Limited	3mth JIBAR	23-Mar-27	24.2	405,320	402,893
35,000 Preference Shares – First National Bank of Namibia	72.1% of Namibian prime	15-Mar-24	24.2	354,688	353,416
7,606 Preference Shares – First National Bank of Namibia	70.6% of Namibian prime	15-Mar-24	24.2	76,056	151,355
				861,213	932,773
Debentures					
Various funds administered by Capricorn Asset Management (Pty) Ltd	3 mth JIBAR + 195bps	30-Apr-23	24.3	–	404,314
Capricorn Selekt Fund	3 mth JIBAR + 175bps	28-Apr-26	24.3	71,174	–
Capricorn Enhanced Cash Fund	3 mth JIBAR + 175bps	28-Apr-26	24.3	101,675	–
Capricorn Investment Fund	3 mth JIBAR + 140bps	28-Apr-24	24.3	152,422	–
Capricorn High Yield Fund	3 mth JIBAR + 175bps	28-Apr-26	24.3	81,341	–
Capricorn Investment Holdings Ltd	3 mth JIBAR + 235bps	31-Dec-27	24.3	101,723	101,110
Government Institutions Pension Fund (GIPF)	3 mth JIBAR + 235bps	31-Jan-30	24.3	505,548	505,548
Kgori Capital (Pty) Ltd	6.35%	24-Jul-25	24.3	17,207	16,777
				1,031,090	1,027,749
Total debt securities in issue at the end of the year				5,581,034	6,244,612
Listed debt securities				3,627,285	4,227,491
Unlisted debt securities				1,953,749	2,017,121
				5,581,034	6,244,612

Notes to the consolidated annual financial statements continued

24. Debt securities in issue continued

24.1 Senior debt – unsecured

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

Interest on CGL001, BWJi20, BWJI21G, BWZj21, BWJd21, BWZ21B, BWJH22, BWJK22, BWZJ23, BWJI24, BWJ1e27, BWJ2e27, BWJL23, BWZJ24, BWJL25 and BWJF26S is paid quarterly. Interest on BWFH22 is paid semi-annually on 25 April and 25 October, while interest on BWRJ21 is paid semi-annually on 15 April and 15 October, and BWFI23 is paid semi-annually on 30 March and 30 September. Interest on BWFK22 is paid semi-annually on 21 May and 21 November, while interest on BWFL23 is paid semi-annually on 2 June and 2 September.

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

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

24.2 Preference shares

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

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

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

24.3 Debentures

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

Interest on the other debentures is paid quarterly in arrears.

Debt securities in issue comprises subordinated debt, senior debt, preference shares and debentures with a combined nominal value of N$5.0 billion (2022: N$5.0 billion).

25. Deposits

	Group 2023 N$'000	Group 2022 N$'000
Current accounts	12,051,841	10,170,211
Credit cards	39,399	20,547
Savings accounts	1,934,714	1,734,552
Demand deposits	6,867,738	6,685,435
Term and notice deposits	14,251,101	14,690,610
Negotiable certificates of deposits (NCDs)	8,983,152	9,264,734
Other deposits	1,656,830	1,081,363
	45,784,775	43,647,452

	2023 N$'000	2023 %	2022 N$'000	2022 %
Maturity analysis within the customer current, savings, deposit account portfolio for the Group were as follows:				
Withdrawable on demand	20,464,608	44.7	18,570,680	42.5
Maturing within 1 month	3,249,789	7.1	3,403,035	7.8
Maturing after 1 month but within 6 months	7,389,391	16.1	7,674,570	17.6
Maturing after 6 months but within 12 months	6,899,398	15.1	8,801,558	20.2
Maturing after 12 months	7,781,589	17.0	5,197,609	11.9
	45,784,775	100.0	43,647,452	100.0

Notes to the consolidated annual financial statements continued

26. Other liabilities

	Group 2023 N$'000	2022 N$'000
Financial other liabilities	1,029,697	917,191
Accounts payable and other accruals	631,419	490,429
Derivative financial instruments - interest rate swaps*	(23,213)	(27,760)
Clearing, settlement and internal accounts	160,721	203,529
Lease liabilities (see Note 26.2)	260,770	250,993
Non-financial other liabilities	663 091	488 742
Indirect taxes	31,035	15,966
Policyholder liability (see Note 26.1)	233,050	215,458
Employee liabilities	399,006	257,318
Total other liabilities	1,692,788	1,405,933
Current	1,276,099	1,003,137
Non-current	416,689	402,796
	1,692,788	1,405,933

* *Derivative financial instruments meet the definition of held for trading and are measured at fair value through profit or loss.*

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

The notional principal amount of the outstanding interest rate swap contracts, included above and in other assets (note 17) at 30 June 2023 was N$637.7 million (2022: N$537.7 million).

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

26.1 Policyholder liabilities

	Group 2023 N$'000	2022 N$'000
The policyholder liability at year end comprises:		
Claims IBNR liability	12,832	12,462
Unearned premium reserve	220,218	202,996
	233,050	215,458
Reconciliation of the policyholder liability:		
Opening balance	215,458	219,862
Allocation to the IBNR liability	370	(95)
Transfer to unearned premium reserve	17,222	(4,309)
	233,050	215,458

Notes to the consolidated annual financial statements continued

26. Other liabilities continued

26.2 Lease liabilities

	Group 2023 N$'000	2022 N$'000
Maturity analysis - contractual undiscounted cashflows		
– Within one year	77,131	63,655
– Later than one year but not later than five years	162,215	147,687
– Later than five years	21,424	39,651
Total undiscounted lease liabilities	260,770	250,993
Lease liabilities included in statement of financial position	260,770	250,993
Current	77,131	63,655
Non-current	183,639	187,338

The Group leases various offices, branches and houses. Rental contracts are typically made for fixed periods of 5 to 10 years, but may have extension options. The lease terms do not contain restrictions on the Group's activities concerning further leasing, distribution of dividends or obtaining additional funding.

