FNB

First National Bank

PEOPLE PARTNERSHIP PROFIT PLANET

Annual financial statements

for the year ended 30 June 2017

VISION

A great Namibian business, creating a better world!

MISSION

Be the best employer in Namibia to the best people, who are passionate about stakeholder relations, innovating value propositions delivered through e-fficient channels and processes in a sorted out and sustainable manner.

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First National Bank of Namibia Limited
Incorporated in the Republic of Namibia
Registration number: 2002/0180

1. **Directors'** responsibility statement

To the shareholders of First National Bank of Namibia Limited

The directors of First National Bank of Namibia Limited ('group') are responsible for the preparation of the consolidated and separate annual financial statements. In discharging this responsibility, the directors rely on management to prepare the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Namibia. Management is also responsible for keeping adequate accounting records in accordance with the group's system of internal control. As such the annual financial statements include amounts based on judgments and estimates of management.

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The directors approve the changes to accounting policies. There were, however, no changes to accounting policies during the financial year. The annual financial statements incorporate full and responsible disclosure in line with the group philosophy on corporate governance and as required by the Namibian Stock Exchange and Johannesburg Stock Exchange.

The group has complied in all material respects with the requirements set out in BID2 with regards to asset classification, suspension of interest and provisioning. The group's policies with this regard are stated in the notes on accounting policies, disclosed on pages 39 to 65.

The directors are responsible for the group's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. The board members and employees are required to maintain the highest ethical standards and group's business practices are required to be conducted in a manner that is above reproach. The board has adopted and is committed to the principles in the NamCode report on Corporate Governance.

Based on the information and explanations given by management and the internal auditors, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the consolidated and separate annual financial statements in accordance with IFRS and the Companies Act of Namibia and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the group, during the year and up to the date of this report. Based on the effective internal controls implemented by management, the directors are satisfied that the consolidated and separate annual financial statements fairly present the state of affairs of the group and company at the end of financial year and the net income and cash flows for the year.

The directors have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company's ability to continue as a going concern in the light of current and anticipated economic conditions. The directors have reviewed the assumptions underlying these budgets and forecasts based on currently available information. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

The group's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 3.

The consolidated annual financial statements of the group and company, which appear on pages 11 to 176 were approved by the board of directors on 15 August 2017 and signed on its behalf by:

I I Zaamwani – Kamwi
Chairperson

S J Van Zyl
Chief Executive Officer

Windhoek, 15 August 2017

2. **Independent** Auditor's Report
to the Members of First National Bank of Namibia Limited

To the members of First National Bank of Namibia Limited

Opinion

We have audited the consolidated and separate financial statements of First National Bank of Namibia Limited set out on pages 8 to 9 and 39 to 176, which comprise the statements of financial position as at 30 June 2017 and the statements of comprehensive income, the statements of changes in equity and the statements of cash flow for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, these consolidated and separate financial statements present fairly, in all material respects, the financial position of the group and company as at 30 June 2017 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the company and group in accordance with the independence requirements applicable to performing audits of financial statements in Namibia which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B) (IESBA Code).

We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter – Group	How the matter was addressed in the audit
Impairment of advances Advances represents 75.53% of total assets and the estimation of impairment against advances is considered to be a key audit matter due to the significance of the directors' judgment involved. Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. If there is objective evidence of an adverse impact on the estimated future cash flows of a financial asset as a result of one or more events that occurred after the initial recognition of the asset, the group reduces the carrying amount of the financial asset through the use of an allowance account (Impairment of Advances).	We assessed the design and implementation and tested the operating effectiveness of key controls over the approval, recording and monitoring of advances and the loan impairment practices across the banking group to compare them with the requirements of IFRS and assessed the design and implementation of key controls over the processes used to calculate impairments, including those controls relating to data and models. Areas of significant judgement were identified and assessed for reasonableness for individually significant advances. We assessed, against actual experience and industry practice, the appropriateness of assumptions made in determining the level of impairment, including the probability of default and valuation of collateral.

2. Independent Auditor's Report
to the Members of First National Bank of Namibia Limited continued

Key Audit Matters continued

Key audit matter – Group	How the matter was addressed in the audit
Impairment of advances continued The assessment of objective evidence of impairment is firstly applied individually on financial assets which are individually significant and then individually and on a portfolio basis for assets that are not individually significant. Impairment of advances is significant to the financial statements as significant judgment is applied with respect to the impairment assumptions. The calculation of impairments which are individually significant is inherently judgmental in nature. The impact of macro-economic events, including negative domestic economic sentiment, global pressure on commodity prices and foreign exchange volatility result in a challenging operating environment impacting the credit risk of underlying counterparties. As a result, directors apply significant judgement in identifying and assessing indications of impairment and related collateral values held when calculating impairment. The calculation of impairments on the low value, high volume advances portfolios requires significant judgement and complex actuarial models to determine: • Whether impairment events have occurred which result in the need for an impairment. • Expected recoveries in the event of default, including the impact of security and potential curing of those in default. • The impact of market factors, including macro-economic trends. Related disclosures included in the consolidated and separate financial statements are: • Accounting policies section 8.4; • Note 9 – advances; and • Note 10– impairment of advances.	Where impairments were individually calculated for advances not individually significant, we performed tests to ascertain whether the loss event (that is the point at which impairment is recognised) had been identified in a timely manner. Where impairments had been identified, we examined the forecasts of future cash flows and assumptions applied to external evidence where applicable. Where impairments were calculated on a model basis, with the assistance of our specialists, we tested and challenged the basis and operation of those models and the data and assumptions used. Our work included: • Comparing significant assumptions with actual experience and industry practice; and • Testing the operation of actuarial models, including, where required, rebuilding those models or building our own independent models and comparing our results to those of directors. In addition, we considered the potential for impairment to be affected by events which were not captured by models (such as changes in economic conditions) and evaluated how the group had responded to these by making further adjustments where appropriate. We consider all the credit impairments to be within an acceptable range in the context of an incurred loss model and found that the consolidated and separate financial statements incorporated appropriate disclosure relating to impairment of advances.

Key Audit Matters continued

Key audit matter – Group	How the matter was addressed in the audit
Suspense and clearing accounts Suspense and clearing accounts are complex, with significant transaction volume and considerable manual intervention. The identification, understanding and monitoring of suspense and clearing accounts are key to the management of the associated operational risk. This includes compliance with the Suspense Account Management Framework, the establishment of reasonable clearing periods and understanding the interplay with internal accounts. The impact on the consolidated and separate financial statements is deemed to be significant due to the possibility of risk items in suspense, as well as the lack of relevant detective controls in certain business units in combination with significant manual intervention relating to those suspense balances.	Our audit of the operational risk environment and related controls impacting financial reporting included the following: • Identified suspense and clearing accounts subject to material transactional flows to understand the purpose of the accounts. Understood the ageing and validity of uncleared items and the process followed to clear those items. • Assessed the design and implementation of those controls we considered to be key financial reporting controls related to the operation of suspense and clearing accounts, including an assessment of compensating controls in place where weaknesses in the key financial reporting controls were noted. • Assessed the status of suspense and clearing accounts at year end, including the validity of uncleared items. • Performed detailed testing on selected high risk account reconciliations which included obtaining an understanding of the purpose of the selected account, understanding acceptable aging of items included on the reconciliation and testing a sample of reconciling items as at reporting date. No significant findings were noted in relation to suspense and clearing accounts that had a significant impact on the consolidated and separate financial statements or its disclosures.

2. **Independent** Auditor's Report

to the Members of First National Bank of Namibia Limited continued

Other Information

The directors are responsible for the other information. The other information comprises of the Directors' Responsibility Statement, Risk Report, Corporate Governance Report and Capital Management Report which were obtained prior to the date of this auditor's report. The Other information does not include the consolidated and separate financial statements, directors' report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group'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 or to cease operations, or have no realistic alternative but to do so..

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements continued

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Deloitte & Touche

Registered Accountants and Auditors
Chartered Accountants (Namibia)
ICAN practice number: 9407

Per J Cronjé
Partner

PO Box 47, Windhoek, Namibia
26 September 2017

Partners: E Tjipuka (Managing Partner) RH Mc Donald H de Bruin J Cronjé A Akayombokwa AT Matenda J Nghikevali G Brand* M Harrison*
*Director

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

3. Directors' report

The directors present their annual report, which forms part of the annual financial statements of the group and of the company for the year ended 30 June 2017.

Nature of business

The company is a registered bank offering a full range of banking services in Namibia.

Share capital

The company's authorised share capital remained unchanged at N$4 000.

The company's authorised share capital at the end of reporting period consists of 4 000 (2016: 4 000) ordinary shares of N$ 1.

The issued ordinary share capital remained unchanged at 1 200 ordinary shares.

Dividends

During the current year dividends of N$ 681 million (2016: N$526 million), were declared and paid by the company.

Interest of directors'

At no time during the financial year were any contracts of significance entered into relative to the group's business in which a director had an interest.

Group results

The financial statements on pages 8 to 176 set out fully the financial position, results of operations and cash flows of the company and the group.

Directorate

The composition of the board of First National Bank of Namibia Limited is as follows:

II Zaamwani-Kamwi (Chairperson)
SH Moir** (Deputy Chairperson)
OLP Capelao (Chief Financial Officer)
JG Daun
CLR Haikali
LJ Haynes*
JH Hausiku
Adv. GS Hinda
JR Khethe*
ES Motala*
PT Nevonga
SJ van Zyl (Chief Executive Officer)

* *South African*
** *South African with Namibian Permanent Residence*

Board changes

During the period under review Mr. MN Ndilula resigned from the board to pursue personal interests in a research project, effective 27 October 2016. Three independent non-executive directors were added to the board in the period under review. Adv. G S Hinda was appointed effective 1 February 2017. J G Daun was appointed effective 1 March 2017 and J H Hausiku was appointed effective 10 July 2017.

Management by third parties

No part of the business of the company or of its subsidiary companies has been managed by a third party or by a company in which a director had an interest during this financial year.

Insurance

Comprehensive cover in respect of the bankers' bond, computer crime and professional indemnity risk is in place.

Property and equipment

There was no material change in the nature of property and equipment or in the policy regarding its use during the year.

Holding company

The holding company of First National Bank of Namibia Limited is FNB Namibia Holdings Limited a NSX listed company and its holding company is FirstRand EMA Holdings Limited. The ultimate holding company is FirstRand Limited, both of which are incorporated in the Republic of South Africa.

Subsidiaries

The group acquired 100% interest in EBank Limited during the period.

Interest in subsidiaries and associates are set out in note 13 and 14 respectively to the annual financial statements.

Company secretary and registered offices

Company secretary
N Ashipala

Registered office
130 Independence Avenue
Windhoek

Postal address
P O Box 195
Windhoek
Namibia

Events subsequent to the reporting date

The group has obtained approval from Bank of Namibia under section 54 of the Banking Institutions Act to transfer EBank Limited's assets and liabilities as well as its rights and obligations to First National Bank of Namibia Limited, EBank Limited's holding company. The group completed this transfer effective 1 July 2017. Once the operations, assets and client base of EBank are transferred to FNB, EBank Limited will change its name. The company will remain a wholly owned subsidiary of FNB. It is likely that the company will be used to conduct micro lending or similar financial services business in future.

4. **Risk** report

Introduction

The group defines risk widely – as any factor that, if not adequately assessed, monitored and managed, may prevent it from achieving its business objectives or result in adverse outcomes, including reputational damage.

Effective risk management is key to the successful execution of strategy and is based on:

- risk-focused culture with multiple points of control applied consistently throughout the group;
- combined assurance process to integrate, coordinate and align the risk management and assurance processes within the group to optimise the level of risk, governance and control oversight; and
- strong risk governance through the application of financial and risk management disciplines through frameworks set at the centre.

Risk taking is an essential part of the group's business and the group explicitly recognises core competencies as necessary and important differentiators in the competitive environment in which it operates.

These core risk competencies are integrated in all management functions, business areas and at risk-type level across the group to support business by providing the checks and balances to ensure sustainability, performance, achievement of desired objectives, and avoidance of adverse outcomes and reputational damage.

A business profits from taking risks, but will only generate an acceptable profit commensurate with the risk from its activities if the risks are properly managed and controlled. The group's aim is not to eliminate risk, but to achieve an appropriate balance between risk and reward. This balance is achieved by controlling risk at the level of individual exposures, at portfolio level and in aggregate across all risk types and businesses through the application of its risk appetite framework.

The group's risk appetite framework enables organisational decision making and is aligned with the group's strategic objectives.

Risk taking is an essential part of the group's business. It is a key component of the delivery of sustainable returns to its shareholders and is therefore embedded in the group's tactical and strategic decision making.

As an integrated financial services provider, the group wants to be appropriately represented in all significant earnings' pools across all chosen markets and risk taking activities. This entails building revenue streams that are diverse and creating long term value via sustainable earnings' pools with acceptable earnings volatility.

These deliverables are underpinned by the application of critical financial discipline through frameworks set at the centre. These frameworks include:

Risk Management Framework	Performance Management Framework	Balance Sheet Framework
• assesses the impact of the cycle on the group's portfolio; • understands and price appropriately for risk; and • originates within cycle-appropriate risk appetite and volatility parameters.	• allocates capital appropriately; • ensures an efficient capital structure with appropriate/conservative gearing; and • requires earnings to exceed cost of capital, i.e. positive net income after cost of capital (NIACC).	• executes sustainable funding and liquidity strategies; • protects credit ratings; and • preserves a healthy balance sheet that can sustain shocks through the cycle.

Core risk competencies

The group's core risk competencies are integrated in all management functions across the group to support business by providing the checks and balances to ensure sustainability, performance, the achievement of desired objectives and avoidance of adverse outcomes and reputational damage.

The group is exposed to a number of risks inherent in its operations. The group's core competencies are applied by individual business areas to ensure these risks are appropriately managed. The risk appetite per key risk is monitored to ensure balance between risk and reward. Risk limits established across risk types are an integral part of managing the risks and are instrumental in constraining risk appetite within acceptable levels. The risks, definitions and the roles and responsibilities of each stakeholder in business, support and control functions in the management of these risks are described in the group's business performance and risk management framework (BPRMF).

Overview of top and emerging risks for 2017

Risk	Description	Mitigant
	Global Macro Economic Environment	
Global Economic Outlook	Slow economic growth in emerging markets, normalising of US monetary policy, BREXIT implications and the dollar strength resulted in a slowdown of foreign capital flows into Namibia. Continued expected increases in dollar funding costs pose a challenge to indebted corporates and consumers.	Continue to monitor economic developments in key markets with appropriate planning and action as required.
Sovereign rating	The downgrade of South Africa as well as similar pressures in the region in the medium term may impact foreign investments and the cost of funding in Namibia.	
Economic Outlook in China	Slower economic growth in China impacts demand for a number of commodities from Namibia.	
Global debt	Positive growth in the west continues to be constrained by excessive debt burdens.	
	Regulatory risk	
Regulatory developments	The regulatory landscape requires the bank to deal with a number of changes and additional legal requirements. These include market conduct, treating customers fairly principles, protection of personal information, foreign tax compliance and foreign asset control sanctions.	Significant investments in people, systems and processes are made to manage the risk emanating from the large number of regulatory requirements.
Financial Crime	The evolving trend for terrorist financing, anti money laundering, FATF regulations and correspondent banking relationships shaped focus by regulators across the region	
Legal Risk	Legal proceedings arising from business operations could give rise to potential financial loss and reputational damage.	
	Risks relating to Operations including IT risks	
Cybercrime and fraud	The increasing trend for cybercrime remains a key focus area	Threats are continuously assessed and controls adapted to address possible control weaknesses and improve system security.
Skills shortages	Increased competition created a shortage of skill in selected sectors	Management formulated plans for retention, development and attraction of top talent.
Third party dependency	Increased sensitivity to failures in third parties and the related impact on service by the bank	Management apply strict vendor management principles and formulate contingency plans where appropriate.
Data management	Data management becoming more important from a strategic perspective and new regulatory requirements for more frequent, consistent, accurate and timely data submissions.	Project for improved data management, aggregation and reporting are underway.

Risk appetite

Risk appetite is the aggregate level and type of risks the group is willing and able to accept within its overall risk capacity, and is captured by a number of qualitative principles and quantitative measures.

The group's risk appetite enables organisational decision making and is integrated with the strategic objectives. Business and strategic decisions are aligned to the risk appetite measures to ensure these are met during a normal cyclical downturn. At a business unit level, therefore, strategy and execution are managed through the availability and price of financial resources, earnings volatility limits and required hurdle rates.

The group's strategic objectives and financial targets frame its risk appetite in the context of risk and reward and contextualise the level of reward the group expects to deliver to its stakeholders under normal and stressed conditions for the direct and consequential risk it assumes in the normal course of business.

The aim is to ensure that the group maintains an appropriate balance between risk and reward. Risk appetite limits and targets are set to ensure the group achieves its overall strategic objectives, namely to: • deliver long-term shareholder value; • deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and • maintain balance sheet strength.	Risk appetite articulates what proportion of the group's financial resources should be utilised in the execution of its strategy and is determined through consideration of a number of filters, including: • overall strategic objectives; • growth, volatility and return targets; and • meeting the group's commitments to all stakeholders including regulators, depositors, debt holders and shareholders.

Risk capacity represents the absolute maximum level of risk the group can technically assume given its current available financial resources, i.e. earnings, capital, debt and deposits. The group views earnings as the primary defence against adverse outcomes. Risk capacity provides a reference for risk appetite and is not intended to be reached under any circumstances.

Risk appetite is captured through both quantitative measures and qualitative principles, which include set objectives for the level of earnings volatility and minimum levels of capital and liquidity to be maintained during defined time horizons in normal and stressed environments within a defined level of confidence.

Application of the risk/reward framework
Risk appetite, targets and limits are used to monitor the group's risk/reward profile on an ongoing basis. The risk/reward profile should be measured point-in-time and forward looking. Risk appetite should influence the business plans of each of the businesses and inform the risk taking activities and strategies set in each business.

Management of risk is the responsibility of everybody across all levels of the organisation, supported through the three lines of control framework of risk management.

The risk/reward framework provides for a structured approach to define risk appetite, targets and limits that apply to each key resource as well as the level of risk that can be assumed in this context. The framework provides guidance on how financial resources, including risk-taking capacity, should be allocated.

Although different commitments are made to various stakeholders, these are monitored collectively. Quantitative targets and limits are augmented by a number of qualitative principles that serve to provide guidelines on boundaries for risk taking activities.

Stress testing and scenario planning are used to assess whether the desired profile can be delivered and whether the business stays within the constraints it has set for itself. The scenarios are based on changing macroeconomic variables, plausible event risks and regulatory and competitive changes. The group employs a comprehensive, consistent and integrated approach to stress testing and scenario planning. The impact of risk scenarios on the business is evaluated and the need for adjustment to origination is considered and appropriate actions are taken. More severe scenarios are run less frequently but are critical to inform buffers, capital and liquidity planning, validate existing quantitative risk models and to understand required management action.

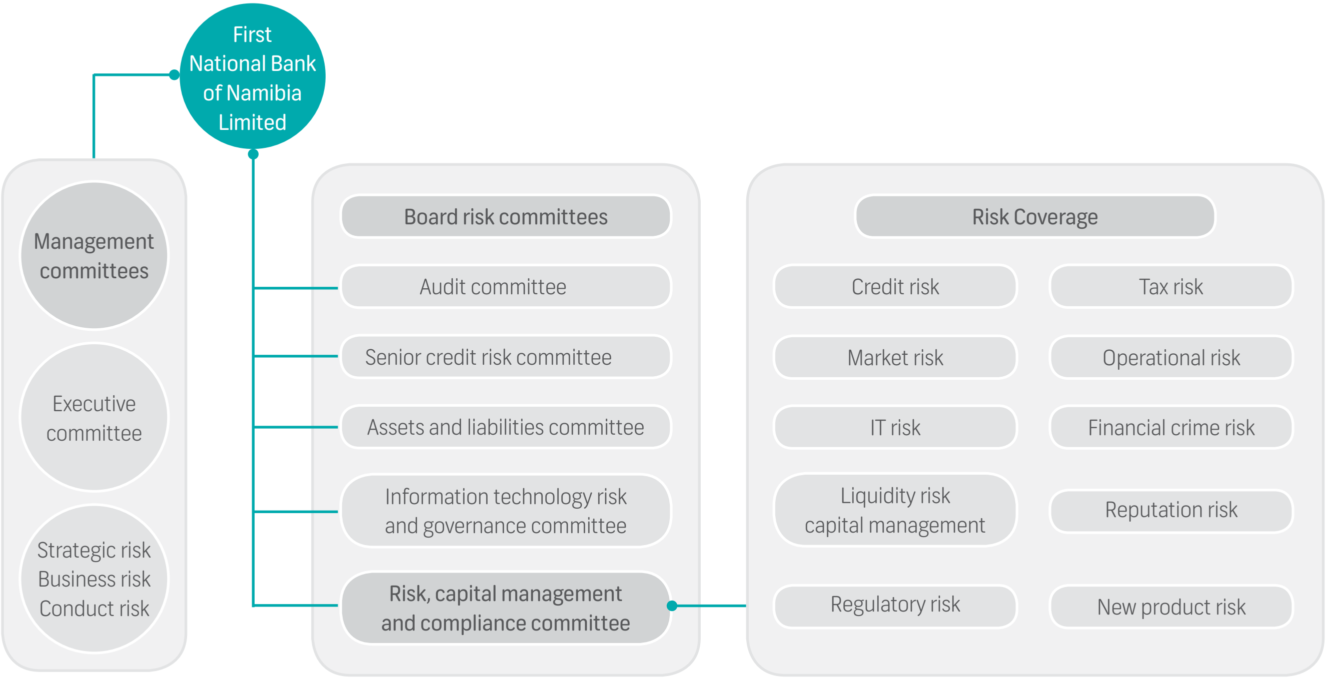
Risk governance structure

The group believes that effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group.

In line with the group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction.

The risk management structure is set out in the group's business performance and risk management framework (BPRMF). As a policy of both the board and EXCO, it delineates the roles and responsibilities of key stakeholders in business, support and control functions across the various business units and the group.

Responsibilities of the board risk committees



Three lines of control

The group obtains assurance that the principles and standards in the risk frameworks are being adhered to by the three lines of control model. In this model, business units own the risk profile as the first line of control.

In the second line of control, Enterprise Risk Management (ERM) is responsible for consolidated risk reporting, policy ownership and facilitation and coordination of risk management and governance processes.

Group Internal Audit (GIA) as the third line of control provides independent assurance of the adequacy and effectiveness of risk management processes and practices.

First line of control

Risk ownership
Risk inherent in business activities

Heads of business
Reports to CEO

Group treasury
Supports business owners, the Board

Brand executive Committees

Group CEO

Executive committee
*Group CEO
*Group CFO
*Brand EO's
*Group Treasurer
*Chief HR Officer
*Group COO
*Group CRO
*Group Credit Executive

Financial resource Management Executive Committee

Ethics Committee

Business Unit Executive Committee

Second line of control

Risk Control
Risk identification, measurement, control and independent oversight and monitoring

Enterprise Risk Management (ERM)
Headed by Group CRO, Specialised Risk Managers for:
IT Risk, Market Risk, People Risk, Legal Risk, Conduct Risk

Regulatory Risk Management (RRM)
RRM head represented on platform and executive committees

Financial Crime Risk Management (FCRM)
The FCRM Head reports to the CRO with a link to FirstRand

Deployed Business unit risk managers
*Involved in all business decisions
*Represented at Business Unit Committees

Board

RCC Committee

Specialised Risk Committees

Deployed Risk Managers
Report to franchise CEOs and group CRO

Third line of control

Independent Assurance
Adequacy and effectiveness of internal control, governance and risk management

Group Internal Audit (GIA)
Headed by chief audit executive with direct, unrestricted access to audit committee chairman, group CEO, business units, records, property and personnel

External Advisors

Audit Committee

Combined Assurance Forum

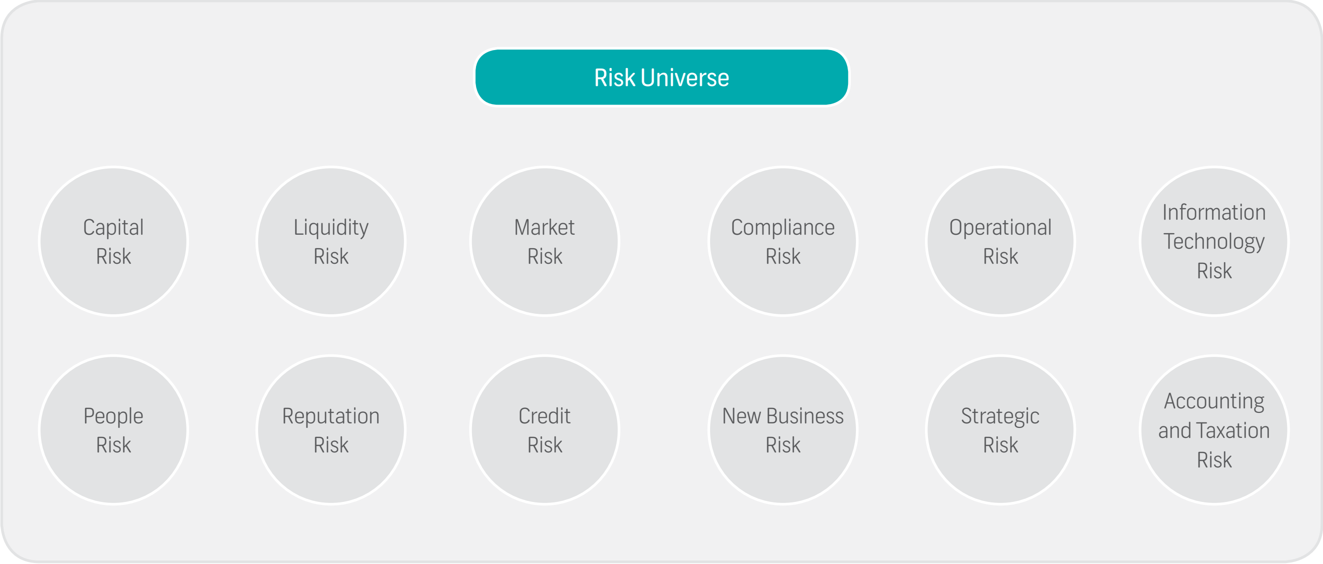
Risk profile management

The group believes a strong balance sheet and resilient earnings are key to growth, particularly when entering periods of uncertainty. The group's focus areas to manage its risk profile and optimise its portfolio are:

- Strong earnings resilience through diversification, growth in client franchise, appropriate risk appetite and positive operating margins.
- Quality of returns with a focus on ROA (not gearing) and discipline in deployment of capital.
- Maintain balance sheet strength through:
  - managing non-performing loans and coverage ratios;
  - growing the deposit franchise and improving liquidity profile; and
  - maintaining a strong capital position.

Risk Universe

The group recognised that the following major risk categories and build risk frameworks to monitor and report on the impact of these risks within the group.



The group is exposed to a number of risks that are inherent in its operations. Identifying, assessing, quantifying, pricing and managing these risks appropriately are core competencies of the individual business areas. Individual risk types are commonly grouped into three broad categories: strategic and business risks, financial risks and operational risks.

