FIRSTRAND
NAMIBIA

people
partnership
profit
planet

'18

ANNUAL INTEGRATED REPORT

VISION

A great Namibian financial services group, creating a better world!

MISSION

Be the best employer to the best people, who are passionate about stakeholder relationships and innovative, client-centric value propositions, delivered through efficient channels and processes in a sorted out and sustainable manner.

contents

FIRSTRAND NAMIBIA

FNB First National Bank

RMB NAMIBIA

ASHBURTON INVESTMENTS

WesBank

OUTSURANCE NAMIBIA

About this report

We, FirstRand Namibia Limited (group), are pleased to present our Integrated Annual Report. We aim to inform all stakeholders interested in the group's ability to create sustainable value over time.

This report contains comprehensive information on the operational and financial performance of the group, its stakeholders, governance, material issues, risks and opportunities and how these influence our strategic objectives. In so doing, we show how we create value and impact as an integral part of the Namibian Community and how we will ensure that our value creation is sustainable.

SCOPE AND BOUNDARY

This report covers the financial, environmental and social performance, operational highlights and strategic objectives of the FirstRand Namibia group and its governance. Our reports cover all operations and entities in which the group has a controlling interest and which are under our management. It covers the period 1 July 2017 to 30 June 2018. There have been no restatements of financial information in respect of prior periods. The principle of materiality has been applied in determining the content and extent of disclosure in the Integrated Annual Report. For more details on how we determine materiality, see below.

NAME CHANGE

On 2 July 2018 FNB Namibia Holdings Limited changed its name to FirstRand Namibia Limited.

REPORTING PRINCIPLES AND ASSURANCE

This report is compiled and presented considering the requirements of the Namibia Code of Governance Principles for Namibia 2014 (NamCode) and the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework. We have implemented these codes as far as practicable and endeavour to improve thereon as the journey continues. Our annual financial statements, presented on pages 67 to 237, were prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Banking Institution Act, No 2 of 1998 (Banks act) as amended and the Companies Act of Namibia, of 2004 (Companies Act), where appropriate. FirstRand Namibia group applies a combined assurance model to optimise the assurance obtained from its risk management department and the internal and external assurance providers on risks affecting us. For more information, see the corporate governance report on page 43.

APPROVALS AND ASSURANCE

In accordance with the Companies Act No. 28 of 2004, as amended, the consolidated annual financial statements were audited by the group's independent external auditors, Deloitte & Touche Namibia, whose unqualified audit opinion may be found on page 69.

DETERMINING MATERIALITY

This integrated annual report aims to provide an accurate, accessible and balanced overview of the FirstRand Namibia group strategy, performance and outlook in relation to material economic, financial, social, environmental and governance issues. It concentrates on items of both a qualitative and quantitative nature that are material to the group's ability to deliver on its strategy. The FirstRand Namibia group defines material issues as those which have the potential to substantially impact our ability to create and sustain value for our stakeholders.

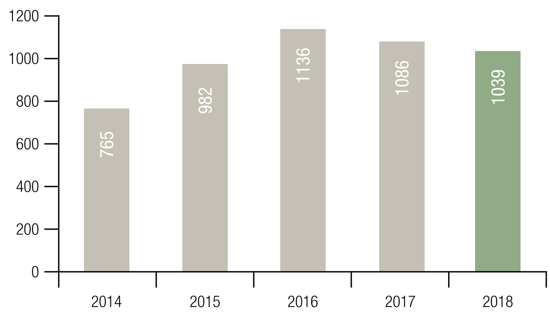
While the FirstRand Namibia group gives consideration to all items raised by stakeholders, it does not report on all of these in its integrated annual report. The integrated reporting team applied its judgement in determining the appropriate level of disclosure of material matters in the integrated annual report, tabling the report to both the executive committee and the board for opinion. The process we adopted to determine the issues material to the group and our stakeholders is aligned with our organisational decision-making processes and our strategies. By applying the principle of materiality we determined which issues could influence the decisions, actions and performance of the group. We describe our most material issues as our key priorities and refer you to pages 26 to 30 of this report in which we describe the circumstances in which we operate, the key resources and relationships on which we depend, the key risks and opportunities we face and how our key priorities can affect our ability to create and sustain value over time.