The weighted average lessee's incremental borrowing applied to the lease liabilities on 1 July was 7.64% (2022: 7.64%).

	Group 2023 N$'000	2022 N$'000
Amounts recognised in profit or loss		
Interest on lease liabilities	17,157	17,197
Expenses relating to short-term leases	16,512	19,656
	33,669	36,853
Amounts recognised in statement of cashflows		
Principal payments on lease liabilities	83,142	83,142
Interest rate sensitivities		
The following interest rate sensitivity is based on the effect of changes to the incremental borrowing rate over a twelve-month period on the interest expense on lease liabilities.		
100 basis points increase		
– Increase in interest expense on lease liabilities	1,626	1,720
100 basis points decrease		
– Decrease in interest expense on lease liabilities	(1,626)	(1,720)

Notes to the consolidated annual financial statements continued

27. Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal
tax rate of 32% (2022: 32%).

	Group 2023 N$'000	Group 2022 N$'000
The movement on the deferred income tax account is as follows:		
Deferred tax (asset) as at 1 July	(116,455)	(113,351)
Charge to profit or loss	(44,426)	(3,104)
Accelerated tax depreciation and amortisation	(3,543)	4,763
Loans and receivables	(35,666)	(28,368)
Government stock and other securities	16,232	3,763
Prepaid expenses	(4)	9,783
Accruals	(11,294)	(1,564)
Loan loss impairment	17,931	(4,275)
Assessed loss	(5,229)	(803)
Other	(22,853)	13,597
Deferred tax asset as at 30 June	(160,881)	(116,455)
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred income tax liability		
Accelerated tax depreciation and amortisation	77,193	80,736
Derivative financial instruments	–	9,733
Prepaid expenses	17,505	17,509
	94,698	107,978
Deferred income tax asset		
Accruals	46,342	35,048
Loan loss impairment	18,295	36,226
Government stock and other securities	(7,722)	8,510
Assessed loss	21,155	15,926
Derivative financial instruments	1,258	–
Unrealised foreign exchange gains or losses	7,590	832
Loans and receivables	165,755	130,089
Other temporary differences	2,906	(2,198)
	255,579	224,433
Net deferred income tax asset	(160,881)	(116,455)

Notes to the consolidated annual financial statements continued

27. Deferred income tax continued

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

	Group	
	2023 N$'000	2022 N$'000
Deferred tax liability		
Non-current	94,698	107,978
Total	94,698	107,978
Deferred tax asset		
Non-current	255,579	224,433
Total	255,579	224,433

28. Post-employment benefits

28.1 Severance pay liability

	Group	
	2023 N$'000	2022 N$'000
	N$000	N$000
A valuation was performed for 30 June 2023 by an independent actuary on the Group's liability with respect to severance pay. The benefit is not funded.		
The amount recognised in the statement of financial position is determined as follows:		
Present value of unfunded obligation (non-current)	20,752	19,168
The movement in the severance pay obligation over the year is as follows:		
As at 1 July	19,168	16,126
Current service costs	(115)	2,020
Interest cost	1,699	1,022
As at 30 June	20,752	19,168
The amounts recognised in the statement of comprehensive income are as follows:		
Current service costs	(115)	2,020
Interest cost	1,699	1,022
	1,584	3,042
The principal actuarial assumptions used were as follows:	%	%
Discount rate	9.8	9.8
Inflation rate	6.7	6.7
Salary increases	7.7	7.7
The following sensitivity of the overall liability to changes in principal assumption is:		
Salary increase 1% lower per annum	(664)	(664)
Salary increase 1% higher per annum	732	732
Inflation increase 1% lower per annum	(893)	(893)
Inflation increase 1% higher per annum	808	808
Discount increase 1% lower per annum	(893)	(893)
Discount increase 1% higher per annum	808	808

Notes to the consolidated annual financial statements continued

28. Post-employment benefits continued

28.2 Medical aid scheme

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

28.3 Pension schemes

All full-time permanent employees are members of the CIH Group Retirement Fund, a defined contribution plan, which has been registered in Namibia in accordance with the requirements of the Pension Funds Act. The fund is governed by the Pension Funds Act, 1956, which requires a statutory actuarial valuation every three years. The latest statutory actuarial valuation was carried out on 30 June 2022 and in the actuary's opinion the fund was in a sound financial position at that date. The valuation confirmed that the value of the assets in the fund exceeded the value of the actuarially determined liabilities.

The Group currently contributes 12% of basic salary to the fund, while the members contribute 7.5%. Post-employment benefits are classified as non-current liabilities.

The expense recognised in the current period in relation to these contributions was N$65.8 million (2022: N$61.7 million).