Risk category reference	Risk components	Definition
Strategic And Business Risks	Includes strategic risk, business risk, volume and margin risk, reputational risk, and environmental, social and governance (ESG) risks.	Strategic risk is the risk to current or prospective earnings arising from inappropriate business decisions or the improper implementation of such decisions.
		Business risk is the risk to earnings and capital from potential changes in the business environment, client behaviour and technological progress. Business risk is often associated with volume and margin risk and relates to the group's ability to generate sufficient levels of revenue to offset its costs.
		Volume and margin risk is the risk that the earnings and capital base is negatively impacted by a downturn in revenue due to market factors (e.g. margin compression) combined with the risk that the cost base is inflexible.
		Reputational risk is the risk of reputational damage due to compliance failures, pending litigations or underperformance or negative media coverage.
		ESG risks focus on the environmental, social and governance issues which impact the group's ability to successfully and sustainably implement business strategy.
Financial Risks	Capital management	The group manages capital by allocating resources effectively and in a manner that maximizes value for shareholders.
	Credit risk	Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default risk, pre-settlement risk, country risk, concentration risk and securitisation risk.
	Counterparty credit risk	Counterparty credit risk is the risk of a counterparty to a contract, transaction or agreement defaulting prior to the final settlement of the transaction's cash flows.
	Foreign exchange risk	Foreign exchange risk is the risk of losses occurring or a foreign investment's value changing from movements in foreign exchange rates. A bank is exposed to currency risk in its net open foreign currency positions and foreign investments.
	Funding and liquidity risk	Funding liquidity risk is the risk that a bank will not be able to meet current and future cash flow and collateral requirements (expected and unexpected) without negatively affecting its reputation, daily operations and/or financial position. Market liquidity risk is the risk that market disruptions or lack of market liquidity will cause the bank to be unable (or able, but with difficulty) to trade in specific markets without affecting market prices significantly.
	Interest rate risk in the banking book (IRRBB)	IRRBB is the sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates.

Risk category reference	Risk components	Definition
Operational Risks	Operational risk	Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems or from external events and human error. It includes fraud and criminal activity (internal and external), project risk, legal risk, business continuity, information and IT risk, process and human resources risk. Strategic, business and reputational risks are excluded from the definition.
	Legal Risk	Legal risk is defined as the risk of loss due to defective contractual arrangements, legal liability, both criminal and civil, incurred during operations by the inability of the organisation to enforce its rights.
	Information risk	Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of the group's information resources, which compromises its confidentiality, integrity or availability.
	Anti fraud and security risk	The group recognises that fraud and security risk can emanate from internal and external sources. Fraud risk is a function of the predisposition of the individuals towards committing crime and the opportunities provided or created by each organisation.
	Reputation Risk	Reputational risk is the risk caused by damage to an organisation's reputation, name or brand, which may impair its ability to retain and generate business.
	Regulatory risk	Regulatory risk is the risk of statutory or regulatory sanction and material financial loss or reputational damage as a result of a failure to comply with any applicable laws, regulations or supervisory requirements.

Risk culture

The group recognises that effective risk management requires the maintenance of a proper risk culture, in addition to appropriate risk governance structures, policy frameworks and effective risk and capital methodologies.

Culture, the net result of how the organisation lives its values, is a strong driver of behaviour. Understanding and managing cultural attitudes towards risk and cultural attitudes that create risk, receive significant attention in the group.

Risk culture parameters

Parameters	Activities
Leadership living good values	ensure that leaders set the appropriate tone in terms of responsible business conduct.
Setting risk goals	ensure risk management goals are set and properly communicated throughout the organisation; and ensure that ethics and accountability to risk management parameters are considered as important as efficiency, innovation and profit.
Providing resources	ensure risk management goals are attainable by adequately resourcing risk management functions; and apply fit and proper tests for key risk roles.
Aligning measurement and rewards	ensure risk metrics are incorporated into measurements and the way business rewards performance.

The group's risk culture is influenced by the interaction of the following:

- competent and ethical leadership in setting strategy, risk appetite and a positive attitude towards appropriate risk practices;
- robust risk governance structures to ensure risk policy frameworks are visible and implemented, and that appropriate committee memberships and structures exist;
- best practice risk and capital methodologies for the appropriate identification, measurement, monitoring, management and reporting of risk and allocation of capital;
- accurate assessment of the broader organisational culture which determines business ethics practices, and supports or detracts from risk goals; and
- a people risk profile that provides a balance between skills and ethical values and the appropriate allocation of resources and accountability for performance.

Risk culture assessment framework

Themes			
Ethical and competent leadership Accurate and timely flow of information with appropriate disclosure Ethical treatment of clients and ethical clients			
Parameters			
Tone from the top	Setting risk goals	Providing resources and sound platforms	Aligning measurement and rewards
Activities			
• ensuring an ethical and competent leadership pipeline – recruitment, promotion and dismissal; • develop management structures and forums that encourage openness; and • zero tolerance for unethical conduct or whistle-blower victimisation.	• ensure risk management goals, policies and standards are set and communicated throughout the group; and • ensure that ethics and accountability to risk management parameters are acknowledged as important as efficiency, innovation and profit.	• ensure risk management goals are attainable by adequately staffing risk management functions; • apply fit and proper tests for key risk roles; and • embed risk controls in business platforms	• ensure accurate and relevant performance metrics; and • ensure risk metrics are incorporated in the performance management framework.

Ethics committee

The group established a formal ethics committee to exercise oversight over the governance and functioning of the group-wide ethics programme. The group code of ethics is the cornerstone of ethics management framework.

The ethics committee strategically directs the ethics framework which has attained increased maturity and impact during the year under review. Several culture- and people- risk assessments were conducted, some of which resulted in strategic and operational changes in certain areas and the proactive identification and management of several risk types. The focus on promotion of responsible business conduct was maintained and included intensified training on whistle blowing, conflict of interest, anti-bribery and corruption. Another focus area is the promotion of responsible market conduct and ensuring that the group remains compliant with market conduct regulations and related industry best practice.

Combined assurance

Formal enterprise-wide governance structures for enhancing the practice of combined assurance at group are overseen by the audit committee. The primary objective of the group and assurance forums is for the assurance providers to work together with management to deliver appropriate assurance cost effectively. The assurance providers in this model include GIA, senior management, ERM, RRM and external auditors. The combined outcome of independent oversight, validation and audit tasks performed by the assurance providers ensure a high standard across methodological, operational and process components of the group's risk and capital management.

Combined assurance results in a more efficient assurance process through the elimination of duplication, more focused risk-based assurance against key control areas and heightened awareness of emerging issues resulting in the implementation of appropriate preventative and corrective action plans.

Regular risk reporting and challenge of current practices as part of the reporting, challenge, debate and control process, ERM drives the implementation of more sophisticated risk assessment methodologies through the design of appropriate policies and processes, including the deployment of skilled risk management personnel in each of the franchises.

ERM, together with GIA, ensures that all pertinent risk information is accurately captured, evaluated and escalated appropriately and timeously. This enables the board and its designated committees to retain effective control over the group's risk position at all times.

Reputation risk

As a financial services provider, the group's business is one inherently built on trusting relationships with its clients. Reputational risk can arise from environmental, social and governance issues or as a consequence of financial or operational risk events. The group seeks to avoid large risk concentrations by establishing a risk profile that is balanced within and across risk types. In this respect, potential reputational risks are also taken into account as part of stress-testing exercises. The group aims to establish a risk and earnings profile within the constraints of its risk appetite and seek to limit potential stress losses from credit, market, liquidity or operational risks that may otherwise introduce an undesirable degree of volatility in its financial results and adversely affect its reputation.

Credit risk

Credit risk is the group's most material risk and as such, receives sufficient attention from all levels of management. This is evident in the credit risk information provided to the credit committees and the health of the provisions created.

The senior credit risk committee is responsible for managing credit risk. This committee operates under the group board's approved discretionary limits, policies and procedures, and at least two group board members in addition to the CEO participate in these meetings.

Credit risk classification and impairment policy

It is policy to make provision for specific impairments and to ensure that calculations for portfolio impairment are promptly made on a consistent basis. The external auditors review these impairments during the annual audit. Two types of impairments are in place: specific and portfolio.

Specific impairments

The specific impairment represents the quantification of actual and inherent losses from individually identified exposures.In determining specific impairments, the following factors are considered:

- our exposure to the customer;
- capability of the client to generate sufficient cash flow to service debt obligations;
- viability of the client's business;
- amount and timing of expected cash flows;
- realisable value of security held taking the time value of money into account; and
- deduction of any recovery related costs.

Portfolio impairments

The portfolio impairment supplements the specific impairment as outlined above and provides additional cover, based on prevailing market conditions and current default statistics.

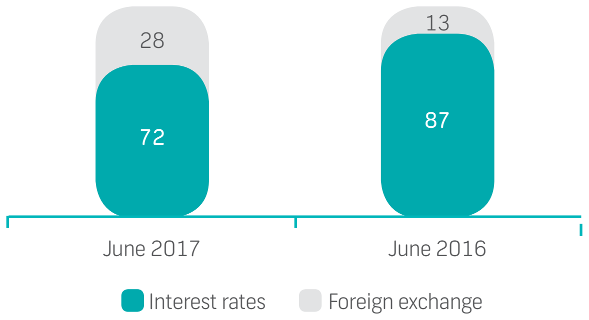
Market risk

The group distinguishes between market risk in the trading book and interest rate risk in the banking book.

Market Risk in the Trading Book

The group's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB. Market risk in the trading book includes interest rate risk in the trading book, traded commodity risk and foreign exchange risk.

VAR exposure per asset class:



The group operates within a risk management framework where principles of managing risks associated with trading positions are set. Trading and dealing limits are approved by the board, with the day-to-day operations and utilisation thereof resting with the Global Markets team. In terms of the market risk framework, responsibility for determining market risk appetite vests with the board, which also retains independent oversight of market risk related activities through the RCC.

Stress testing provides an indication of potential losses that could occur under extreme market conditions. Stress and scenario analyses are regularly reported to and considered by the relevant governance bodies.

Interest rate risk in the banking book

Interest rate risk is an inevitable risk associated with banking assets and liabilities with different repricing characteristics and can be an important source of profitability and shareholder value. Interest rate risk continues to be managed from an earnings approach, with the aim to protect and enhance earnings and economic value within approved risk limit and appetite levels.

Please refer to note 31 to the annual financial statements for the sensitivity analysis of interesst rate shocks. The decreased sensitivity is attributable to the level of strategic hedges put in place to manage the margin impact of the capital and deposit endowment books through the cycle. At 30 June 2016, the book was positioned to benefit from further interest rate hikes, whilst protecting against rate uncertainty. Given current uncertainty on the length and extent of the hiking cycle, the endowment book remains actively managed.

Interest rate risk, stemming mainly from the endowment effect, is managed in collaboration with the FirstRand Portfolio Management Team and the associated risk can be hedged depending on the interest rate view held by the Financial Resources Management Committee of the FNBN group.

Ultimate responsibility for determining risk limits and risk appetite for the group vests with the board. Independent oversight for monitoring is done through the RCC committee, who, in turn, has delegated the responsibility to ALCCO.

ALCCO remains responsible on behalf of the board for the allocation of sub-limits and remedial action to be taken in the event of any limit breaches.

Liquidity

Our approach to liquidity risk management (LRM) distinguishes between structural, daily and contingency liquidity risk and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis as illustrated in the following chart.

Structural LRM	Daily LRM	Contingency LRM
The risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at a reasonable cost	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Maintaining a number of contingency funding sources to draw upon in times of economic stress.
• liquidity risk tolerance; • liquidity strategy; • ensuring substantial diversification across different funding sources; • assessing the impact of future funding and liquidity needs taking into account expected liquidity shortfalls or excesses; • setting the approach to managing liquidity in different currencies; • ensuring adequate liquidity ratios; • ensuring adequate structural liquidity gap; and • maintaining a funds transfer pricing methodology and processes	• managing intraday liquidity positions; • managing daily payment queue; • monitoring net funding requirements; • forecasting cash flows; • perform short-term cash flow analysis for all currencies individually and in aggregate; • management of intragroup liquidity; • managing interbank borrowing and placement • managing central bank clearing; • managing and maintaining market access; and • managing and maintaining collateral	• managing early warning and key risk indicators; • performing stress testing including sensitivity analysis and scenario testing; • maintaining product behavior and optionality assumptions; • ensuring that an adequate and diversified portfolio of liquid assets and buffers are in place; and • maintaining the contingency funding plan.

The group acknowledges liquidity risk as a consequential risk that may be caused by other risks as demonstrated by the reduction in liquidity in many international markets as a consequence of global events. The group is, therefore, focused on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position of the organisation to ensure business activities preserve and improve funding stability. This ensures the group is able to operate through a period of stress when access to funding is constrained.

During the period the group adopted a measure called survival period, which is based on the principles of the Basel III Liquidity Coverage Ratio (LCR). The LCR ratio aims to calculate the ratio with which High Quality Liquid Assets (HQLA) cover the net cash outflow of the following 30 days. Although this is not a regulatory requirement in Namibia, the group is close to full compliance. Compliance with these requirements influences the group's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of liquidity.

Regulatory Risk

Introduction and objectives

The group recognises its accountability and responsibilities towards all its stakeholders in terms of the Namibian governance framework within which it operates and is committed to high standards of integrity and fair dealing in conducting business. We foster a compliance culture by observing both the spirit and the letter of law as an integral part of our business activities and are furthermore committed to always act with due skill, care and diligence. The aforementioned does not only make good business sense but provides us with an important competitive advantage which we use to maximize our performance and increase our potential to attract investments and in such a way influence the Namibian economy positively.

The board is ultimately accountable to its stakeholders for overseeing compliance requirements and the responsibility to facilitate compliance throughout the group has been delegated to the Regulatory Risk Management function (RRM). RRM's objective is to be: a strategic business partner, supportive of business performance within the regulatory framework; a reliable assurance provider on regulatory requirements; and embedding an ethical culture.

Year under review and focus areas

Year under review	Risk management focus areas
• Regulations relating to restrictions on loan-to-value ratios: Banking Institutions Act, 1998 became effective on 22 March 2017. This macro prudential regulation is expected to reduce concentration risk for commercial banks. • PSD 2: The Determination on phasing out of cheques by 31 December 2017 is to be amended. • Liquidity levels and sustainability of the liquidity management strategies requires monitoring as per the Joint Financial Stability Report issued by Bank of Namibia and NAMFISA. • Amendment of regulations under the Credit Agreement Act, 1980. • Public comment on the: Draft BID 5a on Basel III minimum capital charges (Determination in terms of the Banking Institutions Act, 1998 (as amended); Draft BID 26 on outsourcing (Determination in terms of the Banking Institutions Act, 1998 (as amended); and Draft BID 19 on localization (Determination in terms of the Banking Institutions Act, 1998 (as amended) is ongoing.	• Ongoing and advance service delivery to all stakeholders with specific reference to: providing advice on regulatory requirements; overseeing the implementation of compliance procedures; reporting; contact with the regulators; resolving issues of non-compliance; monitoring; and training. • Ongoing implementation and maintenance of the RRM Framework and Manual. • Lower the impact of regulatory risk through continuous focus on and awareness of compliance to all applicable laws (current and pending), regulations and supervisory requirements. • Pro-active interactions with regulators and industry bodies. • Ongoing focus on remediation actions required in respect of identified regulatory risk management matters, including matters identified by our regulators.

Financial Crime Risk

Introduction and objectives

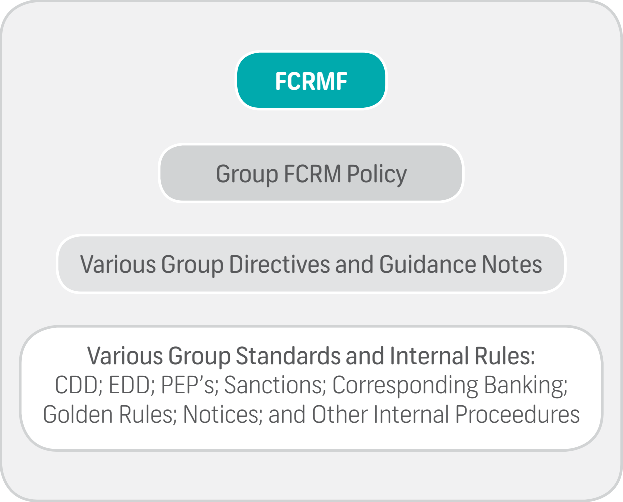
The prevalence of economically motivated crime in many societies remains a substantial threat to the development and stability of economies. Financial crimes range from money laundering, terrorist financing, breaches of economic and trade sanctions, illicit financing of weapons proliferation, including weapons of mass destruction (WMD), bribery, corruption and tax evasion. Financial crime risk is defined as the risk of economic loss, reputational risk and regulatory sanction arising from any type of financial crime against the group or due to an ineffective financial crime risk and compliance management program. The group will not knowingly allow its platforms to be abused for purposes of financial crime and has a zero tolerance level for any wilful and deliberate non-compliance. The group is thus committed to compliance with the provisions of the 2012 Financial Action Task Force (FATF) Recommendations, the Financial Intelligence Act, 2012 (FIA), its regulations, circulars, directives and guidance notes, as well as implementing effective financial crime risk management systems and measures.

Year under review and focus areas

During the year under review the board approved a Financial Crime Risk Management Framework (FCRMF) and overall financial crime risk and compliance program consisting of a Financial Crime Risk management Policy, Standards, Directives and Internal Rules as depicted in the table.

In addition to the above, the following highlights of the year under review are most notable:

- Creation of a dedicated Financial Crime Risk Management Department (FCRM), responsible for the implementation and monitoring of the group's financial crime risk management program;
- Group wide Anti Money Laundering / Combating the Financing of Terrorism & Proliferation (AML/CFT) awareness training programs rolled out;
- Completed a group wide document scanning and KYC remediation project aimed at enhancing and assessing compliance with the basic KYC legal requirements. This project realized significant business benefits as customer profiles were updated and customer on-boarding requirements were refined and streamlined. Customers will continuously be required to up to date their personal details with the group entities as this allows to group to also protect the customers falling victim of prevalent financial crimes;
- Completion of a group wide financial crime risk assessment and client risk assessment model which forms the basis for the group's adopted risk based approach to AML/CFT; and
- Implementation of remedial actions to address weaknesses identified by both group internal audit and the Financial Intelligence Center (FIC).



Assessment and management

FCRM's in fulfilling the board mandate to implement the group's financial crime risk and compliance management program is responsible for the following key financial crime risk operational activities:

- Coordinating risk monitoring activities with other risk management functions and Group Internal Audit;
- Conducting enhanced due diligence on customers assessed as high risk;
- Establishing and managing processes and systems to monitor customer transactions for the purpose of identifying potential suspicious transactions. Investigating of all potential suspicious transactions and reporting where grounds for suspicion has been established on behalf of the entire group;
- Assessing high risk products, services and delivery channels and ensuring that appropriate risk responses are developed and implemented; and
- Ensuring that adequate client screening and payment screening systems are implemented and maintained throughout the group with certain transactions and/or relationships blocked or rejected where such transactions would violate the international financial sanctions regime and local legal requirements.

Year under review and focus areas

Year under review	Risk management focus areas
• Building a risk management team. • Introduced ATM and Branch environment risk assessment. • Various risk assessments performed on new products and services introduced. • Payments streams risk assessment performed. • Ongoing control monitoring activities undertaken to provide assurance to management and the board – including cash controls, spreadsheets and internal financial controls. • Refined processes and formal documentation of business processes. • Refined loss reporting and recording process and capability. • Formalised contingency plans to manage business resilience related risks, and training and awareness programmes put in place. • Various enhancements in IT risk including greater focus on security hygiene, risk monitoring, and vendor management. • Assurance provided on the IT environment, which was confirmed as strong.	• Enhance the use of operational risk management information and analysis. • Enhance the quality and coverage of process-based risk and control identification assessment. • Enhance risk culture and risk maturity through ongoing risk awareness and training. • Improve information management capabilities and the control environment. • Integrate risk Practices into Business processes. • Continued risk assessments on all new products, services and projects. • Continued focus on efficiencies and a strong internal control environment. • Upgrade of IT infrastructure to ensure optimal processing speeds and technology resilience and enable growth for the next 3 years without degradation in technologies services. • Reviews and renewals of IT SLA's to ensure a dual vendor approach is adopted, where applicable, to ensure optimal service levels to business.

Operational Risk

Introduction and objectives

Operational risk arises out of the normal course of business and is thus not a by-product of financial reward. It is thus imperative that the board and management continue to focus on operational risk to ensure its integration in business processes and, not manage it on an activity basis only. Operational risk includes other specialist risks such as IT risk, business continuity management (BCM), legal risk, physical security and fraud risk. Each of these components is supported by a framework and auxiliary policies.

The effective management of operational risk through a continual cyclic process of risk identification, assessment, measurement, monitoring and reporting, aims to ensure detailed risk profiles are in place for each business area which are used to make informed decisions. The bank has adopted the process-based risk and control identification and assessment (PRCIA) to comprehensively identify and assess the risks and controls within end-to-end business processes per product or service. Key risk indicators (KRI's) are used to assist management in monitoring key metrics against predetermined thresholds on an ongoing basis to ensure action plans are effective in managing risks and reducing losses. This has assisted the bank in bringing its losses to below tolerable levels.

Assessment and management

The group obtains assurance that the principles and standards in the operational risk management framework are being adhered to by the three lines of control model which is integrated in operational risk management. In this model, business units own the operational risk profile as the first line of control. In the second line of control, Risk management (ORM & ERM) is responsible for consolidated operational risk reporting, policy ownership and facilitation, and coordination of operational risk management and governance processes. GIA, as the third line of control, provides independent assurance on the adequacy and effectiveness of operational risk management processes and practices.

In line with international best practice, a variety of tools are employed and embedded in the assessment and management of operational risk. A number of key risks exist for which specialised teams, frameworks, policies and processes have been established and integrated into the broader risk management and governance programmes. These include business resilience, legal risk, IT risk, information governance, fraud and security risks and risk insurance. Insurance is not a mitigant in the calculation of capital.

Assessment and management continued

The most relevant of these are outlined in the following chart:

Operational risk assessment and management tools

Risk control self assessments and process-based risk control identification and assessment	Key risk indicators
• integrated in the day-to-day business and risk management processes; • used by business and risk managers to identify and monitor key risk areas and assess the effectiveness of existing controls; and • process-based risk and control identification and assessment (currently being implemented) is the risk and control assessment per product/service based on key business processes.	• used across the group in all businesses as an early warning measure; • highlight areas of changing trends in exposures to specific key operational risks; and • inform operational risk profiles which are reported periodically to the appropriate management and risk committees and are monitored on a continuous basis.
Internal/external loss data	**Risk Scenarios**
• the capturing of internal loss data is well entrenched within the group; • internal loss data reporting and analyses occur at all levels with specific focus on root cause, process analysis and corrective actions; and • external loss databases are used to learn from loss experiences of other organizations and as inputs to the risk scenario processes.	• risk scenarios are widely used to identify and quantify low frequency extreme loss events; • senior executives of the business actively participate in the biannual reviews; and • results are tabled at the appropriate risk committees and are used as input to the capital modelling process

IT Risk

IT risk deserves individual focus and attention as a result of the bank's continued drive to remain innovative and provide advanced banking systems and solutions to its clients. Consequently, infrastructure and support capability as well as security remain key priorities for management. The datacentre capability was upgraded from tier 2 to tier 4 with full redundancy implemented. Monitoring tools have been deployed to allow greater insights into high risk areas within the IT environment, which is supported by the implementation of security initiatives aimed at ensuring security, availability and confidentiality of data. These include mobile security, data leakage protection, integrated access governance and security awareness.

Business continuity management

Business continuity management seeks to put in place plans, processes and procedures to ensure its' continued, or timely recovery of, operations in the event of a crisis. It remains a priority for the bank as enhancements to systems, processes and procedures remain a key priority. Business continuity plans have been adopted for all business areas, and preliminary desktop exercises performed. Training and awareness programmes are in place and ongoing.

5. Corporate governance

Compliance statement

FNB Namibia Holdings Limited is the controlling company of First National Bank of Namibia Limited. The directors of First National Bank of Namibia Limited ensure compliance with all relevant regulations including the Banking Institutions Act as amended, NamCode, the Companies Act, Basel Committee and other best practice flowing from both local and international authorities. First National Bank of Namibia Limited endorses the Code of Corporate Practices and Conduct recommended in the NamCode and the directors are satisfied that the bank has applied the principles of NamCode consistently during the year.

Stakeholders are referred to FNB Namibia Holdings Limited annual integrated report for detailed disclosures on the group's corporate governance practices.

(www.fnbnamibia.com.na/about-fnb/index.html).

Board changes

The following changes to the board of directors have taken place.

Appointments		Effective date
Adv. G S Hinda	Independent Non-Executive	01 February 2017
J G Daun	Independent Non-Executive	01 March 2017
J H Hausiku	Independent Non-Executive	10 July 2017
Resignations		**Effective date**
M N Ndilula	Independent Non-Executive	27 October 2016
During the period under review Mr. M N Ndilula, resigned from the Boards of FNB Namibia Holdings Ltd and First National Bank of Namibia Ltd to pursue personal interests in a research project		
Employment Status Change		**Nature of change**
J R Khethe	Non-Executive	Retirement from employment within FirstRand Group

5. Corporate governance continued

Responsibilities of directors

The board of directors is responsible for reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, monitoring corporate performance and overseeing major capital expenditure, acquisitions and disposals, information technology and stakeholder relations while still retaining full and effective control over the bank.

Composition and frequency of meetings

A common board serves FNB Namibia Holdings Ltd and First National Bank of Namibia Limited. First National Bank of Namibia Limited has a unitary board. The chairperson, Mrs Inge Zaamwani-Kamwi, is an independent non-executive. The board members believe that it is appropriate for Mrs Zaamwani-Kamwi to chair the bank's board. It is also the view of the directors that a strong independent element of non-executive directors exists on the board and that this provides the necessary objectivity essential for its effective functioning. The roles of Chairperson and Chief executive officer are separate with segregated duties. The audit committee of First National Bank of Namibia Limited is constituted in accordance with the Namibian banking regulations.

The board comprises 12 directors of whom two serve in an executive capacity. The directors of the bank are listed on page 8. Non-executive directors comprise individuals of high calibre with diverse backgrounds and expertise. This ensures that their views carry significant weight in the board's deliberations and decisions. The board operates in terms of an approved charter which includes a formal schedule of matters it oversees. The board meets quarterly.
Two further meetings are scheduled to approve the annual financial statements and to review the strategic plans and the resulting budgets. Additional meetings are convened as and when necessary.

The board has adopted the FNB Namibia Holdings Ltd Directors' Code of Conduct which is aligned to best practice. Board members have access to accurate, relevant and timely information. Any director may call on the advice and services of the company secretary, who gives guidance on legislative or procedural matters. Directors are also entitled to seek independent professional advice, at the bank's expense, in support of their duties.

An annual assessment of the board is conducted and is referred back to the board for identified actions.