APPROVAL BY THE BOARD

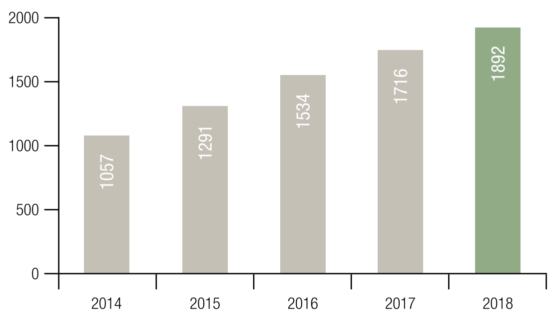
This report was prepared under the supervision of the Chief Financial Officer, Oscar Capelao CA (NAM) (SA). The Board is ultimately responsible for ensuring the integrity of the integrated annual report, assisted by the audit and risk committee and further supported by the group executive committee and management, which convened internal teams with the relevant skills and experience to undertake the reporting process and provided management oversight. Internal parties have devoted significant thought to how best to communicate the FirstRand Namibia story. The Board, after applying its collective mind to the preparation and presentation of the report, concluded that it was presented in accordance with the Integrated Reporting Framework and approved it for publication on 7 August 2018.

Features of the group results

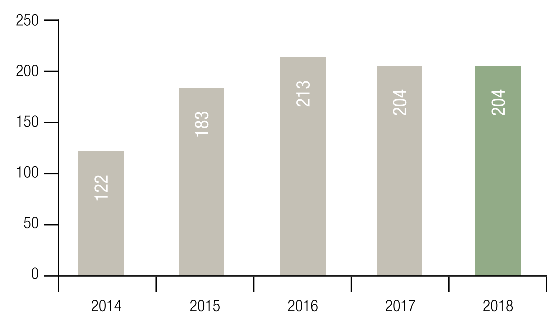
Headline earnings
(N$ millions)



Net assets value per share
(cents)



Dividends per ordinary share declared
(cents)



Profit for the year
(N$ millions)

↓4.7%

2018: N$1 061 I 2017: N$1 113

Cost to income
ratio (%)

↑1.9%

2018: 50.3% I 2017: 48.4%

Return on
assets (%)

↓0.3%

2018: 2.7% I 2017: 3%

Total
Assets (%)

↑4.2%

2018: N$39,410 I 2017: N$37,810

Headline earnings
per share (cents)

↓4.4%

2018: 397.9c I 2017: 416.2c

Basic earnings
per share (cents)

↓5.0%

2018: 398.1c I 2017: 418.9c

Dividend yield -
ordinary dividend (%)

↑0.2%

2018: 4.5% I 2017: 4.3%

Net assets value
per share (cent)

↑10.3%

2018: 1 892c I 2017: 1 716c

Dividend cover(times) based
on dividends declared

=1.9

2018: 1.9 I 2017: 2.0

Market capitalisation
(N$ million)

↓4.5%

2018: N$12 036m I 2017: N$12 606m

Return on equity (%)

22.1%

2018: 22.1% | 2017: 25.6%

Dividend per share (cents)

=204

2018: 204c | 2017: 204c

Earnings yield (%)

8.8%

2018: 8.8% | 2017: 8.9%

Closing share price - ordinary (cents)

↓4.5%

2018: 4 498c | 2017: 4 711c

Price / Earnings ratio

11.3

2018: 11.3 | 2017: 11.2

Price to book

2.4

2018: 2.4 | 2017: 2.7

Capital management

Banking group (%)

18.7%

2018: 18.7% | 2017: 17.2%

Consolidated group (%)

19.1%

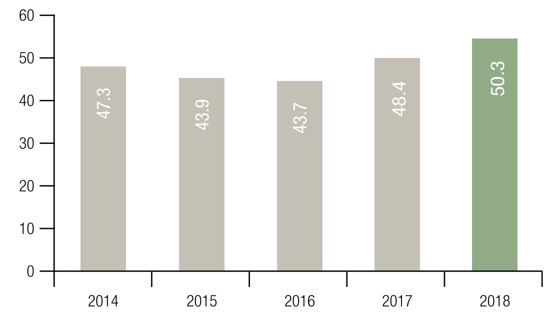
2018:19.1% | 2017: 17.4%

OUTsurance - solvency margin

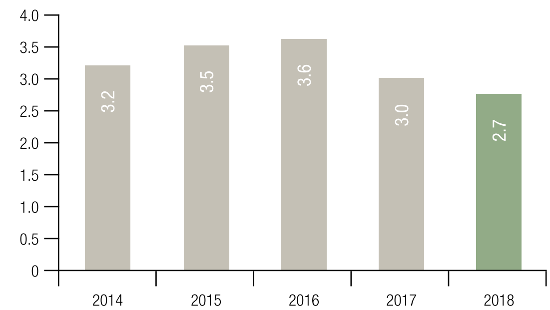
=63%

2018: 63% | 2017: 50.0%

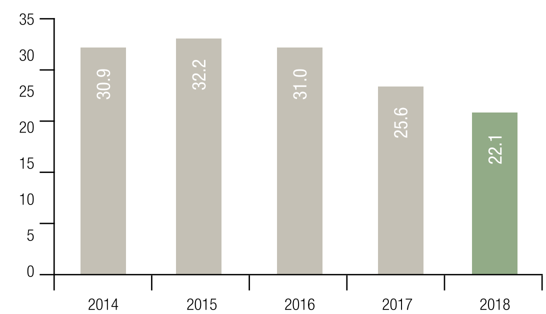
Cost to income ratio (%)