29. Share capital and premium

	Group 2023 N$'000	Group 2022 N$'000
Authorised share capital		
600,000,000 ordinary shares of 2.5 cents each	15,000	15,000
1,000,000 redeemable preference shares of 1 cent each	10	10
35,000 Class A preference shares of 1 cent each	0.35	0.35
30,000 Class B preference shares of 1 cent each	0.30	0.30
Issued ordinary share capital		
Balance as at 1 July	12,980	12,980
Shares issued during the year	–	–
Balance as at 30 June	12,980	12,980
Share premium		
Balance as at 1 July	765,566	765,566
Shares issued during the year	–	–
Shares bought back during the year	(6,632)	–
Balance at 30 June	758,934	765,566
Less: Treasury shares	(85,487)	(59,450)
Total ordinary share capital and premium	686,427	719,096
Issued number of ordinary shares reconciliation ('000):		
Issued number of shares at the beginning of the year	519,184	519,184
Shares issued during the year	–	–
Shares bought back during the year	(464)	–
Issued number of shares at the end of the year	518,720	519,184
Less: Treasury shares	(12,783)	(8,679)
Total number of ordinary shares issued at year-end	505,937	510,505

Issued ordinary shares

Ordinary shares have a par value of N$0.025. They entitle the holder to participate in dividends and to share in the proceeds of winding up the Group 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 Group 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).

Notes to the consolidated annual financial statements continued

29. Share capital and premium continued

Unissued shares

All the unissued shares are under the control of the directors in terms of a general authority to allot and issue them on such terms and conditions and at such time as they deem fit. This authority expires at the forthcoming annual general meeting on 25 October 2023, when the authority can be renewed. Refer to the directors' report.

The Group's total number of issued ordinary shares at year-end was 518,720,112 (2022: 519,184,399). All issued shares are fully paid up.

Share buy-back transaction

During the current financial year, the group redeemed and cancelled 464,287 ordinary shares in accordance with the buy-back and cancellation of ordinary shares as approved by shareholders at the annual general meeting held on 26 October 2022.

30. Net asset value per share

	Group 2023 N$'000	Group 2022 N$'000
Net asset value per ordinary share (cents)		
Net assets (excluding non-controlling interest) (N$'000)	8,255,415	7,286,887
Weighted average number of ordinary shares in issue during the year ('000)	505,937	510,505
Net asset value per share (cents)	1,632	1,427

31. Share-based payments

The Group operates two equity-settled share-based compensation plans: (1) a share appreciation rights plan and (2) a conditional share plan, under which the entities within the Group receive services from employees as consideration for equity instruments (shares) of Capricorn Group (refer to the remuneration report (unaudited) for details of each plan).

The total expense for the share-based compensation plans is N$ 24.4 million in 2023 (2022: N$16.9 million), refer to note 8.

Share appreciation rights (SAR)

Share appreciation rights (SAR) are granted to executive directors and to selected employees for no consideration (exercise price of zero). The number of Capricorn Group shares to which each employee is entitled upon the exercise of the SAR will be calculated with reference to the increase in the value of the employer company or Capricorn Group's share price over the period from grant date to the exercise date. SAR are conditional on the employee completing three years of service after grant date (the vesting period), and subject to the relevant employer company achieving its pre-determined performance conditions over the performance period. SAR are exercisable from the vesting date and have a contractual term of five years. The Group has no legal or constructive obligation to repurchase or settle the SAR in cash.

Details of the number of SAR outstanding ('000) are as follows:

	Capricorn Group	Bank Windhoek	Capricorn Asset Management	Capricorn Investment Holdings (Botswana)	Total
30 June 2023					
Opening balance	842	870	286	66	2,064
Vested	(222)	(214)	(75)	(66)	(577)
Closing balance	620	656	211	–	1,487
30 June 2022					
Opening balance	841	835	258	128	2,062
Granted	374	385	99	–	858
Vested	(210)	(240)	(71)	(62)	(583)
Forfeitures	(163)	(110)	–	–	(273)
Closing balance	842	870	286	66	2,064

SARs issued in September 2019 vested in September 2022 and were exercised during the current financial year.

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

Notes to the consolidated annual financial statements continued

31. Share-based payments 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	2023	2022
September 2019	September 2022	September 2024	–	754
September 2020	September 2023	September 2025	733	733
September 2021	September 2024	September 2026	754	577
			1,487	2,064
The weighted average remaining contractual life of options outstanding at the end of the year			3.5 years	2.9 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 2023	
Spot price (N$)	14.65
Strike price (N$)	10.75
Risk-free rate	9.3%
Dividend yield	4.5%
Volatility	35%
Membership attrition	6%
30 June 2022	
Spot price (N$)	13.30
Strike price (N$)	12.86
Risk-free rate	8.7%
Dividend yield	4.0%
Volatility	33%
Membership attrition	5%

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:

	2023 No. of CSPs '000	2022 No. of CSPs '000
Opening balance	2,967	2,767
Granted	4,871	1,481
Vested	(851)	(1,080)
Forfeited	(133)	(201)
Closing balance	6,854	2,967

Notes to the consolidated annual financial statements continued

31. Share-based payments continued

Conditional share plan (CSP) continued

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

Grant date	Vest date	2023	2022
September 2019	September 2022	–	858
September 2020	September 2023	1,346	950
September 2021	September 2024	1,552	1,159
September 2022	September 2025	3,956	–
		6,854	2,967

The fair value of shares granted during the year was determined with reference to the listed share price at grant date of N$14.65 (2022: N$13.30) and taking into account a membership attrition of 6% (2022: 5%). Refer to note 8 for the total expense recognised in profit or loss for shares granted to executive directors and employees.