Limitation to appointment period

There is a formal transparent board nomination and appointment process. Non-executive directors are appointed, subject to re-election and the Companies Act provisions relating to removal, and retire by rotation every three years. Re-appointment of non-executive directors is not automatic. The retirement age of directors is set at age 70 and such directors are compelled to resign annually at the annual general meeting after turning 70, and may be considered for re-election, should their specialised skills be required and the board unanimously support their nomination.

Company secretary

The company secretary is suitably qualified and experienced. She is, inter alia, responsible for the duties stipulated in the Companies Act 28 of 2004, the Banking Institutions Act 2 of 1998 (as amended).

6. Capital management

The overall objective of our capital management strategies is to maintain sound capital ratios, ensuring confidence is provided to investors in the group's solvency and quality of capital during calm and turbulent periods of the economy and financial markets as well as optimizing capital with risk/return analyses to ensure appropriate return to stakeholders. The group, therefore, maintains capitalization ratios aligned to its risk appetite and appropriate to safeguard operations and stakeholder interests.

Governance and oversight

Capital is managed in accordance with the board-approved capital management framework which focuses on three elements:

- setting the capital levels appropriately to cater for business strategy and possible stressed economic conditions;
- ensuring capital is invested such to avoid double gearing; and finally
- ensuring capital is allocated to business segments and the required return on shareholder funds is attained.

Well defined roles and responsibilities are set out for successful capital planning and management. The board reviews and challenges the recommendation of the risk, capital and compliance committee (RCCC) – a board risk committee. The RCCC – as a board designated committee – takes responsibility for the group's internal adequacy assessment process (ICAAP).

Capital overview

The group engages in a dynamic capital management process, both from a demand and supply point of view.

The supply of capital is comprised as follows:

- Tier 1 capital which is the highest quality form of capital, comprising shareholders' equity and related non-controlling interests (subject to limits). Various capital deductions and regulatory adjustments are made to these items which are treated differently for the purposes of capital adequacy – these include deductions for goodwill and intangible assets. The regulatory minimum to be held is 7 percent which FNB comfortably exceeded during the year under review.
- Tier 2 capital mainly comprises revaluation reserves, general loan loss reserves, qualifying capital instruments and any unaudited profits approved by the board of directors. In total Tier 2 should not exceed the total of Tier 1 capital which FNB fully comply to.
- Total regulatory capital which forms the minimum capital ratio of 10 percent, FNB exceeded this regulatory minimum by N$1 967 million.

For the year under review, Tier 1 capital was primarily generated through earnings, net of dividend payments.

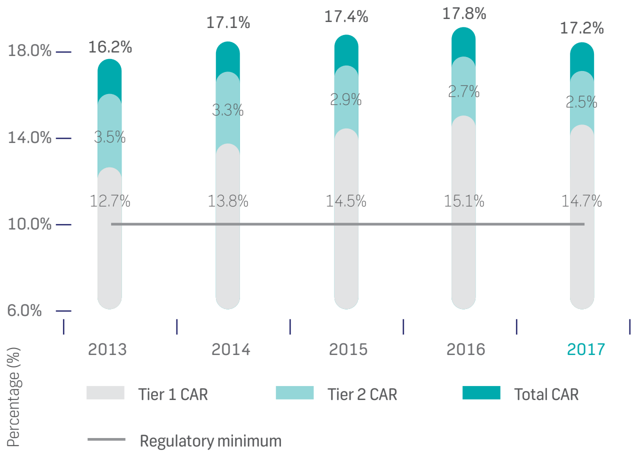
In March, FNB also called the N$390 million subordinated bonds (FNB22), part of its Tier 2 capital, and simultaneously issued a new bond (FNB27) to the value of N$400 million under the current N$5 billion medium term note programme and thus replaced to the same value the qualifying Tier 2 instruments. This issuance was in accordance with so called Basel 2.5 principles, similar as the FNB22 issuance of 2012, as the Bank of Namibia and the industry is still in consultation phase with regards to the proposed Basel III changes for capital adequacy. A regulatory call option forms part of the FNB27 issuance should the instrument not qualify for Tier 2 capital after the revised BID5 has been finalized and implemented.

All major initiatives to deploy capital are subject to rigorous analysis, validation for business case and evaluation of expected benefits. Higher growth in assets continues to increase the credit risk weighted assets in accordance with the strategic direction and risk appetite of the group.

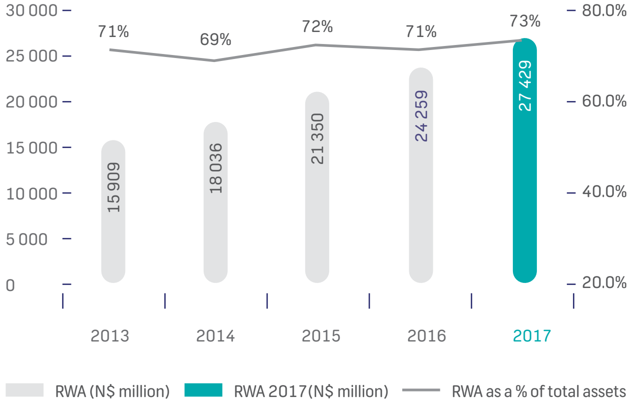
6. Capital management continued

The demand of capital is managed from a forward looking point of view, taking into account possible risk and stress scenarios (following the ICAAP conclusion). In addition, the demand for capital also takes cognisance of economic risks not captured through the regulatory calculation and the group capitalises accordingly.

Capital adequacy compliance



Risk weighted asset (RWA) history



Regulatory capital requirements and future developments

Capital adequacy standards for banks in Namibia are regulated mainly under the Bank of Namibia (BoN) determination referred to as BID5. These standards are largely consistent with international standards set by the Basel Committee on Banking Supervision (BCBS). In line with the international trends, Namibia's capital standards are set to change following BoN's announcement to implement Basel III capital framework.

Last year, BoN issued a circular on Basel III implementation in Namibia followed by the first draft revised proposals (BID-5A) and Quantitative Impact Study (QIS) for the industry to respectively comment and complete these important documents. The proposals spelled out BoN's position on the elements of the Basel III framework to be adopted in Namibia, statutory limits and requirements as well as the timeframe to be followed.

Given the collaborative stance BoN adopted with the then Basel II preparations, the banks respectively commented on the revisions and also completed the QIS during the first quarter of 2017. The BoN is currently reviewing the feedback and will likely engage the banks again with revised proposals in the second half of 2017.

Other than comments on the calculation of minimum capital requirements, no further proposals have been communicated on other sections of Basel III, particularly liquidity risk management.

Outlook

FNB continue to monitor and prepare for regulatory developments in a manner that seeks to ensure compliance with new requirements while mitigating any adverse business or economic impacts. Such impacts could result from new or amended determination or regulatory environment in general. Significant developments include continuing changes to global and domestic standards for capital and liquidity, over-the-counter (OTC) derivatives, as well as initiatives to enhance requirements for institutions deemed systemically important to the financial sector.

Capital adequacy of FNB

	Year ended 30 June	
N$ '000	2017	2016
Risk weighted assets		
Credit risk	23 429 606	20 800 837
Market risk	87 200	57 036
Operational risk	3 912 647	3 400 827
Total risk weighted assets	27 429 452	24 258 700
Regulatory capital		
Share capital and share premium	1 142 792	1 142 792
Retained profits	3 010 780	2 643 363
Capital impairments	(130 350)	(127 135)
Total tier 1	4 023 222	3 659 020
Eligible subordinated debt	400 000	390 000
General risk reserve, including portfolio impairment	286 043	260 010
Capital impairments		
Total tier 2	686 043	650 010
Total tier 1 and tier 2 capital	4 709 265	4 309 030
Banking group		
Capital adequacy ratios		
Tier 1	14.7%	15.1%
Tier 2	2.5%	2.7%
Total	17.2%	17.8%
Tier 1 leverage ratio	10.7%	10.7%

7. **Accounting** policies

1. Introduction and basis of preparation

1.1 Introduction

The First National Bank of Namibia Limited the group's consolidated and separate financial statements have been prepared in accordance with IFRS and the Companies Act of Namibia.

The group adopts the following significant accounting policies in preparing its financial statements:

Summary of significant accounting policies

2	Subsidiaries, associates and joint arrangements	Consolidation and equity accounting (section 2.1)	Related party transactions (section 2.2)	
3	Income, expenses and taxation	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	Financial instruments	Classification (section 4.1)	Measurement (section 4.2)	Impairment (section 4.3)
		Transfers and de-recognition (section 4.4)	Offset and collateral (section 4.5)	Derivatives and hedge accounting (section 4.6)
5	Other assets and liabilities	Property and equipment (section 5.1)	Intangible assets (section 5.1)	Leases (section 5.3)
		Provisions (section 5.1)	Non-current assets and disposal groups held for sale (section 5.2)	
6	Capital and reserves	Share capital and treasury shares	Dividends	Other reserves
7	Transactions with employees	Employee benefits (section 7.1)	Share-based payment transactions (section 7.2)	

7. Accounting policies continued

These policies have been consistently applied to all years presented, unless otherwise stated.

There were no revised or new standards adopted in the current year that had an effect on the group's reported earnings, financial position, and reserves or a material impact on the accounting policies.

1.2 Basis of preparation

The group prepares consolidated financial statements which include the assets, liabilities and results of the operations of First National Bank of Namibia Limited, its' subsidiaries and its' share of earnings of associates. To compile the consolidated financial statements the following information is used:

- Audited information about the financial position and results of operations at 30 June each year for all significant subsidiaries in the group.; and
- The most recent audited annual financial statements of associates. These are not always drawn up to the same date as the financial statements of the group. Where the reporting date is different from that of the group, the group uses the most recently available financial statements of the investee and reviews the investee's management accounts for material transactions during the intervening period. In instances where significant events occurred between the last reporting date of an investee and the reporting date of the group, the effect of such events is adjusted for.

Accounting policies of subsidiaries and associates have been changed where necessary to ensure consistency with the accounting policies adopted by the group.

Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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 financial statements are outlined in policy 8.

1.2 Basis of preparation continued

Presentation of financial statements, functional and foreign 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).

Presentation	The group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position or in the statement of comprehensive income.
Materiality	IFRS is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality applied in preparing these financial statements.
Functional and presentation currency of the group	Namibian Dollars (N$)
Level of rounding	All amounts are presented in millions of Namibian Dollars. The group has a policy of rounding up in increments of N$1 000. Amounts less than N$1 000 will therefore round down to N$ nil and are presented as a dash.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.
Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether they are monetary items (in which case the year-end exchange rate is applied) or non-monetary items. For non-monetary items measured at amortised cost the rate applied is the transaction date rate. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to available-for-sale financial assets the following applies: • Equity instruments are recognised in other comprehensive income as part of the fair value movement; and • Debt instruments are allocated between profit or loss (those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in the fair value).

2. Subsidiaries, associates and joint arrangements

2.1 Basis of consolidation and equity accounting

	Subsidiaries and other structured entities	Associates	Joint ventures
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%	Between 20% and 50%
When an entity is a structured entity and control of an entity is not evidenced through shareholding, the group considers the substance of the arrangement and the group's involvement with the entity to determine whether the group has control, joint control or significant influence over the significant decisions that impact the relevant activities of the entity.			
Nature of the relationship between the group and the investee	Entities over which the group has control as defined in IFRS 10 are consolidated. These include investment funds managed by the group, securitisation structures or other entities used for the purpose of buying or selling credit protection.	Entities over which the group has significant influence as defined in IAS 28. These include investment funds which are not consolidated but the group has significant influence over the fund.	A joint arrangement in terms of which the group and the other contracting parties have joint control as defined in IFRS 11. Joint ventures are those joint arrangements where the group has rights to the net assets of the arrangement.
Separate financial statements			
The group measures investments in these entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view to dispose of in the near future (within 12 months) that are measured at fair value less cost to sell in terms of IFRS 5.			

Consolidated financial statements		
	Consolidation	**Equity accounting**
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting for business combinations. The excess (shortage) of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets, is recognised as goodwill or a gain on bargain purchase, as is set out further below. Transaction costs are included in operating expenses within profit or loss when incurred.	Equity accounting Associates are initially recognised at cost (including goodwill) and subsequently equity accounted. The carrying amount is increased or decreased to recognise the group's share of profit or loss from the investee after the date of acquisition. Items that impact the investee's net asset value that don't impact other comprehensive income are recognised directly in gains less losses from investing activities within non-interest revenue.
Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset; in which case the transferred asset will be tested for impairment in accordance with the group's impairment policies.	Unrealised gains on transactions are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.
Impairment	In the consolidated financial statements either the cash generating unit (CGU) is tested i.e. a grouping of assets no higher than an operating segment of the group; or if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.	The group applies the indicators of impairment in IAS 39 to determine whether an impairment test is required. The amount of the impairment is determined by comparing the investment's recoverable amount with its carrying amount as determined in accordance with IAS 36. The entire carrying amount of the investment, including other long-term interests, is tested for impairment. Certain loans and other long-term interests in associates and joint ventures are considered to be, in substance, part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates and joint ventures are included in advances on the face of the statement of financial position. The value of such loans is, however, included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes. Any resulting impairment losses are recognised as part of the share of profits or losses from associates or joint ventures.
Outside shareholders	Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity. All transactions with non-controlling interests, which do not result in a loss of control, are treated as transactions with equity holders. Partial disposals and increases in effective shareholding between 50% and 100% are treated as transactions with equity holders. Non-controlling interest is initially measured either at the proportional share of net assets or at fair value. The measurement distinction is made by the group on a case by case basis.	Transactions with outside shareholders are not equity transactions and the effects thereof are recognised in profit or loss as part of gains less losses from investing activities in non-interest revenue.
Interests in unconsolidated structured entities		
Interests in unconsolidated structured entities may expose the group to variability in returns from the structured entity. However because of a lack of power over the structured entity it is not consolidated. Normal customer/supplier relationships where the group transacts with the structured entity on the same terms as other third parties are not considered to be interests in the entity. From time to time the group also sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments. Where the interest or sponsorship does not result in control, disclosures of these interests or sponsorships are made in the notes in terms of IFRS 12.		

7. Accounting policies continued

2.2 Related party transactions

Related parties of the group as defined, include:

Subsidiaries	Entities that have significant influence over the group, and subsidiaries of these entities
Associates	Key management personnel
Joint ventures	Close family members of key management personnel
Post-employment benefit funds (pension funds)	Entities controlled, jointly controlled or significantly influenced by key management personnel or their close family members

he principal shareholder of First National Bank o Namibia is FNB Namibia Holdings Limited, which principal shareholder is FirstRand EMA Holdings (Pty) Limited, with its ultimate holding company FirstRand Limited, incorporated in South Africa.

Key management personnel of the group are the FNB Namibia Holdings Limited board of directors and the FNB Namibia Holdings Limited executive committee, including any entities which provide key management personnel services to the group. Their close family members include spouse/domestic partner and children, domestic partner's children and any other dependants of the individual or their domestic partner.

3. Income, expenses and taxation

3.1 Income and expenses

Net interest revenue recognised in profit or loss
Net interest income includes: • Interest on financial instruments measured at amortised cost and available-for-sale debt instruments determined using the effective interest method; • Interest on compound instruments. Where instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities and are measured at amortised cost, dividends received or paid on these instruments are included in the cash flows used to determine the effective interest rate of the instrument; • Interest on debt instruments designated at fair value through profit or loss that are held by and managed as part of the group's insurance or funding operations; • An amount related to the unwinding of the discounted present value of non-performing loans measured at amortised cost on which specific impairments have been raised and where the recovery period is significant. When these advances are impaired, they are recognised at recoverable amount i.e. the present value of the expected future cash flows, and an element of time value of money is included in the specific impairment raised. As the advance moves closer to recovery, the portion of the discount included in the specific impairment unwinds; and • The difference between the purchase and resale price in repurchase agreements, because the amount is in substance interest.

Non-interest revenue recognised in profit or loss	
Net fee and commission income	
Fee and commission income	Fees and transaction costs that do not form an integral part of the effective interest rate are recognised as income when the outcome of the transaction involving the rendering of services can be reliably estimated as follows: • Fees for services rendered are recognised on an accrual basis when the service is rendered, e.g. banking fee and commission income, and asset management and related fees; • Fees earned on the execution of a significant act, e.g. knowledge-based fee and commission income, and non-banking fee and commission income, when the significant act has been completed; and • Commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis. Commissions earned on the sale of insurance products to customers of the group on behalf of an insurer and profit share agreements, are recognised as fee and commission income and not as part of insurance income. Other non-banking fee and commission income relates to fees and commissions earned for rendering services to clients other than those related to the banking and insurance and asset management operations.
Fee and commission expenses	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income, and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received.

Non-interest revenue recognised in profit or loss
Fair value gains or losses
Fair value gains or losses of the group recognised in non-interest revenue includes the following: • Fair value adjustments and interest on trading financial instruments including derivative instruments that do not qualify for hedge accounting in terms of IAS 39; • A component of interest expense that relates to interest paid on liabilities which fund the group's fair value operations. Interest expense is reduced by the amount that is included in fair value income • Fair value adjustments on trading related financial instruments designated at fair value through profit or loss in order to eliminate an accounting mismatch, except for such instruments relating to the group's insurance and funding operations for which the interest component is recognised in interest income; and • Any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued.
Gains less losses from investing activities
The following items are included in gains less losses from investing activities: • Any gains or losses on disposals of investments in subsidiaries, associates and joint ventures; • Any amounts recycled from other comprehensive income in respect of available-for-sale financial assets; and • Dividend income on any equity instruments that are considered long term investments of the group. In the separate financial statements this includes dividends from subsidiaries, associates and joint ventures.

Non-interest revenue recognised in profit or loss	
Dividend income	
The group recognises dividend income when the group's right to receive payment is established. This is the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.	
Expenses	
Expenses of the group, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	
Indirect tax expense	Indirect tax includes other taxes paid to the Receiver of Revenue including value added tax and stamp duties. Indirect tax is disclosed separately from income tax and operating expenses in the statement of comprehensive income.

3.2 Income tax expenses

Income tax includes Namibian corporate tax payable.

Current income tax	
The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date.	
Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences in the group that deferred tax is provided for	• Depreciation of property and equipment; • Revaluation of certain financial assets and liabilities, including derivative contracts; • Provisions for pensions and other post-retirement benefits; • Tax losses carried forward; and • Investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the difference will not reverse in the foreseeable future.
Measurement	Using the liability method under IAS 12 and applying tax rates and laws that have been enacted or substantively enacted at 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.

Deferred income tax	
Presentation	In profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relates to the issue or buy back of share capital, fair value re-measurement of available-for-sale investments, re-measurements of defined benefit post-employment plans and derivatives designated as hedging instruments in effective cash flow hedges. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The group recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised. The group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

4. Financial instruments

4.1 Classification

Management determines the classification of its financial instruments at initial recognition. The following table sets out the different classes of financial instruments of the group:

Derivatives
Derivatives are either designated as hedging instruments in effective hedging relationships or are classified as held for trading.
Cash and cash equivalents and accounts receivable
Cash and cash equivalents comprise coins and bank notes, money at call and short notice and balances with central banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents and accounts receivable are measured at amortised cost in accordance with IAS 39.
Advances
Advances are measured at amortised cost in accordance with IAS 39. Various advances to customers, structured notes and other investments held by the investment banking division of the group, which would otherwise be measured at amortised cost have been designated at fair value to eliminate the accounting mismatch between the assets and the underlying derivatives used to manage the risk arising from the assets and /or are managed on a fair value basis.
Investment securities
The majority of investment securities of the group are either designated at fair value because they are managed on a fair value basis or are classified as available-for-sale. There is a portfolio of debt investment securities measured at amortised cost. Investment securities that represent an interest in the residual value of the investee are classified as equities within investment securities.

Financial liabilities and compound financial instruments
The group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Tier 2 instruments which have write down or conversion features are classified based on the nature of the instrument and the definitions of debt and equity. Compound instruments are those financial instruments that have components of both financial liabilities and equity such as issued convertible bonds. At initial recognition the instrument and the related transaction costs are split into their separate components in terms of the definitions and criteria of IAS 32 and are subsequently accounted for as a financial liability or equity.
Deposits, Tier 2 liabilities and other funding liabilities
Liabilities are generally measured at amortised cost but may be measured at fair value through profit or loss if they are managed on a fair value basis or the fair value designation reduces or eliminates an accounting mismatch. Tier 2 and other funding liabilities are presented in separate lines on the statement of financial position of the group.

4.2 Measurement

Initial measurement	All financial instruments are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as is detailed under policy 3.1, depending on the underlying nature of the income.
Subsequent measurement	Amortised cost items are measured using the effective interest method, less any impairment losses. This includes available-for-sale debt instruments. Fair value items are measured at fair value at reporting date as determined under IFRS 13. The fair value gains or loss are either recognised in profit or loss (held for trading or designated at fair value through profit or loss) or in other comprehensive income (available-for-sale financial assets) until the items are disposed of or impaired.

The group recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received.

4.3 Impairment of financial assets

General

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment and its carrying amount is greater than its estimated recoverable amount.

Scope	This policy applies to: • Advances measured at amortised cost; • Investment securities at amortised cost; • Advances and debt instruments designated as available-for-sale; and • Accounts receivable.

Objective evidence of impairment	The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. The following factors are considered when determining whether there is objective evidence that the asset has been impaired: • Breaches of loan covenants and conditions; • Time period of overdue contractual payments; • Actuarial credit models; • Loss of employment or death of the borrower; and • Probability of liquidation of the customer. Where objective evidence of impairment exists, impairment testing is performed based on LGD, PD and EAD. For available-for-sale equity instruments objective evidence of impairment includes information about significant changes with an adverse effect on the environment in which the issuer operates and indicates that the cost of the investment in the equity instrument may not be recovered and a significant or prolonged decline in the fair value of the security below its cost.
Assessment of objective evidence of impairment	An assessment of impairment is first performed individually for financial assets that are individually significant and then individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence of impairment, an impairment loss is recognised. The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.
Collective assessment	For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics; i.e. on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such financial assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the financial assets being evaluated.
Recognition of impairment loss	Impairment losses are recognised as part of operating expenses in profit or loss. The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For available-for-sale financial assets which are impaired the cumulative loss is reclassified from other comprehensive income to profit or loss.

Reversal of impairment loss	If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating): • The previously recognised impairment loss is reversed by adjusting the allowance account (where applicable) and the amount of the reversal is recognised as part of operating expenses in profit or loss; and • Impairment losses recognised on available-for-sale equity instruments are not subsequently reversed through profit or loss, but are recognised directly in other comprehensive income.

Impairment of advances

The adequacy of impairments of advances is assessed through the ongoing review of the quality of credit exposures. For amortised cost advances, impairments are recognised through the use of the allowance account method and an impairment charge in the statement of comprehensive income. For fair value advances, the credit valuation adjustment is charged to the profit and loss through fair value gains or losses and recognised as a change to the carrying value of the asset.

The following table sets out the group policy on the ageing of advances (i.e. when an advance is considered past due or non-performing) and the accounting treatment of past due, impaired and written off advances:

	Type of advance	Group policy on past due/impaired
Past due advances	The past due analysis is only performed for advances with specific expiry or instalment repayment dates or demand loans for which payment has been demanded. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is assessed with reference to the counterparty ratings of the exposures and reported as such.	
	Loans with a specific expiry date (e.g. term loans etc.) and consumer loans repayable by regular instalments (e.g. mortgage loans and personal loans)	Treated as overdue where one full instalment is in arrears for one day or more and remains unpaid as at the reporting date. Advances on which partial payments have been made are included in neither past due nor impaired until such time as the sum of the unpaid amounts equals a full instalment, at which point it is reflected as past due.
	Loans payable on demand (e.g. overdrafts)	Treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made.
	The full outstanding amount is reported as past due even if part of the balance is not yet due.	
Non-performing loans	Retail loans	Individually impaired if three or more instalments are due or unpaid or if there is evidence before this that the customer is unlikely to repay the obligations in full.
	Commercial and wholesale loans	Analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

	Type of advance	Group policy on past due/impaired
Renegotiated advances	Advances that would otherwise be past due that have been renegotiated i.e. advances where, due to deterioration in the counterparty's financial condition, the group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance. Excludes advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original.	Separately classified as neither past due nor impaired assets and remain classified as such until the terms of the renegotiated contract expire. Non-performing advances cannot be reclassified as renegotiated but current unless the arrears balance has been repaid. Renegotiated advances are considered as part of the collective evaluation of impairment where advances are grouped on the basis of similar credit risk characteristics. The adherence to the new terms and conditions is closely monitored.
Impairments		
Specific	Created for non-performing loans where there is objective evidence that an incurred loss event will have an adverse impact on the estimated future cash flows from the advance. Potential recoveries from guarantees and collateral are incorporated into the calculation of impairment figures.	
Portfolio	Created with reference to these performing advances. The impairment provision on the performing portfolio is split into two parts: • An incurred but not reported (IBNR) provision i.e. the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified; and • The portfolio specific impairment (PSI) which reflects the decrease in estimated future cash flows for the sub segment of the performing portfolio where there is objective evidence of impairment.	
Write offs		
When an advance is uncollectible, it is written off against the related allowance account. Such advances are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment of advances in profit or loss.		

4.4 Transfers and derecognition

Financial instruments are derecognised when the contractual rights or obligations expire/extinguish, are discharged or cancelled for example an outright sale or settlement.

For financial assets this includes assets transferred that meet the derecognition criteria. Financial assets are transferred when the group has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass through arrangement under IAS 39).

7. Accounting policies continued

For financial liabilities this includes when there is a substantial modification to the terms and conditions of an existing financial liability. 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 percent different from the discounted present value of the remaining cash flows of the original financial liability.

The following transactions are entered into by the group in the normal course of business in terms of which it transfers financial assets directly to third parties or structured entities, and either achieves derecognition or continues to recognise the asset:

Transaction type	Description	Accounting treatment
	Transfers without derecognition	
Traditional securitisations and conduit programmes i.e. non-recourse transactions	Specific advances or investment securities are transferred to a structured entity, which then issues liabilities to third party investors, for example variable rate notes or investment grade commercial paper. The group's obligations toward the third party note holders is limited to the cash flows received on the underlying securitised advances or non-recourse investment securities i.e. the note holders only have a claim to the ring fenced assets in the structured entity, and not to other assets of the group. The group consolidates these securitisation and conduit vehicles as structured entities, in terms of IFRS 10.	The transferred assets continue to be recognised by the group in full. The advances and investment securities which have been transferred are separately reported. The group recognises an associated liability for the obligation toward third party note holders as a separate category of deposits. These deposits are usually measured at fair value through profit or loss. The underlying securities purchased under agreements to resell (reverse repos) are not recognised on the statement of financial position. The group does not recognise securities borrowed in the financial statements, unless these have been on sold to third parties, in which case the obligation to return these securities is recognised as a financial liability at fair value with any gains or losses included in fair value gains or losses within non-interest revenue.
Repurchase agreements	Investment securities and advances are sold to an external counterparty in exchange for cash and the group agrees to repurchase the assets at a specified price at a specified future date. The counterparty's only recourse is to the transferred investment securities and advances that are subject to the repurchase agreement. The group remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.	
Securities lending	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The group's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the group generally requires cash collateral in excess of the fair value of the securities lent.	
	Transfers with derecognition	
Where the group purchases its own debt	The debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value gains or losses within non-interest revenue.	