Return on average assets (%)



Return on average equity (%)



01 UNDERSTANDING OUR GROUP

5 year review

STATEMENT OF COMPREHENSIVE INCOME

N$ million	2018	2017	2016	2015	2014
Net interest income before impairment of advances	**1 820**	1 765	1 654	1 453	1 138
Impairment and fair value of credit of advances	**(128)**	(59)	(48)	(50)	(18)
Net interest income after impairment of advances	**1 692**	1 706	1 606	1 403	1 120
Non-interest income	**1 796**	1 553	1 507	1 260	1 087
Net insurance income	**89**	79	86	72	55
Income from operations	**3 577**	3 338	3 199	2 735	2 262
Operating expenses	**(1 981)**	(1 663)	(1 417)	(1 222)	(1 070)
Net income from operations	**1 596**	1 675	1 782	1 513	1 192
Share of profit from associates	**1**	3	1	1	1
Income before tax	**1 597**	1 678	1 783	1 514	1 193
Indirect tax	**(46)**	(41)	(32)	(27)	(22)
Profit before tax	**1 551**	1 637	1 751	1 487	1 171
Income tax expense	**(490)**	(524)	(533)	(488)	(386)
Profit for the year	**1 061**	1 113	1 218	999	785
Other comprehensive income for the year	**(3)**	(1)	(14)	(16)	(1)
Total comprehensive income for the year	**1 058**	1 112	1 204	983	784
Profit attributable to:					
Equity holders of the parent	**1 040**	1 093	1 198	982	774
Non-controlling interests	**21**	20	20	17	11
Total comprehensive income for the year attributable to:					
Equity holders of the parent	**1 037**	1 092	1 184	966	773
Non-controlling interests	**21**	20	20	17	11
	1 058	1 112	1 204	983	784
Reconciliation of earnings attributable to ordinary shareholders and headline earnings:					
Earnings attributable to ordinary shareholders	**1040**	1093	1 198	982	774
Headline earnings adjustments	**(1)**	(7)	(62)	-	(9)
Headline earnings	**1 039**	1 086	1 136	982	765