	Group 2023 N$'000	Group 2022 N$'000

32. Non-distributable reserves

32.1 Credit risk reserve

	2023 N$'000	2022 N$'000
Balance at 1 July	22,322	153,159
Transfer from/(to) retained earnings	(22,322)	(130,837)
Balance as at 30 June	–	22,322

The regulatory credit risk reserve was introduced in order to meet the regulatory requirements for the loan loss portfolio impairment of Bank Windhoek Ltd.

32.2 Insurance fund reserve

	2023 N$'000	2022 N$'000
Balance at 1 July	57,991	55,990
Transfer from retained earnings	3,515	2,001
Balance as at 30 June	61,506	57,991

The insurance reserve was created to fund a portion, net of deferred tax, of the regulatory requirement to hold a certain level of insurance specific for banking risk.

32.3 Margin entitlement reserve

	2023 N$'000	2022 N$'000
Balance at 1 July	57	–
Transfer from retained earnings	803	57
Balance as at 30 June	860	57

The margin entitlement reserve is maintained for the SME COVID-19 scheme of Bank of Namibia.

32.4 EasyWallet reserve

	2023 N$'000	2022 N$'000
Transfer from retained earnings	2,980	–
Balance as at 30 June	2,980	–
The EasyWallet reserve is maintained in terms of the PSD-3 of Bank of Namibia.		
Total non-distributable reserves	65,346	80,370

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	2022 N$'000
33. Distributable reserves		
33.1 Fair value reserve		
Balance as at 1 July	(33,812)	1,139
Change in value of financial assets at fair value through other comprehensive income	10,313	(34,951)
Balance as at 30 June	(23,499)	(33,812)
33.2 General banking reserve		
Balance as at 1 July	5,232,914	4,522,236
Transfer from/(to) reserves	765,207	710,678
Balance as at 30 June	5,998,121	5,232,914
The general banking reserve is maintained to fund future expansion.		
33.3 Foreign currency translation reserve		
Balance as at 1 July	3,600	(12,508)
Revaluation for the year	23,003	16,108
Balance as at 30 June	26,603	3,600
33.4 Retained earnings		
Balance as at 1 July	1,256,799	1,146,233
Profit for the year	1,366,450	1,045,983
Transfer to reserves	(750,183)	(581,899)
Profit on sale of treasury shares	752	21
Dividends paid	(408,826)	(353,539)
Balance as at 30 June	1,464,992	1,256,799
33.5 Share-based compensation reserve		
Balance as at 1 July	27,920	33,110
Share-based payment charges recognised in equity	24,413	16,916
Vesting of shares	(14,908)	(22,106)
Balance as at 30 June	37,425	27,920
The share-based compensation reserve is used to recognise: • the grant date fair value of share appreciation rights issued to employees but not exercised (refer to note 31); and • the grant date fair value of conditional shares issued to employees (refer to note 31).		
Total distributable reserves	7,503,642	6,487,421
34. Dividends per share		
Normal dividends amounting to N$408.8 million (2022: N$353.5 million) were declared and paid by the Group during the year under review. The normal dividends declared represent interim and final dividends per share as follows:		
Declared during the financial year		
Interim dividend per share (cents)	39	32
Declared after the financial year		
Final dividend per share (cents)*	61	40
Total dividend per share (cents)	100	72
Dividends declared during the year	408,826	353,539
Dividends paid during the year	(408,826)	(353,539)
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.*

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	Group 2022 N$'000
35. Statement of cash flows disclosure information		
35.1 Receipts from customers		
Interest receipts	5,629,869	4,189,291
Commission and fee receipts	1,288,294	1,139,735
Other income received	734,170	673,557
Gross written premiums	196,292	156,968
	7,848,625	6,159,551
35.2 Payments to customers, suppliers and employees		
Interest payments	2,878,667	1,444,494
Cash payments to employees and suppliers	2,191,305	1,924,088
Gross insurance contract claims	50,434	48,469
Other borrowings coupon payments	40,632	47,230
Debt securities coupon payments	435,531	341,090
	5,596,569	3,805,371
35.3 Cash generated from/(utilised in) operations		
Profit before income tax	1,990,913	1,575,353
Dividends received	(125,854)	(58,303)
Other borrowings coupon payments	(40,632)	(47,230)
Debt securities coupon payments	(435,531)	(341,090)
Adjusted for non-cash items:		
– Accrued interest on debt securities	448,053	349,154
– Accrued interest on deposits	12,028	32,634
– Accrued interest on other borrowings	45,677	51,099
– Adjustment to fair value of financial instruments	(11,248)	(5,168)
– Amortisation of intangible assets	51,761	45,674
– Depreciation of property and equipment	162,565	145,933
– Share-based payment expense	24,413	16,916
– Loss on sale of property and equipment	4,045	2,586
– Credit impairment losses	235,610	367,303
– Provision for post-employment benefits	1,584	3,042
– Share of associates' results after tax	(64,864)	(67,697)
– Net exchange differences	185,074	171,620
- Other	(231,538)	112,354
	2,252,056	2,354,180
In the statement of cash flows, proceeds from sale of property and equipment comprise of:		
Net book value (note 21)	4,045	2,586
(Loss)/Profit on sale of property and equipment	(4,045)	(2,586)
Proceeds from sale of property and equipment	–	–
35.4 Income taxes paid		
Amounts receivable/(payable) as at 1 July	83,117	114,908
Current tax charged to profit or loss	(560,898)	(428,448)
Refunds received	–	(53,972)
Amounts (receivable)/payable as at 30 June	(99,615)	(83,117)
Net income taxes paid during the year	(577,396)	(450,629)

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	2022 N$'000
36. Contingent assets, liabilities and commitments		
36.1 Capital commitments		
Authorised but not contracted for:		
Property and equipment	225,065	49,657
Intangible assets	402,633	243,494
Contracted for but not yet incurred:		
For completion of office building	28,000	28,000
	655,698	321,151
36.2 Letters of credit	631,964	196,643
36.3 Liabilities under guarantees	2,414,104	2,538,568
Guarantees mainly consist of endorsements and performance guarantees.		
36.4 Loan commitments	2,948,866	2,808,400

36.5 Pending litigations

There are a few pending legal or potential claims against the Group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or aggregate basis.