4.5 Offset and collateral

Where the requirements of IFRS are met, the group offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy. Details of the offsetting and collateral arrangements of the group are set out in the following table:

Derivative financial instruments	The group's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. Due to the fact that ISDA agreements under which derivatives are traded are not legally enforceable within Namibia, in the normal course of the business or on bankruptcy, the IAS 32 set-off requirements of legal enforceability is not met thus no financial assets and financial liabilities have been presented on the net amount in the statement of financial position.

It is the group's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect.

4.6 Derivative financial instruments and hedge accounting

Derivative instruments are classified as held either for trading or formally designated as hedging instruments as required by IAS 39, which impacts the method of recognising the resulting fair value gains or losses. For derivatives used in fair value hedges changes in the fair value of the derivatives are recorded in profit or loss as part of fair value gains or losses within non-interest revenue, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

For derivatives used in cash flow hedges, the effective portion of changes in the fair value of derivatives is recognised in the cash flow hedge reserve in other comprehensive income and reclassified to profit or loss in the periods in which the hedged item affects profit or loss; and ineffective portion is recognised immediately in profit or loss as part of fair value gains or losses within non-interest revenue.

The group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions at the inception of the transaction. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The group treats derivatives embedded in other financial or non-financial instruments, such as the conversion option in a convertible bond, as separate derivatives when they meet the requirements for bifurcation of IAS 39. Where embedded derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.

5. Other assets and liabilities

5.1 Classification and measurement

Classification	Measurement
Information regarding land and buildings is kept at the group's registered office and is open for inspection in terms of Section 120 of the Companies Act, 2004.	
Property and equipment	
Property and equipment of the group includes: • Assets utilised by the group in the normal course of operations to provide services including freehold property and leasehold premises and leasehold improvements (owner occupied properties); • Assets which are owned by the group and leased to third parties under operating leases as part of the group's revenue generating operations; • Capitalised leased assets; and • Other assets utilised by the group in the normal course of operations including computer and office equipment, motor vehicles and furniture and fittings.	Historical cost less accumulated depreciation and impairment losses, except for land which is not depreciated. Depreciation is over the useful life of the asset, except for assets capitalised under finance leases where the group is the lessee, in which case depreciation is over the life of the lease (refer to policy 5.2).
Intangible assets	
Intangible assets of the group includes: • Internally generated intangible assets (including computer software and other assets such as trademarks or patents) are capitalised when the requirements of IAS 38 relating to the recognition of internally generated assets have been met; • External computer software development costs are capitalised when they can be clearly associated with a strategic and unique system which will result in a benefit for the group exceeding the costs incurred for more than one financial period; and • Material acquired trademarks, patents and similar rights are capitalised where the group will receive a benefit from these intangible assets for more than one financial period. All other costs related to intangible assets are expensed in the financial period incurred.	Cost less accumulated amortisation and any impairment losses. Amortisation is on a straight line basis over the useful life of the asset.
Goodwill arising from business combinations is recognised as an intangible asset.	Refer to policy 2.1.
Provisions	
The group will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the group will recognise the amount as an accrual. The group usually recognises provisions related to litigation and claims.	

Other assets that are subject to depreciation and intangible assets, other than goodwill (refer to policy 2.1), are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses. Other assets are derecognised when they are disposed of or, in the case of intangible assets, when no future economic benefits are expected from its use. Gains or losses arising on derecognition are determined as the difference between the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss as part of non-interest revenue.

5.2 Non-current assets and disposal groups held for sale

Assets and liabilities are classified and separately presented as held for sale by the group when the specific conditions for classification as held for sale under IFRS 5 are met.

Any impairment losses on classification or that arise before sale and after the re-measurement of assets and liabilities outside the measurement scope of IFRS 5 in terms of their relevant IFRSs, are recognised in profit or loss in operating expenses, or as part of equity accounted earnings in the case of associates. If a disposal group contains assets that are outside of the measurement scope of IFRS 5 any impairment loss is allocated to those non-current assets in the disposal group that are within the measurement scope of IFRS 5. Any increases in fair value less costs to sell are recognised in non-interest revenue when realised.

When there is a change in intention to sell, any non-current assets and disposal groups held for sale are immediately reclassified back to their original line items, and remeasured in terms of the relevant IFRS, with any adjustment being take to profit or loss depending on the underlying asset to which it relates; for example operating expenses for property and equipment or intangible assets and equity accounted earnings for associates.

5.3 Leases

The group classifies leases of property and equipment where it assumes substantially all the risks and rewards of ownership as finance leases. The group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. The group regards instalment sale agreements as financing transactions.

	Group company is the lessee	Group company is the lessor
	Finance leases	
Inception	Capitalised as assets and a corresponding lease liability for future lease payments is recognised.	Recognise assets sold under a finance lease as advances and impair the advances, as required, in line with policy 4.2.
Over life of lease	The asset is depreciated – refer to policy 5.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method.
Operating leases	Recognised as an operating expense in profit or loss on a straight line basis over the period of the lease. Any difference between the actual lease amount payable and the straight-lined amount calculated is recognised as a liability of the group in creditors and accruals.	Assets held under operating leases are recognised as a separate category of property and equipment (assets held under leasing arrangements) and depreciated - refer to policy 5. Rental income is recognised as other non-interest revenue on a straight line basis over the lease term.
Instalment credit agreements where the group is the lessee	The group regards instalment credit sale agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances. The group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest revenue in proportion to capital balances outstanding.	

6. Capital and reserves

Transaction	Liability	Equity
Shares issued and issue costs	Ordinary shares and any preference shares which meet the definition of equity issued by the group less any incremental costs directly related to the issue of new shares or options, net of any related tax benefit.	
Dividends paid/ declared	Recognised as interest expense on the underlying liability.	Dividends on ordinary shares are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company's board of directors and distribution is no longer at the discretion of the entity.
Share trust		Certain of the group's remuneration schemes are operated through various share trusts. These share trusts are considered to be structured entities. In instances where the group has control over the share trust in terms of IFRS 10 they are consolidated. Where the employee share trusts which form part of the consolidated group purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity until they are sold. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental costs, and is included in shareholders' equity.
Other reserves		Other reserves recognised by the group include general risk reserves, share base payment reserve, defined benefit post-employment reserve and available-for-sale reserves.

7. Transactions with employees

7.1 Employee benefits

The group operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee administered funds. These funds are registered in terms of the Pension Funds Act, 1956, and membership of the pension fund is compulsory for all group employees. The defined benefit plans are funded by contributions from employees and the relevant group companies, taking into account the recommendations of independent qualified actuaries.

Post-employment benefits	
Defined contribution plans	
Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.	
Defined benefit obligation liability	**Recognition:** The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
	Measurement: The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.
Profit or loss – as part of staff costs	• Current and past service costs calculated on the projected unit credit method; • Gains or losses on curtailments and settlements that took place in the current period; • Net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability; and • Actuarial gains or losses on long term employee benefits.
Other comprehensive income	All other re-measurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.
Termination benefits	
The group recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of when the group can no longer withdraw the offer of the termination benefit and when the group recognises any related restructuring costs.	
Liability for other employee benefits	
Other	The group recognises severance pay as a liability in the statement of financial position and as an expense in profit and loss. The group is required to pay employees a severance benefit in terms of the new Labour Act of 2007, when: • The employee is dismissed under certain circumstances; or • The employee dies while employed. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plan. Qualified actuaries perform annual valuations.
Leave pay	The group recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the group is based on current salary of employees and the contractual terms between the employee and the group. The expense is included in staff costs.
Bonuses	The group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

7. Accounting policies continued

7.2 Share-based payment transactions

The group operates equity settled and cash settled share-based compensation plans for employees.

Options and share awards granted under equity settled plans are allocated to a share-based payment reserve in equity until such time that the options are revised, vest, are forfeited or exercised, at which point the reserve is transferred to equity (either share capital or retained earnings). Options granted under cash settled plans result in a liability being recognised and measured at fair value until settlement. An expense is recognised in profit or loss for employee services received over the vesting period of the plans.

Certain of the group's remuneration schemes were operated through various share trusts. These share trusts are structured entities and were consolidated in terms of IFRS 10 – refer to policy 2. The share trusts purchased FNB Namibia holdings shares in the market to economically hedge the group against price risk of the FNB Namibia holdings shares and to limit the dilutive effect on current shareholders. The shares purchased by the share trusts were considered to be treasury shares – refer to policy 6.

8. Critical accounting estimates, assumptions and judgements

8.1 Introduction

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions 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. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the group, except those related to fair value measurement which are included in note 29.

8.2 Subsidiaries, associates and joint arrangements

<table>
<tr><th colspan="2">Subsidiaries</th></tr>
<tr><td colspan="2">Only one party can have control over an investee. In determining whether the group has control over an entity, consideration is given to any rights the group has that result in the ability to direct the relevant activities of the investee, and the group's exposure to variable returns.
In operating entities shareholding is most often the clearest indication of control. However in structured entities and investment management funds judgement is often needed to determine which investors have control of the entity or fund.
Some of the major factors considered by the group in making this determination include the following:</td></tr>
<tr><td>Decision making power</td><td>• The purpose and design of the entity;
• What the relevant activities of the entity are;
• Who controls the relevant activities and whether control is based on voting rights or contractual agreements. This includes considering:
- what percentage of voting rights are held by the group, the dispersion and behaviour of other investors is;
- potential voting rights and whether these increase/decrease the group's voting powers;
- who makes the operating and capital decisions;
- who appoints and determines the remuneration of the key management personnel of the entity;
- whether any investor has any veto rights on decisions;
- whether there are any management contracts in place that confer decision making rights;
- whether the group provides significant funding or guarantees to the entity; and
- whether the group's exposure is disproportionate to its voting rights;
• Whether the group is exposed to any downside risk or upside potential that the entity was designed to create;
• To what extent the group is involved in the setup of the entity; and
• To what extent the group is responsible to ensure that the entity operates as intended.</td></tr>
<tr><td>Exposure to variable returns</td><td>• The group's rights in respect of profit or residual distributions;
• The group's rights in respect of repayments and return of debt funding;
• Whether the group receives any remuneration form servicing assets or liabilities of the entity;
• Whether the group provides any credit or liquidity support to the entity;
• Whether the group receives any management fees and whether these are market related; and
• Whether the group can obtain any synergies through the shareholding, not available to other shareholders. Benefits could be non-financial in nature as well, such as employee services etc.</td></tr>
<tr><td>Ability to use power to affect returns</td><td>• Whether the group is acting as agent or principal;
• If the group has any de facto decision making rights;
• Whether the decision making rights the group has are protective or substantive; and
• Whether the group has the practical ability to direct the relevant activities.</td></tr>
</table>

8.2 Subsidiaries, associates and joint arrangements continued

Associates	Joint arrangements
Determining whether the group has significant influence over an entity: • Significant influence may arise from rights other than voting rights for example management agreements; and • The group considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee.	Determining whether the group has joint control over an entity: • The group considers all contractual arrangements to determine whether unanimous consent is required in all circumstances; and • Joint arrangements are classified as joint ventures when they are a separate legal entity and the shareholders share in the net assets of the separate legal entity. In order to determine whether the shareholders share in the net assets of the entity the group considers the practical decision making ability and management control of the activities of the joint arrangement.

Structured entities
Structured entities are those where voting rights generally relate to administrative tasks only and the relevant activities are determined only by means of a contractual arrangement. When assessing whether the group has control over a structured entity specific consideration is given to the purpose and design of the structured entity and whether the group has power over decisions that relate to activities that the entity was designed to conduct.

Investment funds
The group acts as fund administrator to a number of investment funds. In terms of a mandate the group is required to take active investment management decisions in respect of the fund. Determining whether the group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the group in the fund (comprising any direct interests in the fund and expected management fees) and the investor's right to remove the group as fund manager. If the other investors are able to remove the group as fund manager easily or the group's aggregate interest is not deemed to be significant, the group does not consolidate the funds as it is merely acting as an agent for the other investors. Other investors are considered to be able to remove the fund manager easily if it is possible for a small number of investors acting together to appoint a new fund manager in the absence of misconduct. Where the group has a significant investment and an irrevocable fund management agreement the fund is consolidated. Where such funds are consolidated, judgement is applied in determining if the non-controlling interests in the funds are classified as equity or financial liabilities. Where the external investors have the right to put their investments back to the fund, these non-controlling interests do not meet the definition of equity and are classified as financial liabilities. Where such funds are not consolidated, the group is considered to have significant influence over the fund where it has an insignificant direct interest in the fund and there is an irrevocable fund management agreement. Where investments in funds managed by the group are not considered to be material, these are not consolidated or equity accounted by the group and recognised as investment securities. As decisions related to the relevant activities are based on a contractual agreement (mandate) as opposed to voting or similar rights, investment funds that are managed by the group are considered to be structured entities as defined in IFRS 12 except where other investors can easily remove the group as fund manager without cause as this represents rights similar to voting rights. The group receives management fees from the funds for management services rendered. These fees are typical of supplier customer relationships in the investment management industry. Where the group provides seed funding or has any other interests in investment funds that it manages, and does not consolidate or equity account the fund, the investment is considered to represent a typical customer supplier relationship. The group does not sponsor investment funds that it manages, as it does not provide financial support to these funds; or where it provides financial support this is on normal commercial terms in a typical supplier customer relationship.

8.3 Taxation

The group is subject to direct tax in Namibia. As such there may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

8.4 Financial instruments

Impairment of financial assets	
In determining whether an impairment loss should be recognised, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.	
General	**Available-for-sale equity instruments**
Collective impairment assessments of groups of financial assets Future cash flows in a group of financial assets are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows for groups of financial assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are regularly reviewed by the group to reduce any differences between loss estimates and actual loss experience.	The group determines that available-for-sale equity instruments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates factors such as, inter alia, the normal volatility in share prices, evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.
Impairment assessment of collateralised financial assets The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the group elects to foreclose or not.	

7. Accounting policies continued

8.4 Financial instruments continued

Advances	
The group continuously assesses its credit portfolios for impairment. Significant advances are monitored by the credit committee and impaired according to the group's impairment policy when an indication of impairment is observed. The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure. In determining the amount of the impairment the group considers the following: • The Probability of Default (PD) which is a measure of the expectation of how likely the customer is to default; • The Exposure at Default (EAD) the expected amount outstanding at the point of default; and • The Loss Given Default (LGD) which is the expected loss that will be realised at default after taking into account recoveries through collateral and guarantees.	
Performing loans	**Non-performing loans**
The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset. In the retail portfolios the account status, namely arrears versus non-arrears status, is taken as a primary indicator of an impairment event. In the commercial portfolios, other indicators such as the existence of high-risk accounts, based on internally assigned risk ratings and management judgements are used, while the wholesale portfolio assessment (which includes RMB investment banking and RMB corporate banking) includes a judgemental review of individual industries for objective signs of distress. Where impairment is required to be determined for the performing book, the following estimates are required: • The incurred but not reported (IBNR) provision is calculated on this sub segment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non-performing status and similar risk indicators over an estimated loss emergence period. Estimates of roll rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate, external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from 1 to 12 months; and • The portfolio specific impairment (PSI) is the decrease in future cash flows primarily estimated based on analysis of historical loss and recovery rates for comparable sub segments of the portfolio.	Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for commercial and wholesale loans) for assets with similar credit risk characteristics. 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.

8.5 Other assets and liabilities

Other assets and liabilities			
Property and equipment		**Intangible assets**	
The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are set out below.			
Leasehold premises	Shorter of estimated life or period of lease	Software development costs	3 years
		Trademarks	10 – 20 years
Freehold property and property held under finance lease:		Other	3 - 10 years
- Buildings and structures	50 years		
- Mechanical and electrical	20 years		
- Components	20 years		
- Sundries	3 - 5 years		
Computer equipment	3 - 5 years		
Other equipment	Various between 3 – 10 years		
Provisions			
The group has a policy and process in place to determine when to recognise provisions for potential litigation and claims. The recognition of such provisions is linked to the ranking of legal risk of potential litigation on the group's litigation database.			

7. Accounting policies continued

8.6 Transactions with employees

Employee benefits – defined contribution plans	
Determination of purchased pension on retirement from defined contribution plan	On retirement of current defined contribution active members, the fund provides a pension that can be purchased with the member's share. The pension so purchased is determined based on the purchasing member's demographic details (age, sex, age of spouse), the pension structure (guarantee period, spouse's reversion and pension increase target) and the economic assumptions at time of purchase (inflation linked bond yields available). A benefit on withdrawal and retrenchment are determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in the fund. If the member chooses to buy into the fund on the date the fair value of plan assets and the value of plan liabilities on the defined benefit plan are increased by the amount of the initial contribution.
Employee benefits – defined benefit plans	
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.
Cash settled share-based payment plans	
Determination of fair value	The liability is determined using a Black-Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: • Management's estimate of future dividends; • Historical volatility is used as a proxy for future volatility; • The risk free interest rate is used; and • Staff turnover and historical forfeiture rates are used as indicators of future conditions.

8. **Statements** of comprehensive income
for the period ended 30 June

N$'000	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Interest and similar income	2.1	3 282 543	2 870 227	3 233 022	2 813 576
Interest expense and similar charges	2.2	(1 523 024)	(1 218 962)	(1 523 024)	(1 218 962)
Net interest income before impairment of advances		1 759 519	1 651 265	1 709 998	1 594 614
Impairment of advances	10	(59 251)	(47 850)	(53 137)	(54 775)
Net interest income after impairment of advances		1 700 268	1 603 415	1 656 861	1 539 839
Non interest revenue	3	1 444 948	1 349 135	1 881 992	1 345 186
Income from operations		3 145 216	2 952 550	3 538 853	2 885 025
Operating expenses	4	(1 553 988)	(1 310 950)	(1 559 188)	(1 309 422)
Net income from operations		1 591 228	1 641 600	1 979 665	1 575 603
Share of profit from associate after tax	13	2 515	1 328		
Income before indirect tax		1 593 743	1 642 928	1 979 665	1 575 603
Indirect tax	5.1	(40 016)	(31 232)	(38 542)	(30 764)
Profit before direct tax		1 553 727	1 611 696	1 941 123	1 544 839
Direct tax	5.2	(494 100)	(513 385)	(479 744)	(492 698)
Profit for the year		1 059 627	1 098 311	1 461 379	1 052 141

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
Other comprehensive income				
Items that may not subsequently be reclassified to profit and loss				
Actuarial gains and losses on post-employment benefit liabilities	7 778	(4 835)	7 778	(4 835)
Deferred income tax	(2 489)	1 575	(2 489)	1 575
	5 289	(3 260)	5 289	(3 260)
Items that may subsequently be reclassified to profit and loss				
Available-for-sale financial assets				
(Loss) / gain on available-for-sale financial assets	(9 218)	(12 688)	(9 218)	(12 688)
Deferred income tax	2 950	4 060	2 950	4 060
	(6 268)	(8 628)	(6 268)	(8 628)
Other comprehensive income for the year	(979)	(11 888)	(979)	(11 888)
Total comprehensive income for the year	1 058 648	1 086 423	1 460 399	1 040 253
Profit for the year attributable to:				
Ordinary shareholders	1 059 627	1 098 311	1 461 379	1 052 141
Total comprehensive income for the year attributable to:				
Ordinary shareholders	1 058 648	1 086 423	1 460 400	1 040 253

9. **Statements** of financial position

as at 30 June

N$'000	Note(s)	Group 2017	Group 2016	Company 2017	Company 2016
Assets					
Cash and cash equivalents	7	1 414 296	2 093 611	1 381 367	2 093 611
Due by banks and other financial institutions		2 667 981	1 772 268	2 639 879	1 772 268
Derivative financial instruments	8	95 221	209 495	95 221	209 495
Investment securities	11	3 717 577	3 062 515	3 704 238	3 062 515
Advances	9	28 325 993	25 876 231	27 888 795	25 383 379
Accounts receivable	12	165 636	104 072	213 778	138 392
Investment in associate company	13	7 569	5 054	1 154	1 154
Investment in subsidiaries	14			492 998	72 261
Property and equipment	15	946 968	919 682	899 289	876 733
Intangible assets	16	161 286	127 134	130 349	127 134
Total assets		37 502 527	34 170 062	37 447 069	33 736 942
Equity and liabilities					
Liabilities					
Short trading position	19	39 330	36 927	39 330	36 927
Derivative financial instruments	8	115 562	219 454	115 562	219 454
Creditors and accruals	18	380 203	341 485	405 100	337 947
Tax liability		53 930	53 614	52 125	51 756
Deposits	17.1	30 551 208	28 004 707	30 477 957	28 003 862
Due to banks and other financial institutions	17.2	1 192 537	800 972	1 209 286	800 972
Employee benefits	20	204 811	186 924	204 811	186 924
Deferred tax liability	21	259 070	212 550	263 455	213 859
Tier two liabilities	22	402 830	392 654	402 830	392 654
Total liabilities		33 199 479	30 249 287	33 170 456	30 244 355
Equity					
Ordinary shares	23	1	1	1	1
Share premium	23	1 142 791	1 142 791	1 142 791	1 142 791
Reserves		3 160 256	2 777 983	3 133 821	2 349 795
Total equity		4 303 048	3 920 775	4 276 613	3 492 587
Total liabilities and equity		37 502 527	34 170 062	37 447 069	33 736 942

10. **Statements** of changes in equity

for the year end 30 June

N$ '000	Share capital	Share premium	General risk reserve	Defined benefit post-employment reserve	Share-based payment reserve	Available-for-sale reserve	Retained earnings	Total equity
Group								
Balance at 1 July 2015	1	1 142 791	109 591	739	17 273	(6 633)	2 089 936	3 353 698
Total comprehensive income for the year				(3 260)		(8 628)	1 098 310	1 086 423
Profit for the year							1 098 310	1 098 311
Other comprehensive income for the year				(3 260)		(8 628)		(11 888)
Transfer to / (from) reserves			25 821				(26 124)	(305)
Share-based payments					6 985			6 985
Transfer of vested equity options					(7 271)		7 271	
Dividends paid							(526 026)	(526 026)
Balance at 30 June 2016	1	1 142 791	135 412	(2 521)	16 987	(15 261)	2 643 366	3 920 775
Total comprehensive income for the year				5 289		(6 268)	1 059 627	1 058 648
Profit for the year							1 059 627	1 059 627
Other comprehensive income for the year				5 289		(6 268)		(979)
Transfer to / (from) reserves			24 642				(24 642)	
Share-based payments					4 781			4 781
Transfer of vested equity options					(5 655)		5 655	
Dividends paid							(681 155)	(681 155)
Balance at 30 June 2017	1	1 142 791	160 054	2 768	16 113	(21 529)	3 002 851	4 303 048

10. **Statements** of changes in equity

for the year end 30 June continued

N$ '000	Share capital	Share premium	General risk reserve	Defined benefit post-employment reserve	Share-based payment reserve	Available-for-sale reserve	Retained earnings	Total equity
Company								
Balance at 1 July 2015	1	1 142 791	109 591	739	17 273	(6 633)	1 708 142	2 971 904
Total comprehensive income for the year				(3 260)		(8 628)	1 052 141	1 040 252
Profit for the year							1 052 141	1 052 141
Other comprehensive income for the year				(3 260)		(8 628)		(11 888)
Transfer to / (from) reserves			25 821				(26 350)	(529)
Share-based payments					6 985			6 985
Transfer of vested equity options					(7 271)		7 271	
Dividends paid							(526 026)	(526 026)
Balance at 30 June 2016	1	1 142 791	135 412	(2 521)	16 987	(15 261)	2 215 179	3 492 587
Total comprehensive income for the year				5 289		(6 268)	1 461 379	1 460 400
Profit for the year							1 461 379	1 461 379
Other comprehensive income for the year				5 289		(6 268)		(979)
Transfer to / (from) reserves			24 642				(24 642)	
Share-based payments					4 781			4 781
Transfer of vested equity options					(5 655)		5 655	
Dividends paid							(681 155)	(681 155)
Balance at 30 June 2017	1	1 142 791	160 054	2 768	16 113	(21 529)	2 976 415	4 276 613

11. **Statements** of cash flow

for the year end 30 June

N$'000	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Cash flows from operating activities					
Interest and similar income		3 245 298	2 835 746	3 203 896	2 780 691
Fees and commission income		1 271 443	1 149 264	1 270 484	1 148 829
Other non-interest income		176 777	196 916	174 405	193 403
Interest expense and similar charges		(1 523 024)	(1 218 962)	(1 523 024)	(1 218 962)
Total other operating expenditure		(1 374 501)	(1 160 304)	(1 380 391)	(1 159 178)
Cash flows from operating activities	25.1	1 795 993	1 802 660	1 745 370	1 744 783
Investment securities		(618 238)	139 134	(641 723)	139 134
Due by banks and other financial insitutions		(895 713)	(187 239)	(867 611)	(187 239)
Accounts receivable and similar accounts		(64 460)	44 837	(78 283)	46 782
Advances		(2 388 033)	(2 970 071)	(2 529 427)	(3 024 590)
Deposits		2 387 649	3 945 392	2 474 095	3 945 848
Due to banks and other financial institutions		391 565	(219 044)	391 565	(219 044)
Accounts payable and similar accounts		(25 416)	(111 819)	13 828	(109 570)
Tax paid		(460 029)	(431 139)	(450 608)	(413 527)
Net cash flows from operating activities		123 318	2 012 711	57 206	1 922 577

11. Statements of cash flow
for the year end 30 June continued

N$'000	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Cash flows from investing activities		(188 093)	(160 846)	(98 295)	(70 712)
Capital expenses		(131 315)	(163 481)	(129 096)	(162 003)
Reduction in loan to subsidiary				87 578	88 656
Investment in subsidary		(68 315)		(68 315)	
Proceeds from sale of property and equipment		11 537	2 635	11 537	2 635
Cash flows from financing activities		(671 155)	(528 086)	(671 155)	(528 086)
Payment of finance lease liabilities			(2 060)		(2 060)
Redemption of tier two liabilities		(390 000)		(390 000)	
Proceeds from the issue of tier two liabilities		400 000		400 000	
Dividends paid		(681 155)	(526 026)	(681 155)	(526 026)
Net increase in cash and cash equivalents		(735 930)	1 323 779	(712 244)	1 323 779
Cash and cash equivalents at beginning of the year *		2 093 611	769 832	2 093 611	769 832
Cash and cash equivalents acquired through the acquisition of subsidary		56 615			
Cash and cash equivalents at end of the year *	7.0	1 414 296	2 093 611	1 381 367	2 093 611

*Includes mandatory reserve deposits with central bank.

12. Notes to the annual financial statements
for the year end 30 June

1. Accounting policies

The accounting policies of the group are set out on pages 39 to 64.