37. Related parties

In accordance with IAS 24, the Group defines related parties as:

(i) the parent company;
(ii) subsidiaries;
(iii) associate companies;
(iv) entities that have significant influence over the Group. If an investor has significant influence over the Group that investor and its subsidiaries are related parties of the Group. The Group is Capricorn Group and its subsidiaries;
(v) post-retirement benefit funds (pension fund);
(vi) key management personnel being the Capricorn Group executive directors and the Group's executive management team;
(vii) close family members of key management personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and
(viii) entities controlled, jointly controlled or significantly influenced by any individual referred to in (vi) and (vii).

Capricorn Group is listed on the Namibian Stock Exchange and is 44.0% (2022: 44.3%) owned by Capricorn Investment Holdings Ltd, which is incorporated in Namibia and 26.9% (2022: 26.8%) owned by Government Institutions Pension Fund, its non-listed major shareholders.

Details of subsidiaries and associates are disclosed in notes 18 and 19.

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 (2022: nil).

Notes to the consolidated annual financial statements continued

37. Related parties continued

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 Finance (Pty) Ltd	Subsidiary	Banking relationship
CIH Insurance Brokers (Pty) Ltd	Subsidiary	Banking relationship
Capricorn Asset Management (Botswana) (Pty) Ltd	Subsidiary	Banking relationship
BG Insurance Agency (Pty) Ltd	Subsidiary	Banking relationship
Entrepo Holdings (Pty) Ltd	Subsidiary	Banking relationship Support services
Entrepo Life Ltd	Subsidiary	Banking relationship
Entrepo Finance (Pty) Ltd	Subsidiary	Banking relationship
Capricorn Asset Management (Pty) Ltd	Subsidiary	Support services Banking relationship
Capricorn Unit Trust Management Company Ltd	Subsidiary	Banking relationship
Capricorn Capital (Pty) Ltd	Subsidiary	Support services Banking relationship
Mukumbi Investments Ltd	Subsidiary	Banking relationship
Namib Bou (Pty) Ltd	Subsidiary	Support services Banking relationship
Grape Orchard Farming (Pty) Ltd	Subsidiary	Banking relationship
Capricorn Investment Group (Pty) Ltd	Subsidiary	Support services
Capricorn Hofmeyer (Pty) Ltd	Subsidiary	Property investment
Paratus Group Holdings Ltd	Associate	Banking relationship
Paratus Telecommunications (Pty) Ltd	Other related party	Banking relationship
Santam Namibia Ltd	Associate	Dividends Banking relationship Insurance relationship
Sanlam Namibia Holdings (Pty) Ltd	Associate	Dividends Insurance relationship Banking relationship
Namclear (Pty) Ltd	Joint venture	Technology services
Capricorn Group Employee Share Ownership Trust	Special purpose entity	Banking relationship
Capricorn Group Employee Share Benefit Trust	Special purpose entity	Banking relationship
Bank Windhoek EasyWallet Accounts Trust	Special purpose entity	Banking relationship
Capricorn Foundation (Non-Profit association incorporated under section 21)	Special purpose entity	Banking relationship

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	Group 2022 N$'000
37. Related parties continued		
The volumes of related party transactions and outstanding balances at year-end are as follows:		
37.1 Trade and other receivables from related parties		
Other indirect related parties	9,731	9,536
Refer to note 17 for terms and conditions related to receivables from related parties.		
37.2 Loans and advances to related parties		
Other indirect related parties	32,649	40,151
Key management personnel	27,969	13,325
37.3 Deposits from related parties		
Major shareholders	1,486,955	887,281
Other indirect related parties	79,142	79,142
Key management personnel	13,135	13,135
All deposits are issued in accordance with the Group's normal terms and conditions.		
37.4 Debt securities issued to related parties		
Major shareholders	1,013,883	1,010,320
Other indirect related parties	430,469	428,002
Refer to note 24 for the terms and conditions related to debt securities in issue.		
37.5 Expenses paid to related parties		
Other indirect related parties	13,731	12,230
37.6 Interest and similar expenses paid to related parties		
Major shareholders	72,664	97,822
Other indirect related parties	42,985	32,741
Key management personnel	533	288
37.7 Income received from related party transactions		
Major shareholders	–	730
Other indirect related parties	–	6,185

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

Notes to the consolidated annual financial statements continued

	Group 2023 N$'000	2022 N$'000
37. Related parties continued		
37.8 Interest and similar income received from related parties		
Other indirect related parties	5,974	5,081
Key management personnel	3,083	1,017
37.9 Dividends received on ordinary shares from related parties		
Other indirect related parties	82,116	53,564
37.10 Compensation paid to key management		
37.10.1 Executive management team		
Salaries and short term-incentives	21,906	22,938
Pension and medical contributions	1,695	1,188
Other allowances and fringe benefits	4,048	3,957
	27,649	28,083

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

The following long-term incentives were awarded to the executive management team

	Group 2023	2022
Number of awards		
Share Appreciation Rights	–	683,000
Conditional Share Plan – Performance	1,465,000	235,588
Conditional Share Plan – Retention	1,001,400	544,958
	2,466,400	1,463,546

Notes to the consolidated annual financial statements continued

37. Related parties continued

37.10 Compensation paid to key management continued

37.10.2 Non-executive directors' emoluments

	Directors' fees Paid by company N$'000	Paid by subsidiary N$'000	Total N$'000
30 June 2023			
Non-executive directors			
Brandt, J C	335	515	850
Fahl, E	316	–	316
Fourie, D G (Chairman)	1,597	1,351	2,948
Gaomab II, H M	429	145	574
Kali, D T	318	–	318
Menetté, G	443	–	443
Nakazibwe-Sekandi, G	616	282	898
Reyneke, D J	616	–	616
Solomon, E	901	–	901
Swanepoel, J J	609	1,896	2,505
Total	6,180	4,189	10,369
30 June 2022			
Non-executive directors			
Brandt, J C	328	512	840
Fahl, E	221	–	221
Fourie, D G (Chairman)	1,387	1,043	2,430
Gaomab II, H M	370	271	641
Kali, D T	218	–	218
Menetté, G	411	–	411
Nakazibwe-Sekandi, G	492	265	757
Reyneke, D J	480	–	480
Solomon, E	874	–	874
Swanepoel, J J	1,257	1,888	3,145
Total	6,038	3,979	10,017

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 2023 and 2022 financial years.

37.10.3 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 2023					
Executive directors					
Prinsloo, M J	3,423	4,130	226	1,150	8,929
	3,423	4,130	226	1,150	8,929

Notes to the consolidated annual financial statements continued

37. Related parties continued

37.10 Compensation paid to key management continued

37.10.3 Executive directors' emoluments continued

	Salary N$'000	Short-term incentives N$'000	Pension and medical contributions N$'000	Other allowances and fringe benefits N$'000	Total N$'000
30 June 2022					
Executive directors					
Prinsloo, M J*	3,215	3,500	217	1,087	8,019
Esterhuyse, J J**	1,232	1,825	118	443	3,618
	4,447	5,325	335	1,530	11,637

* *M J Prinsloo received a special gratuity on the renegotiation of his employment contract term of N$2.1 million during the 2022 financial year. Apart from the emoluments set out above and the special gratuity the executive directors did not receive any other fees for services rendered as directors.*

** *The figures disclosed only cover the period up to 28 February 2022 when J J Esterhuyse resigned.*

The following long-term incentives were awarded to the executive directors.

Number of awards	Share Appreciation Rights	Conditional Share Plan-Performance	Conditional Share Plan-Retention
30 June 2023			
Executive directors			
Prinsloo, M J	–	232,600	–
	–	232,600	–
30 June 2022			
Executive directors			
Prinsloo, M J	117,000	23,000	12,000
Esterhuyse, J J***	58,300	11,700	7,800
	175,300	34,700	19,800

*** *These awards were forfeited when J J Esterhuyse resigned on 28 February 2022.*

37.11 Directors' holdings in Capricorn Group shares

	2023			2022	
	Number of ordinary shares acquired/(sold) during the current year	Number of ordinary shares at year-end	% held	Number of ordinary shares at year-end	% held
Direct holding:					
Fahl, E		247,074	0.05%	247,074	0.05%
Fourie, D G (Chairperson)	–	178,300	0.03%	178,300	0.03%
Gaomab II, H M	–	2,000	0.00%	2,000	0.00%
Kali, D T	–	63,370	0.01%	63,370	0.01%
Nakazibwe-Sekandi, G	–	1,000,000	0.19%	1,000,000	0.19%
Prinsloo, M J	57,240	2,420,887	0.47%	2,363,647	0.46%
Indirect holding:					
Swanepoel, J J			1.98%		1.82%
Brandt, J C			19.25%		18.36%
Prinsloo, M J			0.11%		0.11%

All shareholdings are beneficial.

No change occurred to the above shareholdings between year-end and not more than one month prior to the date of the notice of the AGM.

Notes to the consolidated annual financial statements continued

38. Assets under custody

As at year-end, the Group has no assets under custody (2022: nil).

39. Consolidated structured entities

The Group assesses whether it has control over structured entities in terms of IFRS 10. Where the Group has control over a structured entity it is consolidated in terms of IFRS 10. The Group's structured entities are the Capricorn Group Employee Share Ownership Trust and Capricorn Group Employee Share Benefit Trust.

The Group has control over these structured entities, as the trustees are appointed by the Group's board of directors. The structured entities are therefore consolidated.

No contractual obligation exists for the Group to provide any financial or other support to the consolidated structured entities. The Group will provide financial support from time to time for the purchase of shares for the share incentive schemes. As at the end of the 2023 financial year, the Group was providing financial support of N$28.8 million (2022: N$16.9 million) to the Capricorn Group Employee Share Ownership Trust.

40. Segment information

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

In assessing the performance of the banking operations, the Group Chief Executive Officer reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to the banking activities. The financial information included below is based on the banks' audited annual financial statements which complies with IFRS measurement and recognition criteria. In order to reconcile to the statement of comprehensive income and statement of financial position all entities that do not qualify as separate segments, as well as consolidation journal entries, are included in the 'other' column.