2. Analysis of interest income and interest expense

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
2.1 Interest and similar income				
Interest on:				
- Advances	2 903 092	2 545 941	2 862 283	2 490 689
- Cash and short term funds	80 454	91 279	80 454	91 279
- Investment securities	281 755	210 853	281 755	210 853
- Unwinding of discounted present value on non performing loans (note 10)	18 436	6 782	11 341	5 867
- Unwinding of discounted present value on off-market advances	2 897	1 910	2 897	1 910
- Impaired advances	(20 003)	(12 326)	(20 597)	(12 130)
- Net release of deferred fees and expenses	15 912	25 788	14 889	25 108
Interest and similar income	3 282 543	2 870 227	3 233 022	2 813 576
Interest and similar income can be analysed as follows:				
- Instruments at fair value	281 755	210 853	281 755	210 853
- Instruments at amortised cost	3 000 788	2 659 374	2 951 267	2 602 723
Interest and similar income	3 282 543	2 870 227	3 233 022	2 813 576

2. Analysis of interest income and interest expense continued

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
2.2 Interest expense and similar charges				
Interest on:				
- Deposits from banks and financial institutions	69 831	48 076	69 831	48 076
- Current accounts	111 658	111 157	111 658	111 157
- Savings deposits	13 354	12 131	13 354	12 131
- Call deposits	251 219	230 899	251 219	230 899
- Term deposits	419 634	272 440	419 634	272 440
- Negotiable certificates of deposits	563 400	511 346	563 400	511 346
- Tier two liabilities	33 964	32 913	33 964	32 913
- Fixed and floating bonds	59 964		59 964	
Interest expense and similar charges	1 523 024	1 218 962	1 523 024	1 218 962
Interest expense and similar charges can be analysed as follows:				
- Instruments at amortised cost	1 523 024	1 218 962	1 523 024	1 218 962

3. Non-interest revenue

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
3.1 Fees and commissions				
- Card commissions	146 146	131 262	146 146	131 262
- Cash deposit fees	109 545	110 408	109 545	110 408
- Commissions: bills, drafts and cheques	40 026	27 783	40 656	28 162
- Bank charges	1 087 578	976 817	1 086 010	976 017
- Fiduciary fees	613	646	613	646
	1 383 908	1 246 916	1 382 970	1 246 495
Fee and commission expense:				
- Transaction processing fees	(85 276)	(69 877)	(85 296)	(69 891)
- Cash sorting handling and transportation charges	(15 674)	(18 971)	(15 674)	(18 971)
- ATM commissions paid	(7 470)	(5 888)	(7 470)	(5 888)
- Other	(4 046)	(2 916)	(4 046)	(2 916)
Fee and commission expense	(112 466)	(97 652)	(112 486)	(97 666)
Net fees and commission income	1 271 442	1 149 264	1 270 484	1 148 829

Certain of the above fees relates to the fact that the group provides custody and trustee services to third parties.

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
3.2 Fair value income				
Foreign exchange trading	79 324	114 631	79 324	114 631
Treasury trading operations				
- Debt instruments trading	14 944	5 135	14 944	5 135
- Derivatives revaluation	(10 108)	(1 920)	(10 108)	(1 920)
- Other	3 046	2 500	3 046	2 500
Designated at fair value through profit or loss	53 914	52 887	53 914	52 887
	141 120	173 233	141 120	173 233

Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, and translated foreign currency assets and liabilities. Interest rate instruments includes gains and losses from government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives.

12. Notes to the annual financial statements
for the year end 30 June continued

3. Non-interest revenue continued

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
3.3 Gains less losses from investing activities				
- Gains on investment securities designated at fair value through profit or loss	11 544	14 304	11 544	14 304
	11 544	14 304	11 544	14 304
3.4 Other non-interest revenue				
- Rental income	9 663	5 911	5,510	2 349
- Other income	4 068	7 057	6 224	7 105
- Gain and lossses on sale of property and equipment	7 111	(634)	7 111	(634)
- Dividends received from subsidary			440 000	
	20 842	12 334	458 844	8 820
Total non-interest revenue	1 444 948	1 349 135	1 881 992	1 345 186
Non interest revenue, analysis by category.				
3.5 Non-interest revenue	1 444 948	1 349 135	1 881 992	1 345 186
Fee and commission income: Instruments at amortised cost	1 271 443	1 149 264	1 270 484	1 148 829
Fair value income: Held for trading	87 206	120 346	87 206	120 346
Fair value income: Designated at fair value through profit or loss	65 458	67 191	65 458	67 191
Other non interest income: Non financial assets and liabilities	20 841	12 334	458 844	8 820

4. Operating expenses

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
Auditors' remuneration				
- Current year	5 592	5 183	5 184	4 895
- Fees for other services	949	555	949	555
Auditors' remuneration	6 541	5 737	6 133	5 450
Operating lease charges				
- Properties	42 276	37 393	49 447	41 354
- Equipment	19 934	13 561	19 907	13 458
Operating lease charges	62 210	50 954	69 354	54 812
Direct staff costs				
- Salaries, wages and allowances	648 961	540 074	645 385	540 074
- Off-market staff loans amortisation	2 897	1 910	2 897	1 910
- Contributions to employee funds	151 511	125 447	151 511	125 447
Defined contribution schemes: pension	68 414	55 788	68 414	55 788
Defined contribution schemes: medical	83 097	69 659	83 097	69 659
- Severance pay provision: death in service (note 20.2)	932	721	932	721
- Post-retirement medical expenses (note 20.2)	4 270	3 170	4 270	3 170
- Social security levies	2 104	1 965	2 104	1 965
- Training levies	8 054	6 651	8 054	6 651
- Share-based payments (note 24.1)	20 259	13 324	20 259	13 324
Direct staff costs	838 988	693 262	835 412	693 262
- Other	5 935	3 783	5 935	3 783
Total staff costs	844 923	697 045	841 346	697 045

12. Notes to the annual financial statements
for the year end 30 June continued

4. Operating expenses continued

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
Other operating costs				
- Advertising and marketing	54 758	53 407	54 756	53 407
- Amortisation of intangible assets (note 16)	11 446	13 876	11 446	13 876
- Computer and processing related costs	250 754	196 394	248 080	196 270
- Depreciation (note 15)	73 025	60 516	71 584	60 118
- Insurance	8 326	7 634	8 016	7 493
- Legal fees	10 560	8 684	10 565	8 681
- Postage	3 855	3 938	3 855	3 924
- Printing and stationery	12 965	15 482	12 955	15 480
- Professional fees	7 572	7 364	10 659	7 333
- Property and maintenance related expenses	75 331	68 137	72 263	64 174
- Telecommunications	18 034	18 601	17 806	18 598
- Travel and accommodation	16 909	16 215	16 772	16 215
- Total directors' emoluments	9 614	6 195	9 614	6 195
- Other expenditure	87 165	80 771	93 987	80 352
Other operating costs	640 314	557 214	642 356	552 116
Total operating expenses	1 553 988	1 310 950	1 559 188	1 309 422

5. Taxation

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
5.1 Indirect tax				
Value-added tax (net)	28 493	23 555	27 020	23 087
Stamp duties	11 523	7 677	11 522	7 677
Total indirect tax	40 016	31 232	38 542	30 764
5.2 Direct tax				
Namibian normal tax				
- Current				
Current year	445 303	424 880	430 749	406 554
- Deferred				
Current year	48 798	88 505	48 995	86 144
Total direct tax	494 100	513 385	479 744	492 698
Tax rate reconciliation – Namibian normal tax	%	%	%	%
Effective rate of tax	31.80%	32.10%	24.71%	32.15%
Total tax has been affected by:				
- Non-taxable income	0.41%	0.07%	7.50%	0.09%
- Non deductable amounts	(0.21%)	(0.43%)	(0.21%)	(0.50%)
- Tax rate change		0.26%		0.26%
Standard rate of tax	32.00%	32.0%	32.00%	32.0%

6. Analysis of assets and liabilities

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies on page 38 to page 64 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 by measurement basis:

Group

N$'000	2017						
	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
Assets							
Cash and cash equivalents			1 414 296				1 414 296
Due by banks and other financial institutions			2 667 981				2 667 981
Derivative financial instruments	95 221						95 221
Advances		464 205	27 861 788				28 325 993
Investment securities	155 257	216 461		3 345 859			3 717 577
Accounts receivable			18 924				18 924
Non-financial assets						1 262 535	1 262 535
Total assets	250 478	680 666	31 962 989	3 345 859		1 262 535	37 502 527
Liabilities							
Deposits					30 551 208		30 551 208
Due to banks and other financial institutions					1 192 537		1 192 537
Short trading position	39 330						39 330
Derivative financial instruments	115 562						115 562
Creditors and accruals					95 837		95 837
Tier two liabilities					402 830		402 830
Non-financial liabilities						802 175	802 175
Total liabilities	154 892				32 242 411	802 175	33 199 479

6. Analysis of assets and liabilities continued

Group

N$'000	2016						
	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
Assets							
Cash and cash equivalents			2 093 611				2 093 611
Due by banks and other financial institutions			1 772 268				1 772 268
Derivative financial instruments	209 495						209 495
Advances		491 903	25 384 328				25 876 231
Investment securities	101 061	181 578		2 779 876			3 062 515
Accounts receivable			15 138				15 138
Non-financial assets						1 140 804	1 140 804
Total assets	310 556	673 481	29 265 345	2 779 876		1 140 804	34 170 062
Liabilities							
Deposits					28 004 707		28 004 707
Due to banks and other financial institutions					800 972		800 972
Short trading position					36 927		36 927
Derivative financial instruments	219 454						219 454
Creditors and accruals					30 810		30 810
Tier two liabilities					392 654		392 654
Non-financial liabilities						763 763	763 763
Total liabilities	219 454				29 266 070	763 763	30 249 287

6. Analysis of assets and liabilities continued

Company

N$'000	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
	2017						
Assets							
Cash and cash equivalents			1 381 367				1 381 367
Due by banks and other financial institutions			2 639 879				2 639 879
Derivative financial instruments	95 221						95 221
Advances		464 205	27 424 590				27 888 795
Investment securities	155 257	203 122		3 345 859			3 704 237
Accounts receivable			18 924				18 924
Non-financial assets						1 718 645	1 718 645
Total assets	250 478	667 326	31 464 761	3 345 859		1 718 645	37 447 069
Liabilities							
Deposits					30 477 957		30 477 957
Due to banks and other financial institutions					1 209 286		1 209 286
Short trading position	39 330						39 330
Derivative financial instruments	115 562						115 562
Creditors and accruals					95 837		95 837
Tier two liabilities					402 830		402 830
Non-financial liabilities						829 655	829 655
Total liabilities	154 892				32 185 909	829 655	33 170 456

6. Analysis of assets and liabilities continued

Company

N$'000	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
	2016						
Assets							
Cash and cash equivalents			2 093 611				2 093 611
Due by banks and other financial institutions			1 772 268				1 772 268
Derivative financial instruments	209 495						209 495
Advances		491 903	24 891 476				25 383 379
Investment securities	101 061	181 578		2 779 875			3 062 514
Accounts receivable			15 020				15 020
Non-financial assets						1 200 655	1 200 655
Total assets	310 556	673 481	28 772 375	2 779 875		1 200 655	33 736 942
Liabilities							
Deposits					28 003 862		28 003 862
Due to banks and other financial institutions					800 972		800 972
Short trading position	36 927						36 927
Derivative financial instruments	219 454						219 454
Creditors and accruals					30 828		30 828
Tier two liabilities					392 654		392 654
Non-financial liabilities						759 658	759 658
Total liabilities	256 381				29 228 316	759 658	30 244 355

7. Cash and cash equivalents

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
Coins and bank notes	623 104	569 716	619 723	569 716
Balances with central bank	779 738	1 523 895	761 644	1 523 895
Balances with other banks	11 454			
	1 414 296	2 093 611	1 381 367	2 093 611
Mandatory reserve balances included in above:	333 810	318 905	332 134	318 905

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank in terms of the Banking Institutions Act, 1998 (No 2 of 1998). These deposits bear little or no interest.

Fair value

The carrying value approximates the fair value of total cash and short term funds.

8. Derivative financial instruments

Use of derivatives

Derivative contracts are not entered into for speculative purposes by the group. For accounting purposes, derivative instruments are classified as held for trading or hedging. The held for trading classification includes two types of derivative instruments: those used in sales activities, and those that are economic hedges but do not meet the criteria to qualify for hedge accounting.

The group's derivative activities do not give rise to significant open positions in portfolios of derivatives. Positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

Interest rate derivatives comprising mainly interest rate swaps and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and reduce the risk that the group faces due to volatile interest rates.

As mentioned above, derivatives classified as held for trading include non qualifying hedging derivatives, ineffective hedging derivatives and the component of hedging derivatives that are excluded from assessing hedge effectiveness. Non qualifying hedging derivatives are entered into for risk management purposes but do not meet the criteria for hedge accounting. These include derivatives managed in conjunction with financial instruments designated at fair value.

8. Derivative financial instruments continued

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present the group's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair value can fluctuate significantly, overtime.

The group uses the following financial instruments for hedging purposes:

Forward rate agreements are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount.
Currency and interest rate swaps are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (for example fixed rate for floating rate). No exchange of principal takes place.

Further information pertaining to the risk management of the group is set out in note 31.

N$'000	Group and company 2017			
	Assets		Liabilities	
	Notional	Fair value	Notional	Fair value
Currency derivatives	1 153 938	93 842	1 236 247	94 746
Interest rate derivatives	530 000	1 380	1 489 553	20 816
Total held for trading	1 683 938	95 221	2 725 800	115 562

N$'000	Group and company 2016			
	Assets		Liabilities	
	Notional	Fair value	Notional	Fair value
Currency derivatives	2 225 963	206 636	1 907 695	206 294
Interest rate derivatives	2 102 308	2 859	2 573 578	13 160
Total held for trading	4 328 271	209 495	4 481 273	219 454

All derivatives are over-the-counter instruments.

9. Advances

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
Notional value of advances	28 594 945	26 101 504	28 153 807	25 603 764
Contractual interest suspended	(49 805)	(32 157)	(47 989)	(29 720)
Gross value of advances	28 545 140	26 069 347	28 105 818	25 574 044
Sector analysis				
Agriculture	847 175	848 851	847 175	848 851
Financial institutions	611 101	243 042	611 101	243 042
Building and property development	2 291 865	2 272 151	2 291 865	2 272 151
Government and public authorities	2 115 475	1 535 006	2 115 475	1 535 006
Individuals	17 589 585	16 292 839	17 150 264	15 797 536
Manufacturing and commerce	2 769 790	2 797 487	2 769 790	2 797 487
Mining	666 022	375 307	666 022	375 307
Transport and communication	377 754	392 011	377 754	392 011
Other services	1 276 372	1 312 653	1 276 372	1 312 653
Gross value of advances	28 545 140	26 069 347	28 105 818	25 574 044
Impairment of advances (note 10)	(219 148)	(193 116)	(217 023)	(190 665)
Net advances	28 325 993	25 876 231	27 888 795	25 383 379
Geographic analysis (based on credit risk)				
Namibia	28 325 993	25 876 231	27 888 795	25 383 379

9. Advances continued

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
Category analysis				
Card loans	322 776	233 240	322 776	233 240
Overdrafts and cash managed accounts	3 497 757	2 632 859	3 497 757	2 632 859
Instalment sales	3 212 558	3 289 151	3 212 563	3 289 151
Lease payments receivable	313 849	281 708	313 849	281 708
Home loans	12 578 764	11 815 280	12 139 760	11 319 977
Term loans	7 815 440	6 972 655	7 815 118	6 972 655
Investment bank term loans	464 205	517 934	464 205	517 934
Assets under agreement to resell	39 629	36 230	39 629	36 230
Other	300 162	290 290	300 162	290 290
Gross value of advances	28 545 140	26 069 347	28 105 818	25 574 044
Impairment of advances (note 10)	(219 148)	(193 116)	(217 023)	(190 665)
Net advances	28 325 993	25 876 231	27 888 795	25 383 379
Portfolio analysis				
Designated at fair value through profit and loss	464 205	491 903	464 205	491 903
Loans and receivables	27 861 788	25 384 328	27 424 590	24 891 476
	28 325 993	25 876 231	27 888 795	25 383 379

Fair value
The fair value of advances is set out in note 29

A maturity analysis of advances is set out in note 31 and is based on the remaining periods to contractual maturity from the year-end.

9. Advances continued

N$'000 **Analysis of Instalment sales and lease payments receivable**	Group and company 2017 Within 1 year	Between 1 and 5 years	Total
Lease payments receivable	254 059	105 816	359 875
Suspensive sale Installments receivable	2 064 451	1 753 087	3 817 538
	2 318 510	1 858 903	4 177 413
Less : Unearned finance charges	(409 947)	(224 158)	(634 105)
Total	1 908 563	1 634 745	3 543 308

N$'000	Group and company 2016 Within 1 year	Between 1 and 5 years	Total
Lease payments receivable	127 374	194 063	321 437
Suspensive sale Installments receivable	1 794 653	2 117 881	3 912 534
	1 922 027	2 311 944	4 233 971
Less : Unearned finance charges	(366 979)	(292 842)	(659 821)
Total	1 555 048	2 019 102	3 574 150

The group and company have not sold or pledged any advances to third parties.

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

9. Advances continued

Credit risk mitigation

Collateral is an important mitigant of credit risk. In accordance with the group credit risk management strategy the following principle types of collateral are held as security for monies lent by the group:

- Vehicle finance: Vehicles subject to the finance agreement normally serve as collateral. In general, vehicles which make up the collateral can be sold when the customer has defaulted under the agreement and has either signed a voluntary notice of surrender or the bank has obtained judgement against the customer.
- Property finance: Collateral consists of first and second mortgages over property, as well as personal guarantees.
- Personal loans and overdrafts exposures are generally secured via cession of call deposits, investment policies, debtors and personal guarantees.
- Credit card exposures are generally unsecured.
- Agricultural finance: Collateral consist of first and second covering bonds over the farms.

The collateral is valued at inception of the credit agreement and subsequently in specific circumstances for example, when the advance becomes a non performing loan or when the group is to sell the asset on auction. Collateral is valued frequently.

The valuation at inception is based on physical inspection.

The table below sets out the financial effect of collateral per class of advance:

	Group and company			
	2017		2016	
N$'000	Performing	Non performing	Performing	Non performing
Installment sales and lease payments receivable	4 423	3 210	1 402	5 848
Home loans	32 885	10 678	8 774	69 259
	37 308	13 888	10 176	75 107

The financial effect of collateral and other credit enhancements has been calculated with reference to the unsecured loss given default ("LGD") per class for the performing book (IBNR and portfolio specific impairments) and the non-performing book separately. The amounts disclosed above represent the difference between the statement of financial position impairment using the actual LGD and the proxy unsecured LGD for all secured portfolios.

Where there is no collateral or where collateral is disregarded for provisioning purposes, no financial effect was calculated.

10. Impairment of advances

Significant loans and advances are monitored by the credit division and are impaired according to the group's impairment policy when an indication of impairment is observed.

The following factors are considered when determining whether there is objective evidence that the asset has been impaired:

- Breaches of loan covenants and conditions;
- The time period of overdue contractual payments;
- Actuarial credit models;
- Loss of employment or death of the borrower; and
- The probability of liquidation of the customer.

Where objective evidence of impairment exists, impairment testing is performed based on the loss given default ("LGD"), probability of default ("PD") and exposure at default ("EAD").

Analysis of movement in impairment of advances per class of advance

	Group 2017							
N$'000	Card loans	Overdrafts and cash managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	1 485	58 551	43 968	35 637	53 475	193 116	67 210	125 906
Amounts written off	(10 028)	(2 119)	(3 422)	(23)	(1 876)	(17 468)	(17 468)	
Unwinding of discounted present value on non performing loans	(612)			(15 565)	(2 259)	(18 436)	(18 436)	
Net new impairments created / (released)	12 864	3 905	5 460	20 470	19 238	61 937	61 855	83
Closing balance	3 709	60 337	46 006	40 519	68 578	219 149	93 161	125 989
Increase / (decrease) in provision	12 864	3 905	5 460	20 470	19 238	61 937	61 855	83
(Recoveries) / write-offs of bad debts	(957)	(106)	(700)	(236)	(686)	(2 685)	(2 685)	
Impairment charge / (release) recognised in the statement of comprehensive income	11 907	3 799	4 760	20 234	18 552	59 251	59 169	83

10. Impairment of advances continued

	Group 2016							
N$'000	Card loans	Overdrafts and cash managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	1 734	57 653	45 926	24 351	42 716	172 380	49 767	122 613
Amounts written off	(2 091)	(4 010)	(7 950)	(846)	(4 919)	(19 816)	(19 816)	
Unwinding of discounted present value on non performing loans		(559)		(6 016)	(206)	(6 782)	(6 782)	
Net new impairments created / (released)	1 842	5 467	5 992	18 148	15 884	47 334	44 041	3 293
Closing balance	1 485	58 551	43 968	35 637	53 475	193 116	67 210	125 906
Increase / (decrease) in provision	1 842	5 467	5 992	18 148	15 884	47 334	44 041	3 293
(Recoveries) / write-offs of bad debts	(1 017)	4 428	(1 209)	(168)	(1 517)	517	517	
Impairment (release) / loss recognised in the statement of comprehensive income	825	9 895	4 783	17 980	14 367	47 850	44 558	3 293

10. Impairment of advances continued

Analysis of movement in impairment of advances per class of advance

N$'000	Card loans	Overdrafts and cash managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
	Company 2017							
Opening balance	1 485	58 551	43 968	33 185	53 475	190 664	64 981	125 683
Amounts written off	(10 028)	(2 119)	(3 422)	(23)	(1 876)	(17 468)	(17 468)	
Unwinding of discounted present value on non performing loans	(612)			(8 471)	(2 259)	(11 342)	(11 342)	
Net new impairments created / (released)	12 864	3 905	5 460	13 705	19 238	55 171	54 865	306
Closing balance	3 709	60 337	46 005	38 396	68 579	217 026	91 036	125 989
Increase / (decrease) in provision	12 864	3 905	5 460	13 705	19 238	55 171	54 865	306
(Recoveries) / write-offs of bad debts	(957)	(106)	(700)	419	(686)	(2 031)	(2 031)	
Impairment charge / (release) recognised in the statement of comprehensive income	11 907	3 799	4 760	14 123	18 552	53 141	52 835	306

10. Impairment of advances continued

N$'000	Card loans	Overdrafts and cash managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
	Company 2016							
Opening balance	1 734	57 653	45 926	14 033	42 716	162 062	47 624	114 438
Amounts written off	(2 091)	(4 010)	(7 950)	(307)	(4 919)	(19 277)	(19 277)	
Unwinding of discounted present value on non performing loans		(559)		(5 102)	(206)	(5 867)	(5 867)	
Net new impairments created / (released)	1 842	5 467	5 992	24 561	15 884	53 746	42 501	11 245
Closing balance	1 485	58 551	43 968	33 185	53 475	190 664	64 981	125 683
Increase / (decrease) in provision	1 842	5 467	5 992	24 561	15 884	53 746	42 501	11 245
(Recoveries) / write-offs of bad debts	(1 017)	4 428	(1 209)	344	(1 517)	1 029	1 029	
Impairment (release) / loss recognised in the statement of comprehensive income	825	9 895	4 783	24 905	14 367	54 775	43 530	11 245

10. Impairment of advances continued

Group

N$'000	2017 Total value net of interest in suspense	2017 Security held	2017 Specific impairments
Non-performing lendings by sector			
Agriculture	11 497	10 410	1 087
Financial institutions	674	277	397
Building and property development	46 969	41 442	5 527
Individuals	232 171	164 224	67 948
Manufacturing and commerce	17 602	8 384	9 218
Mining	714	714	
Transport and communication	9 334	5 600	3 734
Other	20 186	14 936	5 250
Total non-performing lendings	339 148	245 987	93 161
Non-performing lendings by category			
Card loans	2 844	2 570	275
Overdrafts and management accounts	24 309	11 648	12 660
Instalment sales	22 089	4 470	17 619
Lease payments receivable	3 111	2 198	913
Home loans	211 739	173 781	37 957
Term loans	75 056	51 319	23 737
Total non-performing lendings	339 148	245 987	93 161
Geographical split:			
Namibia	339 148	245 987	93 161

10. Impairment of advances continued

Group

N$'000	2016 Total value net of interest in suspense	2016 Security held	2016 Specific impairments
Non-performing lendings by sector			
Agriculture	2 364	2 039	325
Financial institutions	317	(14)	331
Building and property development	30 159	25 596	4 563
Individuals	182 650	135 978	46 672
Manufacturing and commerce	12 603	5 088	7 515
Mining	345	188	157
Transport and communication	9 393	5 729	3 664
Other	13 535	9 552	3 983
Total-non performing lendings	251 366	184 156	67 210
Non-performing lendings by category			
Card loans	1 052	(112)	1 164
Overdrafts and management accounts	20 845	10 545	10 300
Instalment sales	20 184	4 513	15 671
Lease payments receivable	2 992	2 169	823
Home loans	152 720	126 631	26 089
Term loans	53 573	40 410	13 163
Total non-performing lendings	251 366	184 156	67 210
Geographical split:			
Namibia	251 366	184 156	67 210

10. Impairment of advances continued

Company

N$'000	2017 Total value net of interest in suspense	2017 Security held	2017 Specific impairments
Non-performing lendings by sector			
Agriculture	11 497	10 410	1 087
Financial institutions	674	277	397
Building and property development	46 969	41 442	5 527
Individuals	232 171	166 348	65 823
Manufacturing and commerce	17 602	8 384	9 218
Mining	714	714	
Transport and communication	9 334	5 600	3 734
Other	20 186	14 936	5 250
Total non-performing lendings	339 148	248 111	91 036
Non-performing lendings by category			
Card loans	2 844	2 570	275
Overdrafts and management accounts	24 309	11 648	12 660
Instalment sales	22 089	4 470	17 619
Lease payments receivable	3 111	2 198	913
Home loans	211 739	175 906	35 833
Term loans	75 056	51 319	23 737
Total non-performing lendings	339 148	248 111	91 036
Geographical split:			
Namibia	339 148	248 111	91 036

10. Impairment of advances continued

Company

N$'000	2016 Total value net of interest in suspense	2016 Security held	2016 Specific impairments
Non-performing lendings by sector			
Agriculture	2 364	2 040	324
Financial institutions	317	(14)	331
Building and property development	30 159	25 596	4 563
Individuals	176 384	131 939	44 445
Manufacturing and commerce	12 603	5 088	7 515
Mining	345	188	157
Transport and communication	9 393	5 729	3 664
Other	13 535	9 552	3 983
Total-non performing lendings	245 100	180 118	64 982
Non-performing lendings by category			
Card loans	1 052	(112)	1 164
Overdrafts and management accounts	20 845	10 545	10 300
Instalment sales	20 184	4 513	15 671
Lease payments receivable	2 992	2 169	823
Home loans	146 454	122 592	23 862
Term loans	53 573	40 411	13 162
Total non-performing lendings	245 100	180 118	64 982
Geographical split:			
Namibia	245 100	180 118	64 982

11. Investment securities

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
At fair value through profit and loss - designated				
Unit trust	216 461	181 578	203 122	181 578
At fair value through profit and loss - held for trading				
Other government and government guaranteed stock	45 548	94 004	45 548	94 004
Treasury bills	109 708	7 058	109 708	7 058
	155 257	101 061	155 257	101 061
Available-for-sale				
Other government and government guaranteed stock	1 042 449	831 925	1 042 449	831 925
Treasury bills	2 303 410	1 947 951	2 303 410	1 947 951
	3 345 859	2 779 876	3 345 859	2 779 876
Valuation of investments				
Market value of listed investments	1 087 997	925 929	1 087 997	925 929
Directors' valuation of unlisted investments	2 629 580	2 136 586	2 616 240	2 136 586
Total valuation	3 717 577	3 062 515	3 704 238	3 062 515

The directors' valuation of unlisted investments is considered to approximate fair value.