40.1 Entity-wide disclosures

40.1.1 Products and services

Operating segments

Banking operations – Namibia
Term lending and related activities - Namibia
Banking operations – Botswana

Brand

Bank Windhoek Ltd (BW)
Entrepo Holdings (Pty) Ltd
Bank Gaborone Ltd (BG)

Description

(BW & BG) - Corporate and executive banking, retail banking services and specialist finance.
Entrepo – Term lending and life insurance services.

Product and services

Bank Windhoek Ltd and Bank Gaborone Ltd conduct business as registered banks and provide comprehensive banking services. Clients include both individuals and corporate clients.

Entrepo is an investment holding company, its subsidiaries are engaged in life insurance and financial services in Namibia.

40.1.2 Geographical segments

There are no other segment operations outside Namibia and Botswana.

40.1.3 Major customers

Segment reporting requires the disclosure of an entity's reliance on its major customers, if revenue from transactions with a single customer is ten percent or more of the entity's revenue. The Group does not have customers that contribute ten percent or more to its revenue and is therefore not reliant on a single major customer.

Notes to the consolidated annual financial statements continued

40. Segment information continued

40.2 Financial information

	Banking – Namibia		Term lending and related activities – Namibia		Banking – Botswana		Other		Group	
	2023 N$000	2022 N$000	2023 N$000	2022 N$000	2023 N$000	2022 N$000	2023 N$000	2022 N$000	2023 N$000	2022 N$000
Net interest income – external	2,194,960	1,872,730	120,163	142,946	317,236	301,515	85,855	19,925	2,718,214	2,337,116
Net interest income – internal	(11,067)	(18,254)	43,783	43,931	28,163	15,507	(60,879)	(41,184)	–	–
Impairment charges on loans and advances	(200,586)	(327,161)	(14,677)	(17,341)	(10,941)	(22,801)	(9,406)	–	(235,610)	(367,303)
Net interest income after loan impairment charges	1,983,307	1,527,315	149,269	169,536	334,458	294,221	15,570	(21,259)	2,482,604	1,969,813
Non-interest income	1,380,295	1,226,532	129,335	113,319	149,447	136,964	228,307	192,151	1,887,384	1,668,966
Fee and commission income	1,175,357	1,042,493	–	–	103,537	97,338	9,400	(96)	1,288,294	1,139,735
Net trading income	163,122	148,743	976	416	44,206	41,347	4,954	20,124	213,258	210,630
Other operating income	41,816	35,296	2	–	1,704	(1,721)	26,663	7,517	70,185	41,092
Net insurance premium income	–	–	179,070	161,277	–	–	–	–	179,070	161,277
Net claims and benefits paid	–	–	(50,713)	(48,374)	–	–	–	–	(50,713)	(48,374)
Asset management and administration fee	–	–	–	–	–	–	187,290	164,606	187,290	164,606
Operating income	3,363,602	2,753,847	278,604	282,855	483,905	431,185	243,877	170,892	4,369,988	3,638,779
Operating expenses	(1,823,887)	(1,594,469)	(63,440)	(57,702)	(350,731)	(332,569)	(205,881)	(146,383)	(2,443,939)	(2,131,123)
Operating profit	1,539,715	1,159,378	215,164	225,153	133,174	98,616	37,996	24,509	1,926,049	1,507,656
Share of joint arrangement and associates' results after tax	–	–	–	–	–	–	64,864	67,697	64,864	67,697
Profit before income tax	1,539,715	1,159,378	215,164	225,153	133,174	98,616	102,860	92,206	1,990,913	1,575,353
Income tax expense	(449,076)	(346,180)	(15,097)	(25,957)	(30,491)	(24,570)	(21,808)	(32,765)	(516,472)	(429,472)
Profit for the period	1,090,639	813,198	200,067	199,196	102,683	74,046	81,052	59,441	1,474,441	1,145,881
Change in value of financial assets at fair value through other comprehensive income	24,706	(26,673)	–	–	–	–	(6,487)	(16,813)	18,219	(43,486)
Income tax expense	(7,906)	8,535	–	–	–	–	–	–	(7,906)	8,535
Exchange differences on translation of foreign operations	–	–	–	–	33,461	15,827	(6,335)	2,688	27,126	18,515
Total comprehensive income	1,107,439	795,060	200,067	199,196	136,144	89,873	68,230	45,316	1,511,880	1,129,445