Refer to note 29, fair value of financial instruments for the methodologies used to determine the fair value of investment securities.

Information regarding other investments as required in terms of Schedule 4 of the Companies Act, 2004 is kept at the company's registered offices. This information is open for inspection in terms of the provisions of Section 120 of the Companies Act.

No financial instruments held for trading form part of the group's liquid asset portfolio in terms of the Banking Institutions Act, (No 2 of 1998) and other foreign banking regulators requirements. The total liquid asset portfolio is N$3 346 million (2016: N$2 780 million).

12. Accounts receivable

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
Accounts receivable				
- Items in transit	52 909	47 295	105 421	82 209
- Deferred staff costs	83 644	45 310	83 644	45 310
- Other accounts receivable	29 084	11 467	24 713	10 873
Total	165 636	104 072	213 778	138 392

The carrying value of accounts receivable approximates the fair value.

The credit quality of the above balances is provided in the risk management note 31.

13. Investment in associate company

Details of investments in unlisted associate company

Group and Company

N$'000	Nature of relationship	Place of business	Ownership %	Year end
Unlisted investment				
Namclear (Pty) Ltd	Interbank clearing house	Windhoek	25	31 Dec

The country of incorporation is the same as the principle place of business.
The percentage voting rights is equal to the percentage ownership.

13. Investment in associate company continued

Effective holdings and carrying amounts in unlisted associate company

N$'000	Group carrying amount		Investment at cost less impairments	
	2017	2016	**2017**	2016
Unlisted investment				
Namclear (Pty) Ltd	7 569	5 054	1 154	1 154

Detail information of unlisted associate company

	Namclear (Pty) Ltd		Namclear (Pty) Ltd	
	Unaudited June 2017	Unaudited June 2016	**Unaudited June 2017**	Unaudited June 2016
Opening balance	5 054	3 726	1 154	1 154
Share of profits	2 515	1 328		
Closing balance	7 569	5 054	1 154	1 154
Valuation				
Unlisted investment at directors' valuation	7 569	5 054	1 154	1 154

13. Investment in associate company continued

Summarised financial information of associate company

N$'000	Group Namclear (Pty) Ltd	
	Unaudited June 2017	Unaudited June 2016
Statement of financial position		
Non-current assets	47 470	38 765
Current assets	17 961	19 651
Non-current liabilities	(26 798)	(22 949)
Current liabilities	(8 357)	(16 412)
Equity	30 276	19 055
Statement of comprehensive income		
Revenue	23 151	23 886
Profit for the period	4 624	2 743
Total comprehensive income for the period	4 624	2 743
Total share of profits from associate company	2 515	1 328

Refer to note 28 for details of related party balances and transactions.

14. Investment in subsidiaries

Significant subsidiaries	Nature of Business	Date of acquisition	Country of incorporation	Listed/ unlisted	Effective holding % 2017	% 2016
Swabou Investments (Pty) Ltd Number of shares issued: 2 of 0.5cents each (2016: 2 of 0.5 cents each)	Home loans	1 July 2003	Namibia	Unlisted	100	100
Ebank Limited	Commercial bank	30 March 2017	Namibia	Unlisted	100	

Number of shares issued: 1 624 183 of N$1 each.

N$'000	Aggregate income of subsidiary (before tax) 2017	2016	Total indebtedness 2017	2016	Total investment 2017	2016
Swabou Investments (Pty) Ltd	40 427	64 709	424 684	72 261	424 684	72 261
Ebank Limited	(7 931)		16 104		68 315	
	32 496	64 709	440 788	72 261	492 999	72 261

Interest paid by Swabou Investments (Pty) Ltd to First National Bank of Namibia Ltd totalled N$14.1 million (2016: N$ 4.3 million).

Interest paid by EBank Ltd to First National Bank of Namibia Ltd totalled N$ 52 K (2016: N$ nil).

Acquisition of subsidiaries

Ebank Ltd
On 30 March 2017 the group acquired 100% of the ordinary shares of Ebank Ltd.
Ebank Ltd is a commercial bank incorporated in the Republic of Namibia.
The group has not recognised a deferred taxation asset for the unutilised tax losses amounting to N$93 million of Ebank Ltd at acquisition.

14. Investment in subsidiaries continued

Acquisition of subsidiaries continued

The following table summaries the consideration paid and the amounts of the assets acquired and the liabilities assumed recognised at the acquisition date:

N$'000		
	Consideration	
	Cash	68 315
	Acquistion related costs	
	Acquistion related costs including professional fees	857
	Identifiable assets acquired and liabilities assumed	
	Cash and cash equivalents	56 615
	Advances	83 732
	Investment in securities	36 824
	Accounts receivable	6 512
	Deferred tax asset	4 480
	Property, plant and equipment	4 321
	Intangible Assets	44 660
	Deposits	(158 852)
	Creditors	(8 374)
	Deferred tax liability	(1 602)
	Consideration	68 315

The entire consideration of N$68.3 million was settled in cash. The net cash flow at acquisition was N$11.7 million after taking into consideraton cash and cash equivalents acquired of N$ 56.6 million. At acquisition unutilised tax losses amounting to N$93 million was available to Ebank Limited. The purchase contract allows for an adjustment to the purchase price equal to 80% of any benefit derived from these unutilised losses. The directors currently do not believe that a significant portion of the applicable unutilised taxation loss will be recovered and have therefore not adjusted the purchase price recorded. The gross advances was N$84.5 million at acquisition. The carrying amount of advances equal there fair value and total advances are expected to be recoverd. The revenue and loss after tax for the twelve month period for the newly acquired subsidary was N$19.9 million and N$43.6 million respectively.

15. Property and equipment

Group

N$'000	Cost	Accumulated depreciation and impairments	Carrying amount	Cost	Accumulated depreciation and impairments	Carrying amount
	2017			**2016**		
Property						
Freehold land and buildings	666 852	(28 210)	638 642	654 043	(22 899)	631 144
Leasehold property	66 306	(47 027)	19 278	51 735	(39 640)	12 095
	733 157	(75 237)	657 920	705 778	(62 539)	643 239
Equipment						
Automatic teller machines	63 765	(21 987)	41 777	43 119	(15 200)	27 919
Capitalised lease equipment	12 289	(12 289)		12 289	(12 289)	
Computer equipment	159 789	(97 119)	62 670	127 274	(73 578)	53 696
Furniture and fittings	237 686	(99 734)	137 952	209 633	(78 795)	130 838
Motor vehicles	10 091	(4 839)	5 252	7 806	(3 965)	3 841
Office equipment	119 940	(78 544)	41 397	124 434	(64 286)	60 148
	603 559	(314 512)	289 048	524 556	(248 112)	276 443
Total	1 336 716	(389 749)	946 968	1 230 334	(310 651)	919 682

15. Property and equipment continued

Movement in property and equipment – carrying amount

Group

N$'000	Freehold land and buildings	Leasehold property	Equipment	Total
Carrying amount at 1 July 2015	598 507	14 099	207 379	819 985
Additions	37 224	2 825	123 432	163 481
Transfer between classes				
Depreciation charge for year	(4 590)	(4 825)	(51 101)	(60 516)
Transfers to repairs and maintenance				
Disposals		(3)	(3 265)	(3 268)
Carrying amount at 30 June 2016	631 141	12 096	276 445	919 682
Additions	13 572	14 571	72 236	100 380
Transfer between classes				
Acquired through business combination			4 321	4 321
Depreciation charge for year	(5 320)	(6 665)	(61 003)	(72 988)
Transfers to repairs and maintenance				
Disposals	(755)		(3 672)	(4 427)
Carrying amount at 30 June 2017	638 638	20 002	288 325	946 968

15. Property and equipment continued

Company

N$'000	Cost	Accumulated depreciation and impairments	Carrying amount	Cost	Accumulated depreciation and impairments	Carrying amount
	2017			2016		
Property						
Freehold land and buildings	607 790	(10 983)	596 807	595 244	(5 673)	589 571
Leasehold property	63 194	(45 230)	17 964	51 736	(39 640)	12 096
	670 984	(56 213)	614 771	646 979	(45 313)	601 666
Equipment						
Automatic teller machines	63 765	(21 987)	41 777	43 119	(15 200)	27 919
Capitalised lease equipment	12 289	(12 289)		12 289	(12 289)	
Computer equipment	156 116	(94 730)	61 386	127 274	(73 578)	53 697
Furniture and fittings	234 745	(97 808)	136 938	209 633	(78 795)	130 838
Motor vehicles	9 079	(4 270)	4 809	7 806	(3 964)	3 842
Office equipment	116 208	(76 600)	39 608	123 056	(64 286)	58 771
	592 203	(307 684)	284 519	523 178	(248 112)	275 067
Total	1 263 186	(363 897)	899 289	1 170 157	(293 425)	876 733

15. Property and equipment continued

Movement in property and equipment – carrying amount

Company

N$'000	Freehold land and buildings	Leasehold property	Equipment	Total
Carrying amount at 1 July 2015	558 410	14 099	205 605	778 116
Additions	35 748	2 825	123 430	162 003
Transfer between classes				
Depreciation charge for year	(4 590)	(4 825)	(50 703)	(60 118)
Transfers to repairs and maintenance				
Disposals		(3)	(3,265)	(3 268)
Carrying amount at 30 June 2016	589 568	12 096	275 067	876 733
Additions	13 572	14 571	70 017	98 161
Transfer between classes				
Depreciation charge for year	(5 320)	(6 665)	(59 193)	(71 178)
Transfers to repairs and maintenance				
Disposals	(755)		(3 672)	(4 427)
Carrying amount at 30 June 2017	597 065	20 001	282 219	899 289

16. Intangible assets

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
Trademarks				
Gross amount	395 373	380 713	368 760	354 099
Less: Accumulated amortisation	(312 993)	(301 548)	(286 380)	(274 935)
	82 380	79 165	82 380	79 165
Movement in trademarks – carrying amount				
Opening balance	79 165	90 610	79 165	90 610
Acquired as part of business combination	14 660		14 660	
Amortisation (note 4)	(11 445)	(11 445)	(11 445)	(11 445)
Closing balance	82 380	79 165	82 380	79 165
FNB Namibia Trademark	67 720	79 165	67 720	79 165
EBank Trademark	14 660		14 660	
	82 380	79 165	82 380	79 165
Software				
Gross amount	78 213	46 516	46 516	46 516
Less: Accumulated amortisation	(47 274)	(46 513)	(46 513)	(46 513)
	30 939	3	3	3
Movement in software – carrying amount				
Opening balance	3	2 434	3	2 434
Acquired as part of business combination	30 935			
Amortisation (note 4)		(2 431)		(2 431)
Closing balance	30 939	3	3	3
Goodwill – carrying amount	47 967	47 967	47 967	47 967
Total closing balance of intangible assets	161 286	127 134	130 349	127 134

16. Intangible assets continued

Impairment of goodwill:

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operating activity (business) to which it relates, and is therefore not combined at group level.

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The discount rate used is the weighted average cost of capital for the specific segment, adjusted for specific risks relating to the segment. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth.

The group assessed the recoverable amount of goodwill, and determined that no write down of the carrying amount was necessary.

Discount rate		Growth rate	
2017	2016	2017	2016
14%	15%	6%	6%

17. Deposits and current accounts

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
17.1 Deposits				
At amortised cost				
- Current accounts	9 520 004	10 053 437	9 503 357	10 052 592
- Call deposits	5 191 251	5 140 823	5 193 160	5 140 823
- Savings account	580 563	607 449	580 563	607 449
- Term deposits	7 044 531	5 000 144	6 986 018	5 000 144
- Negotiable certificates of deposit	6 944 752	7 202 854	6 944 752	7 202 854
- Fixed and floating bonds	1 270 106		1 270 106	
	30 551 208	28 004 707	30 477 957	28 003 862
Geographic analysis (based on counterparty risk)				
Namibia	30 551 208	28 004 707	30 477 957	28 003 862

The fair values of deposits and current accounts is set out in note 29.

17.2 Due to banks and other financial institutions

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
At amortised cost				
Due to banks and financial institutions				
- In the normal course of business	1 192 537	800 972	1 209 286	800 972
	1 192 537	800 972	1 209 286	800 972
Geographic analysis (based on counterparty risk)				
Namibia	1 192 537	800 972	1 209 286	800 972

The fair values of deposits and current accounts is set out in note 29.

18. Creditors and accruals

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
Accounts payable and accrued liabilities	208 578	147 839	233 474	144 301
Items in transit	171 625	193 646	171 626	193 646
	380 203	341 485	405 100	337 947

All amounts are expected to be settled within twelve months.
The carrying value of creditors and accruals approximates fair value.

19. Short trading positions

N$'000	Group 2017	Group 2016	Company 2017	Company 2016
Government and government guaranteed stock	39 330	36 927	39 330	36 927
Short trading securities	39 330	36 927	39 330	36 927

Short trading positions are carried at fair value.

20. Employee benefits

N$'000		Group and company 2017	Group and company 2016
Staff related accruals	20.1	145 814	131 473
Cash settled share-based payment liability*		21 703	10 907
Post-employment benefit liabilities	20.2	37 293	44 544
Closing balance		204 811	186 924

* Refer to note 24 for more detail on the cash settled share-based payment schemes.

20. Employee benefits continued

20.1 Staff related accruals

The staff related accruals consists mainly of the accrual for leave pay and staff bonuses.

N$'000	Group and company 2017	Group and company 2016
Opening balance	131 473	119 518
- Charge to profit or loss	66 668	57 519
- Utilised	(52 327)	(45 564)
Closing balance	145 814	131 473

20.2 Post-employment benefit liabilities

1) The group has a liability to subsidise the post-retirement medical expenditure of certain of its employees which constitutes a defined benefit plan. All employees who join the employ of the group on or after 1 December 1998 are not entitled to the post-retirement medical aid subsidy.

   The actuarial method used to value the liabilities is the projected unit credit method prescribed by IAS 19 Employee Benefits. The liability is measured as the present value of the employers' share of continuation member contributions to the medical scheme. Continuing member contributions are projected into the future year using the assumption rate of health care cost inflation and are then discounted back using the discount rate. The group subsidises medical aid contributions for all eligible members at various rates.

2) A severance pay provision is carried in terms of the Labour Act of 2007 and relates to when employment services are terminated by dismissal under certain circumstances or if employees die while employed.

   The severance pay liability is unfunded and is valued using the projected unit credit method prescribed by IAS 19 Employee Benefits.

20. Employee benefits continued

20.2 Post-employment benefit liabilities continued

The actuarial valuations are done on an annual basis.

	Group and company					
	2017			2016		
N$'000	Medical	Severance Pay	Total	Medical	Severance Pay	Total
Present value of unfunded liabilities	32 309	4 984	37 293	39 729	4 815	44 544
Post-employment liabilities	32 309	4 984	37 293	39 729	4 815	44 544
The amounts recognised in the statement of comprehensive income are as follows:						
Profit and loss portion						
Current service cost	215	422	637	203	376	579
Interest cost	4 055	503	4 558	2 967	346	3 313
Total included in staff costs (note 4)	4 270	925	5 195	3 170	722	3 892
Recognised in other comprehesnsive income						
Actuarial gains and losses recognised	(9 758)	(705)	(10 463)	4 837	87	4 924
Total included in staff costs	(9 758)	(705)	(10 463)	4 837	87	4 924
Movement in post-employment liabilities						
Present value at the beginning of the year	39 729	4 815	44 544	33 660	4 402	38 062
Current service cost	215	422	637	203	376	579
Interest cost	4 055	503	4 558	2 967	346	3 313
Benefits paid	(1 932)	(51)	(1 983)	(1 938)	(396)	(2 334)
Re-measurements : Recognised in OCI						
- Actuarial (gains) losses from changes in demographic assumptions	(9 758)	(705)	(10 463)	4 837	87	4 924
Present value at the end of the year	32 309	4 984	37 293	39 729	4 815	44 544

20.2 Post-employment benefit liabilities continued

The actuarial valuations are done on an annual basis.

	Group and company					
	2017			2016		
	Medical	Severance Pay	Total	Medical	Severance Pay	Total
The principal actuarial assumptions used for accounting purposes were:						
Discount rate (%)	9.70%	9.69%		10.46%	10.47%	
Medical aid inflation (%)	8.30%			9.66%		
Salary inflation (%)		8.26%			9.65%	
Male	38			36		
Female	62			71		
Employees covered	100	2 180		107	2 064	

20.3 Pension fund

N$'000	Group and company	
	2017	2016
Employer contributions to pension fund	67 841	55 376
Employer contributions to pension fund - executive directors	573	412
Total employer contributions to pension fund (note 4)	68 414	55 788
Employee contributions to pension fund	29 030	21 192
Total contributions	97 444	76 980
Number of employees covered	2 094	2 064

The group provides for retirement benefits by making payments to a pension fund, which is independent of the group and was registered in Namibia in 1995 in accordance with the requirements of the Pension Funds' Act. The fund is a defined contribution fund and is subject to the Pension Funds' Act (No 24 of 1956). The last valuation was performed for the year ended 30 June 2016 and indicated that the fund was in a sound financial position.

The pension fund is a related party to the group.

21. Deferred tax liability

N$'000	Group		Company	
	2017	2016	**2017**	2016
The movement on the deferred tax account is as follows:				
Taxable temporary differences				
- Balance at the beginning of the year	289 120	202 515	288 733	208 429
- Originating temporary differences	53 729	90 744	55 242	84 346
- Acquired through business combinations	1 602			
- Tax rate adjustment		(4 139)		(4 042)
Total credit balance	344 451	289 120	343 975	288 733
Deductible temporary differences				
- Balance at the beginning of the year	(76 570)	(72 281)	(74 874)	(74 524)
- Reversing temporary differences	(4 331)	2 398	(5 646)	2 346
- Acquired through business combinations	(4 480)			
- Tax rate adjustment		(6 687)		(2 696)
Total debit balance	(85 381)	(76 570)	(80 520)	(74 874)
Net balance for the year for entities with deferred tax liabilities	259 070	212 550	263 455	213 859
Charge through profit and loss	48 798	88 505	48 995	86 144
Deferred tax on other comprehensive income	461	(5 594)	461	(5 594)
Total	49 258	82 911	49 456	80 550

Deferred tax assets and liabilities are offset when income taxes relate to the same fiscal authority, same legal entity and there is a legal right to set-off.

22. Tier two liabilities

N$'000				Group and company	
				2017	2016
Subordinated debt instruments	**Interest rate**	**Final maturity date**	**Note**		
FNB X22 fixed rate notes	8.88%	29 March 2022	i		110 000
FNB J22 floating rate notes	Three month JIBAR + 1.65%	29 March 2022	ii		280 000
FNB X27 fixed rate notes	10.36%	29 March 2027	iii	100 000	
FNB J27 floating rate notes	Three month JIBAR + 2.50%	29 March 2027	iv	300 000	
Accrued interest				2 830	2 654
Total				402 830	392 654

(i) The FNB X22 fixed rate notes was redeemed in full at the option of the group on 29 March 2017.
(ii) The FNB J22 floating rate notes was redeemed in full at the option of the group on 29 March 2017.
(iii) The FNB X27 fixed notes may be redeemed in full at the option of the group on 29 March 2022. Interest is paid semi-annually in arrears on 29 March and 29 September of each year.
(iv) The FNB J27 floating rate notes may be redeemed in full at the potion of the group on 29 March 2022. Interest is paid quarterly in arrears on 29 March, 29 June, 29 September and 29 December of each year.

These newly issued notes are listed on the Namibian Stock Exchange (NSX).

The notes listed above qualify as Tier two capital for First National Bank of Namibia Limited.

Refer to note 29, fair value of financial instruments for the methodologies used to determine the fair value of tier two liabilities.

23. Share capital and share premium

N$'000	Group and company	
	2017	2016
Authorised		
4 000 (2016: 4 000) ordinary shares with a par value of N$1 per share	4	4
Issued and fully paid up		
1 200 (2016: 1 200) ordinary shares with a par value of N$1 per share	1	1
Share premium	1 142 791	1 142 791

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

23.1 General risk reserves

N$'000	**2017**	2016
First National Bank of Namibia Limited - Credit risk reserve	160 055	135 412
	160 055	135 412

A detailed reconciliation of the movements in the respective reserve balances is set out in the statement of changes in equity.

24. Remuneration schemes

N$'000	Group and company 2017	Group and company 2016
The charge to profit or loss for share-based payments is as follows:		
FNB Namibia share options	4 781	6 985
FirstRand conditional share plan	15 478	6 339
Charge against staff costs (note 4)	20 259	13 324

Share option schemes

FNB Namibia Holdings Ltd options are equity settled. FirstRand conditional share plan is cash settled.

The following is a summary of the share incentive schemes:

FirstRand conditional share plan

The conditional award comprises a number of full shares with no strike price. It is cash settled.These awards vest after three years. The number of shares that vest is determined by the extent to which the performance conditions are met. Conditional awards are made annually and vesting is subject to specified financial and non financial performance conditions, set annually by the group's remuneration committee.

Valuation methodology

The conditional share plan is valued using the Black Scholes option pricing model with a zero strike price. Grants made before 2012 are equity settled and are therefore not repriced at each reporting date. The scheme relating to the grants made during 2012 and after is cash settled and is therefore repriced at each reporting date.

Share incentive scheme

Fair values for the share incentive schemes, are calculated at the date of grant using a modification of the Cox Rubenstein binomial model. For valuation purposes, each call option granted has been valued as a Bermudan call option with a number of exercise dates.

The days on which the options can be exercised has been assumed to be the last day that the share trade cum-dividend.

Dividend data of the following:

- The last dividend paid is the N$ amount of the last dividend before the options were granted;
- The last dividend date is the ex-date of the last dividend; and
- The annual expected dividend growth, which is based on publicly available information.

24. Remuneration schemes continued

Employee statistic assumptions:

- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested.
- The number of iterations is the number to be used in the binomial model, which is limited to 500.
- The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.

Corporate performance targets

The FirstRand Limited group remuneration committee sets the corporate performance targets (CPI's) based on the expected prevailing macroeconomic conditions anticipated during the performance period for the group's long-term incentive schemes, the conditional share plan and the conditional incentive plan. These criteria, which must be met or exceeded to enable vesting, vary from year to year, depending on the macro conditions expected to prevail over the vesting period.

In terms of the scheme rules, participants are not entitled to any dividends on their long term incentive (LTI) allocations during the performance period, nor do these accrue to them during the performance period.

The criteria for the currently open schemes are as follows:

Currently Open

2014 (vests in 2017) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds the South African nominal GDP plus 2% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2014 to the financial year end immediately preceding the vesting date. In addition NIACC must be positive over the three-year performance period.

2015 (vests in 2018) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds South African nominal GDP plus 1% growth on a cumulative basis over a three year period, from base year ended 30 June 2015 to the financial year end immediately preceding the vesting date. In addition, ROE must be equal to or greater than cost of equity plus 5% over the three year performance period. Should nominal GDP plus 1% not be achieved, the remuneration committee may sanction a partial vesting of conditional shares, which is calculated pro rata to the performance which exceeds nominal GDP.

2016 (vests in 2019) – FirstRand Limited must achieve growth in normalised EPS which equals or exceeds the South African nominal GDP growth, on a cumulative basis, over the performance period from the base year_end immediately preceding the vesting period date. Nominal GDP is advised by the FirstRand group treasury, macro strategy unit; and the company delivers ROE of 18_22% over the performance period.

24. Remuneration schemes continued

The significant weighted average assumptions used to estimate the fair value of options granted and the IFRS 2 share based payment expenses for the year under review are:

N$'000	Group and company			
	FNB Share Incentive Trust		FirstRand conditional share plan	
	2017	2016	**2017**	2016
Weighted average exercise price (cents)	721 - 2452	721 - 2452		
Expected volatility (%)	402 - 16	402 - 16	25	25
Expected option life	5	5	3	3
Expected risk free rate (%)	5.81 - 7.69	5.81 - 7.69	6.92 - 7.46	7.36 - 8.06
Share option schemes				
Number of options in force at the beginning of the year ('000)	6 908	9 296	683	198
Granted at prices (cents)	721 - 2 452	721 - 2 452		
Number of options granted during the year ('000)				
Granted at prices ranging between (cents)			597	533
Number of options exercised/released during the year ('000)	(1 519)	(1 761)	(100)	(4)
Market value range at the date of exercise/release (cents)	4 711 - 4 850	2 351 - 3 231	4 725- 5 124	5 073 - 5 073
Number of options cancelled/lapse during the year ('000)	(206)	(627)	(69)	(44)
Granted at prices ranging between (cents)	823 - 2452	823 - 2452		
Number of options in force at the end of the year ('000)	5 183	6 908	1 111	683
Granted at prices ranging between (cents)	721 - 2452	721 - 2452		
Options are exercisable over the following periods: ('000) (first date able to release)				
Financial year 2017		357		
Financial year 2018	3 058	2 061		
Financial year 2019	1 063	2 215		
Financial year 2020	1 062	2 275		
	5 183	6 908		

25. Cash flow information

N$'000	Group		Company	
	2017	2016	**2017**	2016
Reconciliation of operating profit to cash flows from operating activities				
Profit before tax	1 553 727	1 611 696	1 941 123	1 544 839
Adjusted for:				
- Depreciation, amortisation and impairment costs	84 471	74 394	83 404	73 996
- Impairment charge / (reversal) on advances	59 251	47 850	53 137	54 775
- Provision for post-employment benefit obligations	5 195	3 495	5 195	3 495
- Other employment accruals	66 668	57 519	66 668	57 519
- Creation and revaluation of derivative financial instruments	10 383	(3 587)	10 383	(3 587)
- Profit on sale of property and equipment	(7 111)	634	(7 111)	634
- Share-based payment costs	20 259	13 324	20 259	13 324
- Unwinding of discounted present value on non-performing loans (note 10)	(18 436)	(6 782)	(11 341)	(5 867)
- Unwinding of discounted present value on off-market advances (note 2.1)	(2 897)	(1 910)	(2 897)	(1 910)
- Net release of deferred fee and expenses	(15 912)	(25 787)	(14 888)	(25 109)
- Off-market staff loans amortisation (note 4)	2 897	1 910	2 897	1 910
- Share of loss / (profit) from associate company	(2 515)	(1 328)		
- Indirect tax (note 5)	40 016	31 232	38 542	30 764
- Dividends received from subsidary			(440 000)	
Cash flows from operating activities	1 795 993	1 802 660	1 745 370	1 744 783

12. Notes to the annual financial statements
for the year end 30 June continued

26. Contingencies and commitments

N$'000	Group and company 2017	Group and company 2016
Contingencies		
Guarantees *	1 310 407	1 243 106
Letters of credit	34 927	22 970
Total contingencies	1 345 334	1 266 076
Irrevocable unutilised facilities	4 946 466	4 916 248
Committed capital expenditure	7 396	22 305
Total contingencies and commitments	6 291 800	6 182 324

* Guarantees consist predominantly of endorsements and performance guarantees.
The fair value of guarantees approximates the face value as disclosed.

Legal proceedings
There are a number of 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 group basis.
Provision is made for all liabilities which are expected to materialise.

Group and company leasing arrangements:

N$'000	2017			2016		
	Within 1 year	Between 1 and 5 years	After 5 years	Within 1 year	Between 1 and 5 years	After 5 years
Office premises	38 985	60 970	1 267	28 490	44 784	5 104

Notice periods on operating lease contracts are between 3-6 months, no operating lease contract is fixed and escalation clauses range between 7% and 10% (2016: 7% and 10%).

The group has various operating lease agreements, which may or may not contain renewal options. The lease terms do not contain restrictions on the group's activities concerning dividends, additional funding or further leasing.

27. Collateral pledged and held

N$'000	2017	2016
27.1 Collateral taken possession of and recognised on the statement of financial position in accounts receivable, note 12:		
Property	2 822	2 685
Total	2 822	2 685
27.2 Collateral pledged		
The group has pledged assets as security for the following liabilities:		
Short trading position	39 330	
Due to banks and other financial insitutions	509 674	
Currency derivative		182 387
Interest rate derivative		12 812
	549 004	195 199

The group pledges assets under the following terms and conditions:

Collateral in the form of cash and cash equivalents are pledged when the banking group utilises the RMB credit facility over the limit. These transactions are conducted under the terms and conditions that are usual and customary to standard credit facilities.

Collateral in the form of treasury bills are pledged when the banking group utilises the Bank of Namibia credit facility. These transactions are conducted under the terms and conditions that are usual and customary to standard credit facilities.

Assets pledged to secure the above liabilities are carried at and included under the following:

	2017	2016
Due from banks and other financial institutions	53 990	357 820
Investment securities (note 11)	520 070	
	574 060	357 820

28. Related parties

First National Bank of Namibia Limited is 100% (2016: 100%) owned by FNB Namibia Holdings Limited.
FNB Namibia Holdings Limited is listed on the Namibian Stock Exchange and is 58.4% (2016: 58.4%) owned by FirstRand EMA Holdings Proprietary Limited, with its ultimate holding company FirstRand Limited, which is incorporated in South Africa, listed on the JSE Limited and on the NSX. Refer to section 2.2 of the accounting policies.

28.1 Subsidiaries

Details of interests in subsidiaries are disclosed in note 14.

28.2 Associate

Details of the investment in the associate company are disclosed in note 13.

28.3 Details of transactions with relevant related parties appear below:

N$'000	2017	2016
Related party balance		
Advances		
FirstRand group companies	2 305 799	917 612
Fellow subsidiaries	30 776	180 022
Associate	17 665	19 578
Derivative instruments: assets		
FirstRand group companies	3 582	26 580
Other deposits and loans		
FirstRand group companies	680 452	795 915
Fellow subsidiaries	(84 415)	(22 682)
Associate	8 811	12 856
Derivative instruments: liabilities		
FirstRand group companies	106 598	194 727

28. Related parties continued

28.3 Details of transactions with relevant related parties appear below: continued

N$'000	2017	2016
Related party transactions		
Interest paid to (received from) related parties		
FirstRand group companies	(1 972)	(17 084)
Fellow subsidiaries	1 610	(5 040)
Associate	343	(1 903)
Non interest revenue		
FirstRand group companies		2 748
Fellow subsidiaries	6 225	1 889
Associate		27
Non interest expenditure		
FirstRand group companies	250 199	176 517
Fellow subsidiaries		4 840
Associate	12 879	11 908
Dividends paid		
Parent	681 155	526 026

28. Related parties continued

28.4 Key management personnel

N$'000 Loans and advances	Group and company 2017	2016
Advances	20 255	35 490
No impairment has been recognised for loans granted to key management (2016: nil). Mortgage loans are repayable monthly over 20 years.		
Current and credit card accounts	371	(6 182)
Instalment finance	3 513	3 938
Shares and share options held		
Share options held by members of key management	813	1 067
Key management compensation		
Cash package	19 447	19 323
Retirement contribution	3 033	3 102
Performance related benefits	11 829	12 569
Share-based payments	7 420	3 805
Total compensation	41 729	38 799

A listing of the board of directors of the group appears in the directors report.

28.5 Post-employment benefit plan

Refer note 20.2 on detail disclosure of the movements on the post-employment benefit liabilities. The Pension Fund is a related party to the group, refer note 20.3.

29. Fair value measurements

29.1 Valuation methodology

In terms of IFRS, the group is required to or elects to measure certain assets and liabilities at fair value. The group has established control frameworks and processes to independently validate its valuation techniques and inputs used to determine its fair value measurements. Technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established at an overall group level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval by the required technical teams, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date i.e. an exit price. Fair value is therefore a market based measurement and when measuring fair value the group uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value it is presumed that the entity is a going concern and the fair value is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

Fair value measurements are determined by the group on both a recurring and non-recurring basis.

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets, including investment properties and commodities, that the group measures at fair value at the end of each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (for example in a dealer market), the group uses the price within the bid-ask spread that is most representative of fair value in the circumstances. Although not a requirement, the group uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

When determining the fair value of a financial liability or the group's own equity instruments the quoted price for the transfer of an identical or similar liability or own equity instrument is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the liability or own equity instrument is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an inactive market for the identical item) or using another valuation technique.

Where the group has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

29. Fair value measurements continued

29.1 Valuation methodology continued

Non-financial assets

When determining the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use, is taken into account. This includes the use of the asset that is physically possible, legally permissible and financially feasible. In determining the fair value of the group's investment properties and commodities, the highest and best use of the assets was their current use.

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where fair value less costs to sell is the recoverable amount, IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date, and IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under point 30.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

29.2 Fair value hierarchy and measurements

The group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the group include, inter alia, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques.

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

Where a valuation model is applied and the group cannot mark-to-market, it applies a mark-to-model approach, subject to prudent valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. When applying mark-to-model, an extra degree of conservatism is applied. The group will consider the following in assessing whether a mark-to-model valuation is appropriate:

- As far as possible, market inputs are sourced in line with market prices;
- Generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- Where a model has been developed in-house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;
- Formal change control procedures are in place;
- Awareness of the weaknesses of the models used and appropriate reflection in the valuation output;
- The model is subject to periodic review to determine the accuracy of its performance; and
- Valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation.

Measurement of assets and liabilities at level 2

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as Level 2.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
		Derivative financial instruments	
- Option contracts	Option pricing model	The Black Scholes model is used.	Strike price of the option; market related discount rate; forward rate and cap and floor volatility.
- Swaps	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and curves
- Forward rate agreements	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and curves

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
		Derivative financial instruments continued	
- Forward contracts	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves
		Loans and advances to customers	
- Investment banking book*	Discounted cash flows	The future cash flows are discounted using a market related interest rate. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Market interest rates and curves
- Other loans and advances	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves
		Investment securities and other investments	
- Equities/bonds listed in an inactive market	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. level 1). However if the market is not active and the listed price is not representative of fair value and a valuation technique is used, for example the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market related interest rate. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
		Investment securities and other investments continued	
- Unlisted bonds	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period. . In the event that credit spreads are observable for a counterparty, the bonds are classified as level 2 of the fair value hierarchy.	Market interest rates and curves
- Unlisted equities	Price earnings ("P/E") model	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions
- Negotiable certificates of deposit	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves
- Treasury Bills	BESA bond pricing model	The BESA bond pricing model uses the BESA mark to market bond yield.	Market interest rates and curves
- Non-recourse investments	Discounted cash flows	The future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by the legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate in the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rates and curves

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Deposits			
- Call and non-term deposits	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed
- Non-recourse deposits	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected for changes in the applicable credit ratings of the assets.	Market interest rates and foreign exchange rates; credit inputs
- Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves
Other liabilities and Tier 2 liabilities	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Market interest rates and curves

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 3

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as Level 3.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments			
- Option contracts	Option pricing model	The Black Scholes model is used.	Volatilities
- Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as stock prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities
Loans and advances to customers			
- Investment banking book*	Discounted cash flows	The group has elected to designate the investment banking book of advances at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy. The future cash flows are discounted using a market related interest rate. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Credit inputs

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
		Loans and advances to customers continued	
- Other loans and advances	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the group has classified loans and advances to customers in level 3 of the fair value hierarchy.	Credit inputs
		Investment securities and other investments	
- Equities/bonds listed in an inactive market	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. level 1). However if the market is not active and the listed price is not representative of fair value and a valuation technique is used, for example the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market related interest rate. Where the valuation technique incorporates observable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
- Unlisted bonds	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Credit inputs
- Unlisted equities	Price earnings ("P/E") model	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Growth rates and P/E ratios

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
		Deposits	
- Deposits that represent collateral on credit linked notes	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins are used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Growth rates and P/E ratios
- Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Credit inputs

* The group has elected to designate certain investment banking book advances at fair value through profit or loss. The designation is on a deal basis. Credit risk is not observable and has a significant impact on the fair value measurement of these advances and as such, these advances are classified as Level 3 on the fair value hierarchy.

For non-recurring fair value measurements, the fair value measurements are determined on a case by case basis as they occur within each reporting period. The fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to or a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes. There were no such transactions for the current year.

During the current reporting period there were no changes in the valuation techniques used by the group.

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

The following table presents the financial instruments recognised at fair value in the statement of financial position of the group.

N$'000	Group 2017 Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Investment securities (note 11)		3 717 577		3 717 577
Advances (Note 9)			464 205	464 205
Derivative financial instruments (note 8)		95 221		95 221
Total financial assets measured at fair value		3 812 798	464 205	4 277 003
Liabilities				
Recurring fair value measurements				
Derivative financial instruments (note 8)		115 562		115 562
Short Trading position (note 19)	39 330			39 330
Total financial liabilities measured at fair value	39 330	115 562		154 892

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

The following table presents the financial instruments recognised at fair value in the statement of financial position of the group.

N$'000	Company 2017 Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Investment securities (note 11)		3 704 238		3 704 238
Advances (Note 9)			464 205	464 205
Derivative financial instruments (note 8)		95 221		95 221
Total financial assets measured at fair value		3 799 459	464 205	4 263 663
Liabilities				
Recurring fair value measurements				
Derivative financial instruments (note 8)		115 562		115 562
Short Trading position (note 19)	39 330			39 330
Total financial liabilities measured at fair value	39 330	115 562		154 892

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

The following table presents the financial instruments recognised at fair value in the statement of financial position of the group.

	Group and company			
	2016			
N$'000	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Investment securities (note 11)		3 062 515		3 062 515
Advances (Note 9)			491 903	491 903
Derivative financial instruments (note 8)		209 495		209 495
Total financial assets measured at fair value		3 272 010	491 903	3 763 913
Liabilities				
Recurring fair value measurements				
Derivative financial instruments (note 8)		219 454		219 454
Short Trading position (note 19)	36 927			36 927
Total financial liabilities measured at fair value	36 927	219 454		256 381

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

During the reporting period ending 30 June 2017 (30 June 2016), there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives

Fair values of financial instruments recognised in the financial statements may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. In these instances, the net fair value recorded in the financial statements is the sum of three components:

(i) the value given by application of a valuation model, based upon the group's best estimate of the most appropriate model inputs;
(ii) any fair value adjustments to account for market features not included within valuation model (for example, bid mid spreads, counterparty credit spreads and / or market data uncertainty); and
(iii) day one profit or loss, or an unamortised element thereof, not recognised immediately in the income statement in accordance with the group's accounting policy, and separately detailed within this note below.

The group classifies financial instruments in Level 3 of the fair value hierarchy when significant inputs into the valuation model are not observable. In addition to the valuation model for Level 3, financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

Changes in level 3 fair value instruments

N$'000	Fair value on June 2016	Purchases/ (sales)/issues/ (settlements)	Gains or losses recognised in profit and loss	**Fair value on June 2017**
Assets				
Advances	491 903	(81 612)	53 914	464 205

N$'000	Fair value on June 2015	Purchases/ (sales)/issues/ (settlements)	Gains or losses recognised in profit and loss	Fair value on June 2016
Assets				
Advances	519 585	(80 569)	52 887	491 903

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on the statement of financial position and the movement in fair values recognised in the statement of comprehensive income. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$ 510 625 (2016: N$ 545 734) and using more negative reasonable possible assumptions to N$ 417 785 (2016: N$ 446 510).

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

The table below presents the total gains (losses) relating to financial instrument classified in Level 3 that are still held on 30 June. With the exception of interest on funding instruments all of these gains or losses are recognised in non interest income.

	2017		
N$'000	Gains or (losses) recognised in profit and loss	Gains or (losses) recognised in other comprehensive income	Total gains or loss
Assets			
Advances	53 914		53 914
Total financial assets classified at level 3	53 914		53 914

	2016		
N$'000	Gains or (losses) recognised in profit and loss	Gains or (losses) recognised in other comprehensive income	Total gains or loss
Assets			
Advances	52 887		52 887
Total financial assets classified at level 3	52 887		52 887

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position. For all other instruments the carrying value is equal to or a reasonable approximation of the fair value.

	Group		Company		
	2017		2017		
N$'000	Carrying amount	Fair value	Carrying amount	Fair value	Fair value hierarchy
Assets					
Total advances at amortised cost	3 798 372	3 791 628	3 738 770	3 732 131	Level 2
Total advances at amortised cost	24 063 416	24 020 687	23 685 821	23 643 763	Level 3
Liabilities					
Total deposits and current accounts	30 551 208	30 496 959	30 477 957	30 423 838	Level 2
Tier two liabilities	402 830	441 837	402 830	441 837	Level 2

	Group		Company		
	2016		2016		
N$'000	Carrying amount	Fair value	Carrying amount	Fair value	Fair value hierarchy
Assets					
Total advances at amortised cost	3 041 692	3 024 123	2 982 636	2 965 408	Level 2
Total advances at amortised cost	22 342 636	22 213 582	21 908 840	21 782 292	Level 3
Liabilities					
Total deposits and current accounts	28 004 707	28 022 173	28 003 862	28 021 327	Level 2
Tier two liabilities	392 654	391 047	392 654	391 047	Level 2

29. Fair value measurements continued

29.2 Fair value hierarchy and measurements continued

Day one profit or loss

In accordance with the group's accounting policies, if there are significant unobservable inputs used in a valuation technique of a financial instrument, the financial instrument is recognised at the transaction price and any day one profit is deferred. The balance relates to Advances designated at fair value through profit or loss.

The table below sets out the aggregate day one profits yet to be recognised in profit or loss at the beginning and end of the year with a reconciliation of changes in the balance during the year:

	Group and company	
N$'000	2017	2016
Unrecognised profit at the beginning of the year	1 202	4 873
Additional profit on new transactions		
Recognised in profit or loss during the year	(1 202)	(3 671)
Unrecognised profit at the end of the year		1 202

Loans and receivables designated as fair value through profit or loss

Certain instruments designated at fair value through profit or loss would meet the definition for classification as loans and receivables in terms of IAS 39 were it not for the fair value designation i.e. unquoted debt instruments. The table below contains details on the change in credit risk attributable to these instruments.

	Group and company	
N$'000	2017	2016
	Carrying value	
Included in advances	464 205	491 903

The change in credit risk is the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

The was no change in credit risk due to the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

30. Financial instruments subject to offsetting, mater netting arrangements 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 an ISDA agreement with a derivative counterparty. Due to the fact that ISDA agreements under which derivatives are traded are not legally enforceable within Namibia, in the normal course of business or on bankruptcy, the IAS 32 set-off requirements of legal enforceability is not met thus no financial assets and financial liabilities have been presented on the net amount in the statement of financial position.

31. Risk management

The risk report appears on pages 10 to 31 of the this annual report. The reported describes the various risks the group is exposed to, as well
as the methodology and instruments to mitigate these risks. Risk control policies and exposures limits for the key risk areas of the group are approved by the Board, while operational policies and controls procedures are approved by the relevant risk committees. The main financial risks that the business is exposed to are detailed in this note.

31. Risk management continued

31.1 Maximum exposure to credit risk

Total exposure

	Group		Company	
N$'000	**2017**	2016	**2017**	2016
Cash and cash equivalents	779 738	1 523 895	761 644	1 523 895
- Balances with central banks	779 738	1 523 895	761 644	1 523 895
Due by banks and other financial institutions	2 664 980	1 772 268	2 664 980	1 772 268
Advances	28 325 993	25 876 230	27 888 795	25 359 962
- Card loans	319 067	231 756	319 067	231 756
- Overdraft and managed accounts	3 437 420	2 574 308	3 437 419	2 574 308
- Instalment sales and lease receivables	3 480 402	3 526 891	3 480 407	3 526 891
- Home loans	12 538 245	11 779 641	12 101 365	11 263 375
- Term loans	7 746 864	6 919 180	7 746 542	6 919 180
- Investment bank term loans	464 205	517 934	464 205	517 934
- Advances under agreement to resell	39 629	36 230	39 629	36 230
- Other	300 162	290 290	300 162	290 290
Derivative financial instruments	95 221	209 495	95 221	209 495
Debt investment securities	3 717 577	3 062 515	3 717 577	3 062 515
- Listed investment securities	1 087 997	925 928	1 087 997	925 928
- Unlisted investment securities	2 629 580	2 136 586	2 629 580	2 136 586
Accounts receivable	81 993	58 762	130 135	93 082
Amounts not recognised (in the statement of financial position)	6 291 800	6 182 324	6 291 800	6 182 324
Guarantees	1 310 407	1 243 106	1 310 407	1 243 106
Letters of credit	34 927	22 970	34 927	22 970
Irrevocable commitments	4 946 466	4 916 248	4 946 466	4 916 248

31. Risk management continued

31.2 FR rating mapping to international and national rating scales

The group categorises current exposures according to an internal rating scale, the FR ratings, ranging from FR 1 to FR 100, with the FR 1 being the best rating with the lowest probability of default. The FR ratings have been mapped to default probabilities as well as external rating agency international rating scales.

The ratings and the associated probability of default ("PD") reflect two different conventions. The "point in time" PDs reflect the default expectations under the current economic cycle whereas the "through the cycle" PDs reflect a longer term of average over the economic cycle.

The FR scale is summarised in the following table, together with a mapping to international scale rating from external agencies:

FR Rating	Mid point PD	International scale mapping*
FR 27 - 91	3.73%	AAA to B-
Above FR 91		Below B-

* Indicative mapping to international rating scale of Fitch and S&P.

31. Risk management continued

31.3 Credit quality

The table below presents an analysis of the credit quality of neither past due nor impaired (i.e. performing) advances (refer to note 31.2 for the FR rating mapping to international and national rating scales):

Group

N$'000	Total neither past due nor impaired	Card loans	Overdraft and managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Investment bank term loans	Other
2017								
FR 27 - 91	26 688 343	314 152	3 427 835	3 429 408	11 145 203	7 567 750	464 205	339 791
Above FR 91	451 116	5 780	45 613	26 535	256 605	116 583		
Total	27 139 459	319 932	3 473 448	3 455 942	11 401 808	7 684 334	464 205	339 791
2016								
FR 27 - 91	24 972 664	230 874	2 606 665	3 543 615	10 919 065	6 828 385	517 934	326 126
Above FR 91	11 178	1 314	5 349	4 068	23	29		395
Total	24 983 842	232 188	2 612 014	3 547 683	10 919 088	6 828 414	517 934	326 521

31. Risk management continued

31.3 Credit quality continued

Credit quality of financial assets other than advances neither past due nor impaired

Group

N$'000	Investment securities	Derivatives	Cash and short term funds	Due from banks and other financial institutions	Accounts receivable	Total
International scale mapping (National equivalent):						
2017						
AAA to BB- (A to BBB)	3 704 238	95 221	791 193	2 664 980	18 924	7 274 555
Unrated						
Total	3 704 238	95 221	791 193	2 664 980	18 924	7 274 555
2016						
AAA to BB- (A to BBB)	3 062 515	209 495	1 523 895	1 772 268	15 138	6 583 311
Unrated						
Total	3 062 515	209 495	1 523 895	1 772 268	15 138	6 583 311

31. Risk management continued

31.3 Credit quality continued

The table below presents an analysis of the credit quality of neither past due nor impaired (i.e. performing) advances (refer to note 31.2 for the FR rating mapping to international and national rating scales):

Company

N$'000	Total neither past due nor impaired	Card loans	Overdraft and managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Investment bank term loans	Other
2017								
FR 27 - 91	26 255 288	314 152	3 427 835	3 429 412	10 712 465	7 567 428	464 205	339 791
Above FR 91	451 116	5 780	45 613	26 535	256 605	116 583		
Total	26 706 404	319 932	3 473 448	3 455 947	10 969 070	7 684 011	464 205	339 791
2016								
FR 27 - 91	24 483 627	230 874	2 606 665	3 543 614	10 430 030	6 828 385	517 934	326 126
Above FR 91	11 178	1 314	5 349	4 068	23	29		395
Total	24 494 805	232 188	2 612 014	3 547 682	10 430 053	6 828 414	517 934	326 521

31. Risk management continued

31.3 Credit quality continued

Credit quality of financial assets other than advances neither past due nor impaired

Company

N$'000	Investment securities	Derivatives	Cash and short term funds	Due from banks and other financial institutions	Accounts receivable	Total
International scale mapping (National equivalent):						
2017						
AAA to BB- (A to BBB)	3 704 238	95 221	791 193	2 664 980	18 924	7 274 555
Unrated						
Total	3 704 238	95 221	791 193	2 664 980	18 924	7 274 555
2016						
AAA to BB- (A to BBB)	3 062 515	209 495	1 523 895	1 772 268	15 020	6 583 193
Unrated						
Total	3 062 515	209 495	1 523 895	1 772 268	15 020	6 583 193

31. Risk management continued

31.4 Credit risk management continued

Group

	Age analysis					
	Neither	Past due but not impaired				
N$'000	past due nor impaired	1 - 30 days	One instalment	Two instalments	Impaired	Total
2017						
Advances						
- Card loans	319 932				2 844	322 776
- Home loans	11 401 808		903 137	62 081	211 739	12 578 764
- Instalment sales and lease receivables	3 455 943		42 717	2 548	25 200	3 526 408
- Investment bank term loans	464 205					464 205
- Overdraft and managed accounts	3 473 448				24 309	3 497 757
- Term loans	7 684 333		47 648	8 403	75 056	7 815 440
- Other	339 791					339 791
Sub total	27 139 459		993 502	73 032	339 147	28 545 140
Accounts receivable						
- Items in transit	52 909					52 909
- Deferred Staff cost	83 644					83 644
- Other accounts receivable	29 084					29 084
Sub total	165 636					165 636
Total	27 305 094		993 502	73 032	339 147	28 710 777

12. Notes to the annual financial statements
for the year end 30 June continued

31. Risk management continued

31.4 Credit risk management continued

Group

N$'000	Age analysis: Neither past due nor impaired	Past due but not impaired: 1 - 30 days	Past due but not impaired: One instalment	Past due but not impaired: Two instalments	Impaired	Total
2016						
Advances						
- Card loans	232 188				1 052	233 240
- Home loans	10 919 088		647 824	95 646	152 720	11 815 278
- Instalment sales and lease receivables	3 547 683				23 176	3 570 859
- Investment bank term loans	517 934					517 934
- Overdraft and managed accounts	2 612 014				20 845	2 632 859
- Term loans	6 828 414		79 279	11 390	53 573	6 972 656
- Other	326 521					326 521
Sub total	24 983 842		727 103	107 036	251 366	26 069 347
Accounts receivable						
- Items in transit	47 295					47 295
- Deferred staff cost	45 310					45 310
- Other accounts receivable	11 467					11 467
Sub total	104 072					104 072
Total	25 087 914		727 103	107 036	251 366	26 173 419

31. Risk management continued

31.4 Credit risk management continued

Company

N$'000	Age analysis: Neither past due nor impaired	Past due but not impaired: 1 - 30 days	Past due but not impaired: One instalment	Past due but not impaired: Two instalments	Impaired	Total
2017						
Advances						
- Card loans	319 932				2 844	322 776
- Home loans	10 969 070		903 137	62 081	205 473	12 139 760
- Instalment sales and lease receivables	3 455 947		42 717	2 548	25 200	3 526 413
- Investment bank term loans	464 205					464 205
- Overdraft and managed accounts	3 473 448				24 309	3 497 757
- Term loans	7 684 011		47 648	8 403	75 056	7 815 118
- Other	339 791					339 791
Sub total	26 706 404		993 502	73 032	332 881	28 105 818
Accounts receivable						
- Items in transit	105 421					105 421
- Deferred Staff cost	83 644					83 644
- Other accounts receivable	24 713					24 713
Sub total	213 778					213 778
Total	26 920 182	-	993 502	73 032	332 881	28 319 596

31. Risk management continued

31.4 Credit risk management continued

Company

N$'000	Age analysis					
	Neither past due nor impaired	Past due but not impaired				
		1 - 30 days	One instalment	Two instalments	Impaired	Total
2016						
Advances						
- Card loans	232 188				1 052	233 240
- Home loans	10 430 053		647 824	95 646	146 454	11 319 977
- Instalment sales and lease receivables	3 547 683				23 176	3 570 859
- Investment bank term loans	517 934					517 934
- Overdraft and managed accounts	2 612 014				20 845	2 632 859
- Term loans	6 828 414		79 279	11 390	53 573	6 972 656
- Other	326 521					326 521
Sub total	24 494 807		727 103	107 036	245 100	25 574 046
Accounts receivable						
- Items in transit	82 209					82 209
- Deferred Staff cost	45 310					45 310
- Other accounts receivable	10 873					10 873
Sub total	138 392					138 392
Total	24 633 198		727 103	107 036	245 100	25 712 438

The above assets are managed with reference to the days in arrears and include assets where monthly payments are due as residential mortgages, installment sale products and personal loans.

The assets in the wholesale segment and commercial segment are generally not managed with reference to monthly payments in arrears as these assets are reviewed on an individual portfolio basis.

31. Risk management continued

31.5 Liquidity risk management

The table below represents the contractual discounted cash flows of assets and liabilities.