Notes to the consolidated annual financial statements continued

40. Segment information continued

40.2 Financial information continued

	Banking – Namibia		Term lending and related activities – Namibia		Banking – Botswana		Other		Group	
	2023 N$000	2022 N$000	2023 N$000	2022 N$000	2023 N$000	2022 N$000	2023 N$000	2022 N$000	2023 N$000	2022 N$000
ASSETS										
Cash and cash equivalents	3,569,268	3,826,316	(110,232)	(75,000)	2,497,123	2,637,569	124,755	91,511	6,080,914	6,480,396
Financial assets at fair value through profit or loss	1,736,095	1,583,554	137,382	99,836	296,414	312,101	418,665	187,688	2,588,556	2,183,179
Financial assets at amortised cost	808,410	763,491	–	–	–	–	181,022	152,370	989,432	915,861
Financial assets at fair value through other comprehensive income	4,915,603	4,430,697	18,831	17,410	–	–	949,429	949,519	5,883,863	5,397,626
Loans and advances to customers	35,826,433	35,157,756	1,527,637	1,406,329	7,910,029	7,033,259	132,459	(371,048)	45,396,558	43,226,296
Other assets	421,663	378,795	2,210	1,954	42,847	22,608	127,356	66,734	594,076	470,091
Current tax asset	96,953	99,095	3,242	3,054	1,422	2,269	(17,802)	(18,551)	83,815	85,867
Investment in associates	–	–	–	–	–	–	537,643	554,895	537,643	554,895
Intangible assets	354,705	285,867	1,557	1,557	46,991	30,774	45,898	50,693	449,151	368,891
Property and equipment	446,449	409,387	6,464	2,047	128,147	147,542	84,363	80,937	665,423	639,913
Deferred tax asset	97,388	67,823	10,689	9,955	4,598	443	48,206	38,396	160,881	116,617
Total assets	48,272,967	47,002,781	1,597,780	1,467,142	10,927,571	10,186,565	2,631,994	1,783,144	63,430,312	60,439,632
LIABILITIES										
Due to other banks	609,543	707,602	–	–	4	610	(4)	–	609,543	708,212
Other borrowings	213,082	162,075	60,000	60,000	–	82,103	639,853	313,839	912,935	618,017
Debt securities in issue	3,447,052	4,056,586	–	–	386,777	367,371	1,747,205	1,820,655	5,581,034	6,244,612
Deposits	36,564,875	35,521,957	–	–	9,443,910	8,595,374	(224,010)	(469,879)	45,784,775	43,647,452
Other liabilities	678,703	585,732	583,579	545,383	193,215	365,546	237,291	(90,728)	1,692,788	1,405,933
Current tax liability	–	–	–	–	–	419	2,850	2,331	2,850	2,750
Deferred tax liability	–	–	–	–	–	–	–	162	–	162
Post-employment benefits	17,061	15,997	1,968	1,591	–	–	1,723	1,580	20,752	19,168
Total liabilities	41,530,316	41,049,949	645,547	606,974	10,023,906	9,411,423	2,404,908	1,577,960	54,604,677	52,646,306
EQUITY										
Share capital and premium	485,000	485,000	130,005	130,005	233,747	316,550	(162,325)	(212,459)	686,427	719,096
Non-distributable reserves	65,346	80,370	–	–	–	–	–	–	65,346	80,370
Distributable reserves	6,192,305	5,387,462	822,228	730,163	669,918	458,592	(180,809)	(88,796)	7,503,642	6,487,421
	6,742,651	5,952,832	952,233	860,168	903,665	775,142	(343,134)	(301,255)	8,255,415	7,286,887
Non-controlling interests in equity	–	–	–	–	–	–	570,220	506,439	570,220	506,439
Total shareholders' equity	6,742,651	5,952,832	952,233	860,168	903,665	775,142	227,086	205,184	8,825,635	7,793,326
Total equity and liabilities	48,272,967	47,002,781	1,597,780	1,467,142	10,927,571	10,186,565	2,631,994	1,783,144	63,430,312	60,439,632

Notes to the consolidated annual financial statements continued

41. Cost to income ratio

	Notes	Group 2023 N$'000	2022 N$'000
For cost to income ratio purposes, fee and commission expenses are reclassified from operating expenses to non-interest income.			
Net interest income	5.	2,718,214	2,337,116
Non-interest income	7.	1,887,384	1,668,966
Fee and commission expenses	9.2	(209,314)	(175,587)
Income used for ratio		4,396,284	3,830,495
Operating expenses	9.	2,443,939	2,131,123
Fee and commission expenses	9.2	(209,314)	(175,587)
Cost used for ratio		2,234,625	1,955,536
Cost to income ratio		50.8%	51.1%

Notes to the consolidated annual financial statements continued

Glossary of Terms

Basel II	The capital adequacy framework issued by the Bank for International Settlements aimed at aligning banks' capital requirements with relevant risk profile and risk practices.
Capital adequacy requirement (CAR)	The minimum amount of capital required to be held, as determined by the Bank of Namibia.
Cost to income ratio (%)	Operating expenses, divided by total operating income.
Earnings per share (cents)	The group profit for the year attributable to the equity holders of the parent entity divided by the weighted average number of ordinary shares in issue during the year.
Fair value	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Headline earnings	Profit for the year attributable to the equity holders of the parent entity from trading operations, excluding goodwill gain or losses, capital profits and losses and recycled profits or losses on available-for-sale financial instruments. Headline earnings do not measure sustainable earnings.
Headline earnings per share (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue during the year.
Net asset value per share (cents)	Net assets excluding non-controlling interest (NCI) divided by the weighted average number of ordinary shares in issue during the year.
Price earnings ratio	Closing share price (cents) divided by earnings per share (cents).
Price to book ratio	Closing share price (cents) divided by net asset value per share (cents).
Return on average assets (ROA) (%)	Group profit for the year attributable to the equity holders of the parent entity divided by average total assets.
Return on average shareholders' equity (ROE) (%)	Group profit for the year divided by average total shareholders' equity.
Tier I capital ratio	Net total Tier I capital (after deduction of goodwill and 50% of cost of investments in affiliates) divided by total risk-weighted assets.
Tier II capital ratio	Net total Tier II capital (after deduction of 50% of cost of investments in affiliates) divided by total risk-weighted assets.
Total risk-based capital ratio	Total regulatory capital (Tier I, II and III capital) divided by total risk-weighted assets.
Tier I leverage ratio	Net total Tier I capital (after deduction of goodwill and 50% of cost of investments in affiliates) divided by gross assets (total assets plus specific and general impairment).
The central bank	The Bank of Namibia (BoN).

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