N$'000	Group			
	2017			
	Term to maturity			
	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	1 414 296	1 414 296		
Due by banks and other financial institutions	2 667 981	2 667 981		
Derivative financial instruments	95 221	95 221		
Advances	28 325 993	5 059 918	2 595 263	20 670 812
Investment securities	3 704 238	771 591	1 531 095	1 401 552
Accounts receivable	18 924	18 924		
Financial assets	36 226 653	10 027 933	4 126 358	22 072 363
Non financial assets	1 275 874			
Total assets	37 502 527	10 027 933	4 126 358	22 072 363
Equity and liabilities				
Deposits	30 551 208	21 431 236	5 850 023	3 269 949
Due to banks and other financial institutions	1 192 537	679 978	35 047	477 512
Short trading position	39 330	39 330		
Derivative financial instruments	115 562	115 562		
Creditors and accruals	95 837	95 837		
Tier two liabilities	402 830	2 830		400 000
Financial liabilities	32 397 304	22 364 772	5 885 070	4 147 461
Non financial liabilities	802 175			
Total liabilities	33 199 479	22 364 772	5 885 070	4 147 461
Total equity	4 303 048	4 303 048		
Total equity and liabilities	37 502 527	26 667 820		
Net liquidity gap		(12 336 839)	(1 758 712)	17 924 902
Cumulative liquidity gap		(12 336 839)	(14 095 551)	3 829 351

31. Risk management continued

31.5 Liquidity risk management continued

N$'000	Group 2016 Term to maturity: Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	2 093 611	2 093 611		
Due by banks and other financial institutions	1 772 268	1 772 268		
Derivative financial instruments	209 495	209 495		
Advances	25 876 231	3 874 344	2 424 570	19 577 317
Investment securities	3 062 515	1 062 988	986 024	1 013 503
Accounts receivable	15 138	15 138		
Financial assets	33 029 258	9 027 844	3 410 594	20 590 820
Non financial assets	1 140 804			
Total assets	34 170 062			
Equity and liabilities				
Deposits	28 004 707	20 605 589	5 516 445	1 882 673
Due to banks and other financial institutions	800 972	79 263	107 122	614 587
Short trading position	36 927	36 927		
Derivative financial instruments	219 454	219 454		
Creditors and accruals	30 810	30 810		
Tier two liabilities	392 654	2 654		390 000
Financial liabilities	29 485 524	20 974 697	5 623 567	2 887 260
Non financial liabilities	763 763			
Total liabilities	30 249 287			
Total equity	3 920 775	3,920,775		
Total equity and liabilities	34 170 062	24 891 430		
Net liquidity gap		(11 946 851)	(2 212 973)	17 703 560
Cumulative liquidity gap		(11 946 851)	(14 159 824)	3 543 735

31. Risk management continued

31.5 Liquidity risk management continued

The table above represents the contractual discounted cash flows of assets and liabilities. Relying solely on the contractual liquidity mismatch when looking at a bank's maturity analysis would overstate the risk, since this represents the absolute worst case maturity analysis. As an industry phenomenon in Namibia, banks are particularly negatively gapped (contractually) in the shorter term due to the country's structural liquidity position. This implies that more short term obligations are due than short term assets maturing, hence the group's calculation of an adjusted liquidity mismatch analysis, applying the methodology of business under normal circumstances and a framework to manage this mismatch.

Liquidity mismatch analysis

The purpose of liquidity mismatch is to anticipate the maturities in the statement of financial position when business is done under normal conditions, i.e. applying behaviorally adjusted assumptions. This analysis disregards the overstated liquidity risk reflected in the contractual mismatch, when business as usual applies. Through analysis of various products and segments on the statement of financial position the "business as usual" liquidity gap is derived. It describes the liquidity gap of the bank after taking into account product behavioral assumptions for rolling of maturities and days to realise assets. For example, a cheque account deposit which has an ambiguous maturity classified as having a maturity profile on demand. The behavior (under normal circumstances and on an going concern basis) of such an account is, however, of a long term nature when assuming reinvestment takes place. Similarly the wholesale call loan book has a contractual maturity on call, but a portion of the wholesale book may not be called upon, due to customer relationship repercussions or other incentives.

Maturity analysis of liabilities based on undiscounted amount of the contractual payment.

N$'000	Group 2017 Term to maturity: Total amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	31 474 764	21 868 523	6 077 585	3 528 656
Due to banks and other financial institutions	1 409 086	630 866	32 504	745 716
Short trading position	39 330	39 330		
Derivative financial instruments	115 562	115 562		
Creditors and accruals	95 837	95 837		
Tier two liabilities	788 606	7 386	32 504	748 716
Financial liabilities	33 923 185	22 757 504	6 142 593	5 023 088
Off statement of financial position				
Financial and other guarantees	1 345 334	1 325 939	19 395	
Facilities not drawn	4 946 466	4 946 466		

31. Risk management continued

31.5 Liquidity risk management continued

N$'000	Group 2016 Term to maturity Total amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	28 654 765	20 643 900	5 558 891	2 451 974
Due to banks and other financial institutions	800 972	186 386	207 002	407 584
Short trading	36 927	36 927		
Derivative financial instruments	219 454	219 454		
Creditors and accruals	30 810	30 810		
Tier two liabilities	572 998	11 190	139 961	421 847
Financial liabilities	30 315 926	21 128 667	5 905 854	3 281 405
Off statement of financial position				
Financial and other guarantees	1 266 077	59 452	94 396	1 112 229
Facilities not drawn	4 916 248	4 916 248		

31. Risk management continued

31.5 Liquidity risk management continued

The table below represents the contractual discounted cash flows of assets and liabilities.

N$'000	Company 2017 Term to maturity Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	1 381 367	1 381 367		
Due by banks and other financial institutions	2 639 879	2 639 879		
Derivative financial instruments	95 221	95 221		
Advances	27 888 795	4 622 720	2 595 263	20 670 812
Investment securities	3 704 238	771 591	1 531 095	1 401 552
Accounts receivable	18 924	18 924		
Financial assets	35 728 425	9 529 704	4 126 358	22 072 363
Non financial assets	1 718 644			
Total assets	37 447 069	9 529 704	4 126 358	22 072 363
Equity and liabilities				
Deposits	30 477 957	21 357 985	5 850 023	3 269 949
Due to banks and other financial institutions	1 209 286	696 727	35 047	477 512
Short trading position	39 330	39 330		
Derivative financial instruments	115 562	115 562		
Creditors and accruals	95 837	95 837		
Tier two liabilities	402 830	2 830		400 000
Financial liabilities	32 340 801	22 308 270	5 885 070	4 147 461
Non financial liabilities	829 655			
Total liabilities	33 170 456	22 308 270	5 885 070	4 147 461
Total equity	4 276 613			
Total equity and liabilities	37 447 069	22 308 270	5 885 070	4 147 461
Net liquidity gap		(12 778 566)	(1 758 712)	17 924 902
Cumulative liquidity gap		(12 778 566)	(14 537 278)	3 387 624

31. Risk management continued

31.5 Liquidity risk management continued

N$'000	Company 2016 Term to maturity Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	2 093 611	2 093 611		
Due by banks and other financial institutions	1 772 268	1 772 268		
Derivative financial instruments	209 495	209 495		
Advances	25 383 379	3 381 492	2 424 570	19 577 317
Investment securities	3 062 515	1 062 988	986 024	1 013 503
Accounts receivable	15 020	15 020		
Financial assets	32 536 288	8 534 874	3 410 594	20 590 820
Non financial assets	1 200 654			
Total assets	33 736 942			
Equity and liabilities				
Deposits	28 003 862	20 604 744	5 516 445	1 882 673
Due to banks and other financial institutions	800 972	79 264	107 122	614 587
Short trading position	36 927	36 927		
Derivative financial instruments	219 454	219 454		
Creditors and accruals	30 828	30 828		
Tier two liabilities	392 654	2 654		390 000
Financial liabilities	29 484 697	20 973 871	5 623 567	2 887 260
Non financial liabilities	759 658			
Total liabilities	30 244 355			
Total equity	3 492 587	3,492,587		
Total equity and liabilities	33 736 942	24 462 416	5 623 567	2 887 260
Net liquidity gap		(12 438 996)	(2 212 973)	17 703 560
Cumulative liquidity gap		(12 438 996)	(14 651 969)	3 051 591

31. Risk management continued

31.5 Liquidity risk management continued

Maturity analysis of liabilities based on undiscounted amount of the contractual payment.

N$'000	Company 2017 Term to maturity Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	31 474 764	21 868 523	6 077 585	3 528 656
Due to banks and other financial institutions	1 409 086	630 866	32 504	745 716
Short trading position	39 330	39 330		
Derivative financial instruments	115 562	115 562		
Creditors and accruals	95 837	95 837		
Tier two liabilities	788 606	7 386	32 504	748 716
Financial liabilities	33 923 185	22 757 504	6 142 593	5 023 088
Off statement of financial position				
Financial and other guarantees	1 345 334	1 325 939	19 395	
Facilities not drawn	4 946 466	4 946 466		

31. Risk management continued

31.5 Liquidity risk management continued

N$'000	Company 2016 Term to maturity Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	28 654 765	20 643 900	5 558 891	2 451 974
Due to banks and other financial institutions	800 972	186 386	207 002	407 584
Short trading position	36 927	36 927		
Derivative financial instruments	219 454	219 454		
Creditors and accruals	30 828	30 828		
Tier two liabilities	572 998	11 190	139 961	421 847
Financial liabilities	30 315 944	21 128 685	5 905 854	3 281 405
Off statement of financial position				
Financial and other guarantees	1 266 077	59 452	94 396	1 112 229
Facilities not drawn	4 916 248	4 916 248		

31. Risk management continued

31.6 Foreign currency

The table below summarise the group's assets and liabilities at carrying amounts, categorised by currency, as at the end of reporting period.

N$'000	Group **2017** Currency concentration Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	1 414 296	1 414 266	9	20	1
Due by banks and other financial institutions	2 667 981	2 391 320	228 727	34 097	13 837
Derivative financial instruments	95 221	90 264	4 844	85	28
Advances	28 325 993	27 776 941	549 052		
Investment securities	3 717 577	3 717 577			
Accounts receivable	18 924	18 924			
Financial assets	36 239 991	35 409 291	782 632	34 202	13 867
Non financial assets	1 262 536	1 262 536			
Total assets	37 502 527	36 671 827	782 632	34 202	13 867
Equity and liabilities					
Deposits	30 551 208	30 551 208			
Due to banks and other financial institutions	1 192 537	643 485	549 052		
Short trading position	39 330	39 330			
Derivative financial instruments	115 562	109 502	5 415	109	536
Creditors and accruals	95 837	95 837			
Tier two liabilities	402 830	402 830			
Financial liabilities	32 397 304	31 842 192	554 467	109	536
Non financial liabilities	802 175	802 175			
Total liabilities	33 199 479	32 644 367	554 467	109	536
Total equity	4 303 048	4 303 048			
Total equity and liabilities	37 502 527	36 947 415	554 467	109	536

31. Risk management continued

31.6 Foreign currency continued

N$'000	Group 2016 Currency concentration Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	2 093 611	2 044 110	38 942	9 342	1 215
Due by banks and other financial institutions	1 772 268	1 179 757	516 693	74 606	1 212
Derivative financial instruments	209 495	24 912	129 270	14 723	40 590
Advances	25 876 231	25 119 105	757 126		
Investment securities	3 062 515	3 062 515			
Accounts receivable	15 138	15 138			
Financial assets	33 029 256	31 445 537	1 442 031	98 671	43 017
Non financial assets	1 140 806	1 140 806			
Total assets	34 170 062	32 586 343	1 442 031	98 671	43 017
Equity and liabilities					
Deposits	28 004 707	28 004 707			
Due to banks and other financial institutions	800 972	43 949	757 023		
Short trading position	36 927	36 927			
Derivative financial instruments	219 454	37 823	128 267	13 395	39 969
Creditors and accruals	30 810	30 810			
Tier two liabilities	392 654	392 654			
Financial liabilities	29 485 524	28 546 870	885 290	13 395	39 969
Non financial liabilities	763 763	763 763			
Total liabilities	30 249 287	29 310 634	885 290	13 395	39 969
Total equity	3 920 775	3 920 775			
Total equity and liabilities	34 170 062	33 231 408	885 290	13 395	39 969

31. Risk management continued

31.6 Foreign currency continued

The table below summarise the company's assets and liabilities at carrying amounts, categorised by currency, as at the end of reporting period.

N$'000	Company 2017 Currency concentration Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	1 381 367	1 381 337	9	20	1
Due by banks and other financial institutions	2 639 879	2 363 218	228 727	34 097	13 837
Derivative financial instruments	95 221	90 264	4 844	85	28
Advances	27 888 795	27 339 743	549 052		
Investment securities	3 704 238	3 704 238			
Accounts receivable	18 924	18 924			
Financial assets	35 728 423	34 897 722	782 632	34 202	13 867
Non financial assets	1 718 646	1 718 646			
Total assets	37 447 069	36 616 368	782 632	34 202	13 867
Equity and liabilities					
Deposits	30 477 957	30 477 957			
Due to banks and other financial institutions	1 209 286	660 234	549 052		
Short trading position	39 330	39 330			
Derivative financial instruments	115 562	109 502	5 415	109	536
Creditors and accruals	95 837	95 837			
Tier two liabilities	402 830	402 830			
Financial liabilities	32 340 801	31 785 689	554 467	109	536
Non financial liabilities	829 655	829 655			
Total liabilities	33 170 456	32 615 344	554 467	109	536
Total equity	4 276 613	4 276 613			
Total equity and liabilities	37 447 069	36 891 957	554 467	109	536

31. Risk management continued

31.6 Foreign currency continued

N$'000	Company 2016 Currency concentration Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	2 093 611	2 044 112	38 942	9 342	1 215
Due by banks and other financial institutions	1 772 268	1 179 757	516 693	74 606	1 212
Derivative financial instruments	209 495	24 912	129 270	14 723	40 590
Advances	25 383 379	24 626 253	757 126		
Investment securities	3 062 515	3 062 515			
Accounts receivable	15 020	15 020			
Financial assets	32 536 288	30 952 568	1 442 031	98 671	43 017
Non financial assets	1 200 655	1 200 655			
Total assets	33 736 942	32 153 222	1 442 031	98 671	43 017
Equity and liabilities					
Deposits	28 003 862	28 003 862			
Due to banks and other financial institutions	800 972	43 949	757 023		
Short trading position	36 927	36 927			
Derivative financial instruments	219 454	37 823	128 267	13 395	39 969
Creditors and accruals	30 828	30 828			
Tier two liabilities	392 654	392 654			
Financial liabilities	29 484 691	28 546 158	885 290	13 395	39 969
Non financial liabilities	759 658	759 658			
Total liabilities	30 244 355	29 305 816	885 290	13 395	39 969
Total equity	3 492 587	3 492 587			
Total equity and liabilities	33 736 942	32 798 403	885 290	13 395	39 969

31. Risk management continued

31.7 Repricing

The repricing profile of the group's books is depicted in the table below. Items are allocated to time periods with reference to the earlier of the next contractual interest rate repricing date and the maturity date.

N$'000	Group **2017** Repricing profile Carrying amount	<3 months	>3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	37 502 527	33 104 979	1 143 828	620 983	2 632 736
Total equity and liabilities	37 502 527	27 420 391	4 120 980	711 013	5 250 143
Net repricing gap		5 684 589	(2 977 152)	(90 030)	(2 617 407)
Cumulative repricing gap		5 684 589	2 707 437	2 617 407	

N$'000	Group 2016 Repricing profile Carrying amount	<3 months	>3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	34 170 062	29 651 354	1 084 834	1 369 551	2 064 323
Total equity and liabilities	34 170 062	24 772 146	3 928 561	639 352	4 830 002
Net repricing gap		4 879 208	(2 843 727)	730 199	(2 765 679)
Cumulative repricing gap		4 879 208	2 035 481	2 765 679	

31. Risk management continued

31.7 Repricing continued

N$'000	Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
	Company				
	2017				
	Repricing profile				
Total assets	37 447 069	32 611 818	1 143 828	620 983	3 070 439
Total equity and liabilities	37 447 069	27 363 888	4 120 980	711 013	5 251 188
Net repricing gap		5 247 930	(2 977 152)	(90 030)	(2 180 748)
Cumulative repricing gap		5 247 930	2 270 778	2 180 748	(0)

N$'000	Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
	Company				
	2016				
	Repricing profile				
Total assets	33 736 942	29 651 354	1 084 834	1 369 551	1 631 203
Total equity and liabilities	33 736 942	24 772 146	3 928 561	639 352	4 396 883
Net repricing gap		4 879 208	(2 843 727)	730 199	(2 765 679)
Cumulative repricing gap		4 879 208	2 035 481	2 765 679	

31. Risk management continued

31.8 Average balances and effective interest rates

Group

	2017			2016		
	Average balance	Average rate	Interest income/ expense	Average balance	Average rate	Interest income/ expense
N$'000	N$'000	%	N$'000	N$'000	%	N$'000
Assets						
Cash and cash equivalents, including balance with banks	3 151 221	2.6	80 454	3 072 126	3.0	91 279
Advances	26 875 844	10.9	2 920 334	24 724 196	10.4	2 568 095
Investment securities	3 489 146	8.1	281 755	2 912 018	7.2	210 853
Interest-earning assets	33 516 210	9.8	3 282 543	30 708 340	9.3	2 870 227
Non-interest-earning assets	1 086 024			1 488 889		
Total Assets	34 602 235	9.5	3 282 543	32 197 229	9.1	2 870 227
Liabilities						
Deposits and current accounts, balance due to banks	29 322 108	5.1	1 489 060	27 259 615	4.4	1 186 050
Tier two liabilities	396 950	8.6	33 964	394 104	8.4	32 913
Interest-earning liabilities	29 719 058	5.1	1 523 024	27 653 719	3.6	1 218 962
Non-interest-earning bearing liabilities	787 291			893 005		
Total liabilities	30 506 349	5.0	1 523 024	28 546 724	4.3	1 218 962
Total equity	4 095 886			3 650 505		
Total equity and liabilities	34 602 235	4.4	1 523 024	32 197 229	3.8	1 218 962

31. Risk management continued

31.8 Average balances and effective interest rates continued

Company

N$'000	2017 Average balance N$'000	2017 Average rate %	2017 Interest income/ expense N$'000	2016 Average balance N$'000	2016 Average rate %	2016 Interest income/ expense N$'000
Assets						
Cash and cash equivalents, including balance with banks	3 151 271	2.6	80 454	3 072 126	3.0	91 279
Advances	26 413 765	10.9	2 870 813	24 318 222	10.3	2 511 444
Investment securities	3 489 146	8.1	281 755	2 912 018	7.2	210 853
Interest-earning assets	33 054 182	9.8	3 233 022	30 302 366	9.3	2 813 576
Non-interest-earning assets	983 735			1 894 863		
Total Assets	34 037 917	9.5	3 233 022	32 197 229	8.7	2 813 576
Liabilities						
Deposits and current accounts, balance due to banks	29 121 421	5.1	1 489 060	27 259 615	4.4	1 186 049
Tier two liabilities	396 950	8.6	33 964	394 104	8.4	32 913
Interest-earning liabilities	29 518 371	5.2	1 523 024	27 653 719	4.4	1 218 962
Non-interest-earning bearing liabilities	681 027			893 005		
Total liabilities	30 199 398	5.0	1 523 024	28 546 724	4.3	1 218 962
Total equity	3 838 519			3 650 505		
Total equity and liabilities	34 037 917	4.5	1 523 024	32 197 229	3.8	1 218 962

31. Risk management continued

31.9 Sensitivity analysis

Net interest income sensitivity

Assuming no management intervention, a parallel 200 (2016: 200) basis point increase in all yield curves would increase the forecast net interest income for the next year by N$245.4 million (2016: N$196.9 million), while a parallel decrease in all yield curves would decrease the forecast income by N$252.9 million (2016: N$205.3 million).

Foreign currency risk sensitivity analysis

Including foreign denominated cash, the group and company does not ordinarily hold open exposures in respect of the banking book of any significance. All gains and losses on foreign exposures and derivates are reported in profit and loss.

32. Segmentation

There is only one reportable segment for the group which is the banking operation.

In terms of IFRS 8 a customer is regarded as a major customer, if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. The group has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

33. Standards and interpretations issued but not yet effective

The following new and revised standards and interpretations are applicable to the business of the group and may have a significant impact on future financial statements. The group will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IAS 7 (amended)	**Disclosure Initiative (Amendments to IAS 7)** The amendments to IAS 7 require additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments are applicable prospectively and will have no impact on the amounts reported by the group but will introduce additional disclosures.	Annual periods commencing on or after 1 January 2017
IAS 12 (amended)	**Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)** The amendments clarify that unrealised losses on debt instruments that are measured at fair value for accounting purposes but at cost for tax purposes, can give rise to deductible temporary differences and consequently a deferred tax asset may need to be recognised. The carrying amount of the asset does not limit the estimation of probable future taxable profits. These amendments are to be applied retrospectively in the 2018 financial year. FirstRand is in the process of assessing the impact of this amendment on the annual financial statements; however, a significant impact is not anticipated as a result of Namibian tax laws.	Annual periods commencing on or after 1 January 2017
IAS 28 (amended) and **IFRS 10** (amended)	**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IAS 28 and IFRS 10)** The amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture. The amendment requires: • full recognition in the investor's financial statements of the gains or losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3); and • the partial recognition of gains or losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' share in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The amendments are applicable prospectively and the group will assess the impact of the amendment on each transaction as and when they occur.	Annual periods commencing on or after 1 January 2016. The effective date is currently being reviewed by the IASB and will most likely be deferred indefinitely until the completion of a research project on the equity method of accounting conducted by the IASB.

33. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 2 (amended)	**Classification and Measurement of Share-Based Payment Transactions** As a result of work by the IFRS Interpretations Committee, several amendments have been made to IFRS 2 to clarify how to account for certain share-based payment transactions. The amendments to IFRS 2 are related to the following areas: • accounting for the effects of vesting and non-vesting conditions on the measurement of the liability of cash settled share based payment transactions; • classification of share based payment transactions with net settlement features for withholding tax obligations; and • accounting for a modification to the terms and conditions of a share based payment that changes the transaction from cash settled to equity settled. The first two amendments will be applied retrospectively while the third amendment will be applied prospectively to any modifications made on or after the adoption date. The group does not expect the retrospective amendments to have a material impact on the schemes currently in place.	Annual periods commencing on or after 1 January 2018
IFRS 4 (amended)	**Applying IFRS 9 with IFRS 4** The amendment addresses concerns around temporary volatility in reported results arising from implementing IFRS 9 before implementing the insurance contracts standard that is being developed and that will replace IFRS 4. The amendment introduces two approaches: • The overlay approach - an option for all issuers of insurance contracts to remove from profit or loss the effects of some mismatches that may occur before adoption of IFRS 4, and temporarily recognise those impacts. The adjustment only applies to financial assets that are designated as relating to contracts in the scope of IFRS 4 and measured at FVTPL in accordance with IFRS 9, but would have been measured in their entirety at FVTPL under IAS 39. • Temporary exemption - reporting entities whose activities are predominantly connected with insurance are temporarily exempt from applying IFRS 9 and will continue to apply IAS 39 until the new insurance contracts standard is issued. All entities in the group, including those who issue insurance contracts, will apply IFRS 9 for annual periods commencing on or after 1 January 2018 and, therefore, the two approaches made available under this amendment will not be elected. The amendment will have no impact on the group.	Annual periods commencing on or after 1 January 2018

33. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 9	**Financial Instruments** IFRS 9 incorporates amendments to the classification and measurement guidance as well as accounting requirements for impairment of financial assets measured at amortised cost and the general hedge accounting model. The significant amendments are: • Classification and measurement of financial assets under IFRS 9 is based on both the business model and the rationale for holding the instruments as well as the contractual characteristics of the instruments. • Impairments in terms of IFRS 9 will be determined based on an expected loss model that considers significant changes to the asset's credit risk and the expected loss that will arise in the event of default. • Classification and measurement of financial liabilities is effectively the same as under IAS 39 i.e. IFRS 9 allows financial liabilities not held for trading to be measured at either amortised cost or fair value. If, however, fair value is elected then changes in the fair value from changes in own credit risk should be recognised in other comprehensive income. • General hedge accounting requirements under IFRS 9 are closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Hedge effectiveness will now be proved based on management's risk management objectives, rather than the 80%-125% band previously stipulated. IFRS 9 also allows for rebalancing of the hedge and deferral of hedging costs. IFRS 9 does not include requirements that address the accounting treatment of macro hedges. The group is well positioned to implement IFRS 9 for the financial year ending 30 June 2019. To prepare for the implementation, the group has constituted a steering committee which is supported by a number of working groups. The working groups have made sound progress in setting, inter alia, the accounting policies, determining the classification of instruments under IFRS 9, developing pilot models for credit modelling and designing reporting templates. The impact is expected to be significant, however, the development of models is still in the early stages and subject to validation. It is, therefore, not possible to provide an accurate indication of the amount.	Annual periods commencing on or after 1 January 2018

33. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 15	**Revenue from Contracts with Customers** IFRS 15 provides a single, principle-based model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also provides guidance for transactions that were not previously comprehensively addressed and improves guidance for multiple-element arrangements. The standard also introduces enhanced disclosures about revenue. The group is in the process of assessing the impact that IFRS 15 will have on the financial statements. Until the process has been completed, the group is unable to quantify the expected impact.	Annual periods commencing on or after 1 January 2018
IFRS 16	**Leases** IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represent those transactions. The group is in the process of assessing the impact IFRS 16 will have on the financial statements. Until the process has been completed, the group is unable to determine the significance of the impact.	Annual periods commencing on or after 1 January 2019
IFRS 17	**Insurance Contracts** IFRS 17 is the new standard that deals with the accounting for insurance contracts and will replace IFRS 4. IFRS 4 currently contains no requirements to account for insurance contracts in a specific way. The accounting treatment differs between different jurisdictions, which make it very difficult to compare one insurance company to another. IFRS 17 contains specific requirements and aims to provide more transparency and comparability between insurance companies and other industries. IFRS 17 provides a prescriptive approach on determining policyholder liabilities as well as the release of profit in these contracts to the income statement. The recognition of insurance revenue will be consistent with that of IFRS 15. Insurance revenue is derived by the movement in the liability for remaining insurance coverage. The insurance contract liability is initially made up of: • the fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders; and • the contractual service margin (CSM), which represents the unearned profit the entity will recognise as it provides services over the coverage period.	Annual periods commencing on or after 1 January 2021

33. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 17	**Insurance Contracts** continued Subsequently, the liability comprises the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses already incurred but not yet paid). The group is in the process of assessing the impact that IFRS 17 will have on the group's insurance business. Until the process has been completed, the group is unable to determine the significance of the impact.	Annual periods commencing on or after 1 January 2021
IFRS 40	**Transfers of Investment Property (Amendments to IAS 40)** The amendments introduce clarification of the requirements on transfers to, or from investment properties when there has been a change in use of the property. The clarified requirements will be applied by the group to any transfer to or from investment property, when these transactions take place.	Annual periods commencing on or after 1 January 2018
IFRIC 22	**Foreign Currency Transaction and Advance Consideration** This interpretation clarifies the accounting treatment for transactions that involves the advance receipt or payment of consideration in a foreign currency. The group is in the process of assessing the impact on the financial statements but it is not expected to have a significant impact.	Annual periods commencing on or after 1 January 2018
Annual Improvements	**Improvements to IFRS** The IASB issued the *Annual Improvements to IFRS Standards 2014-2016 Cycle.* These annual improvements include amendments to IFRS 1, IFRS 12 and IAS 28. The annual improvement project's aim is to clarify and improve accounting standards. The amendments have been assessed and are not expected to have a significant impact on the group.	Annual periods commencing on or after 1 January 2017 (IFRS 12 amendments) and 1 January 2018 (IAS 12 and IAS 28

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