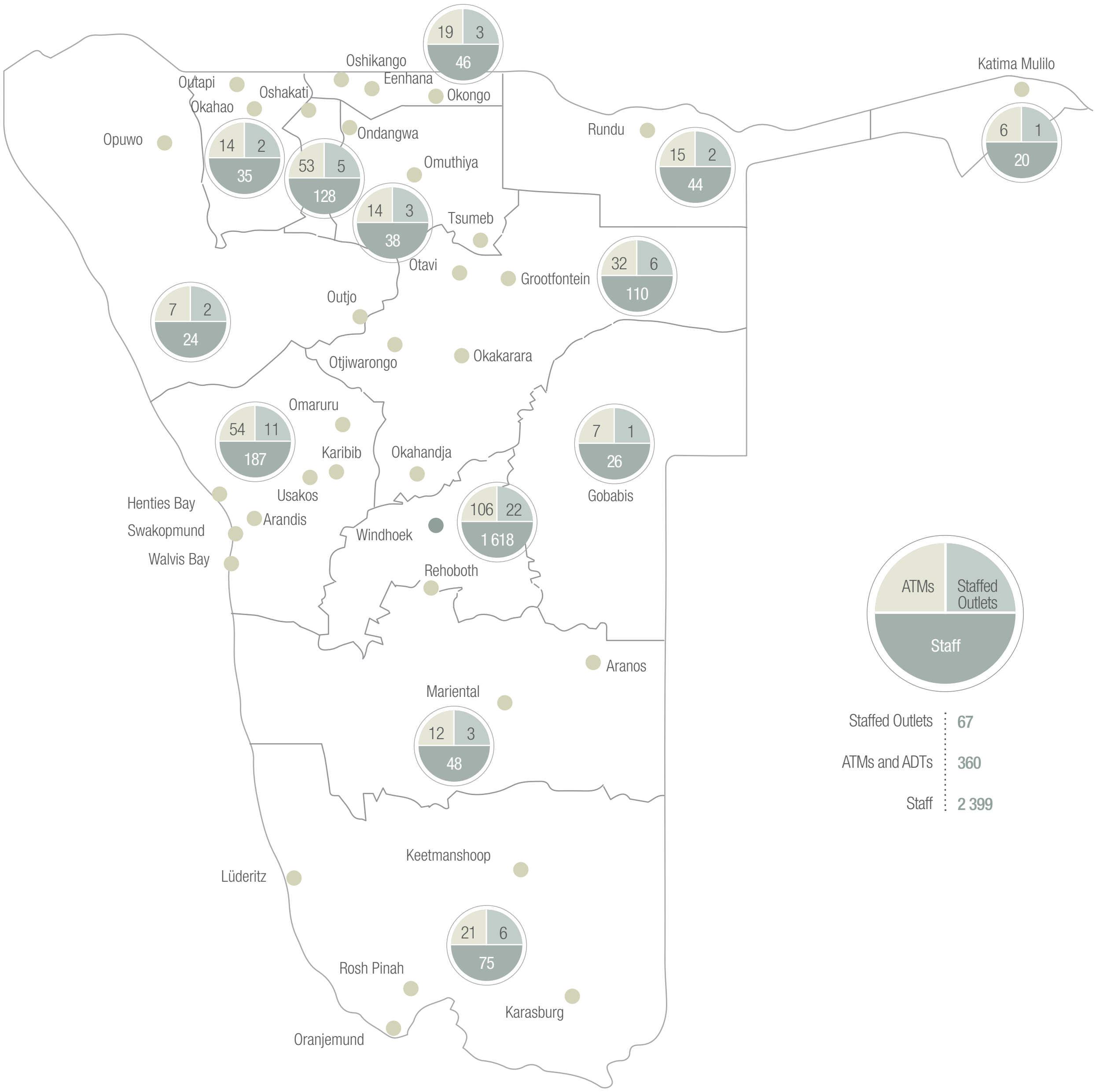
STATEMENT OF FINANCIAL POSITION

N$ million	2018	2017	2016	2015	2014
Assets					
Cash and cash equivalents	1 346	1 466	2 120	795	868
Due from banks and other financial institutions	2 782	2 668	1 772	1 585	1 766
Derivatives financial instruments	94	95	209	159	92
Advances	28 532	28 259	25 776	22 833	19 991
Investment securities	5 266	3 866	3 237	3 366	2 833
Other assets	1 390	1 456	1 071	1 046	706
Total assets	39 410	37 810	34 185	29 784	26 256
Equity and liabilities					
Liabilities					
Deposits	31 546	30 488	27 794	23 952	21 522
Due to banks and other financial institutions	897	1 193	801	1 020	813
Derivative financial instruments	110	116	219	172	109
Other liabilities	1 841	1 472	1 330	1 251	1 035
Total liabilities	34 394	33 269	30 144	26 395	23 479
Equity					
Equity attributable to equity holders of the parent	4 943	4 479	3 990	3 349	2 746
Non-controlling interests	73	62	51	40	31
Total equity	5 016	4 541	4 041	3 389	2 777
Total equity and liabilities	39 410	37 810	34 185	29 784	26 256

RATIOS AND SELECTED FINANCIAL INFORMATION

	2018	2017	2016	2015	2014
Ratios:					
Return on assets (earnings on average assets) (%) - normalised	2.7	3.0	3.6	3.5	3.2
Return on equity (headline earnings on average equity)(%)	22.1	25.6	31.0	32.2	30.9
Cost to income ratio (%) - normalised	50.3	48.4	43.7	43.9	47.3
Share statistics:					
Closing share price - ordinary (cents)	4 498	4 711	4 754	3 278	2 316
Price / Earnings ratio	11.3	11.2	10.9	8.7	7.8
Earnings yield (%)	8.8	8.9	9.7	11.5	12.9
Price to Book	2.4	2.7	3.2	2.8	2.2
Basic earnings per share (cents)	398.1	418.9	459.7	377.5	297.7
Headline earnings per share (cents)	397.9	416.2	435.9	377.6	294.7
Net asset value per share (cents)	1 892	1 716	1 534	1 291	1 057
Market capitalisation	12 036	12 606	12 721	8 772	6 197
Dividend information:					
Dividends per share - ordinary dividend declared (cents) *	204	204	213	183	122
* based on current year profits					
Dividends per share - ordinary dividend paid (cents) **	204	213	203	138	109
** based on dividends paid within financial year					
Dividend yield - ordinary dividend (%)	4.5	4.3	4.5	5.6	4.7
Dividend cover (times) based on total dividends	1.9	2.0	2.0	2.0	2.4
Capital adequacy					
Banking group (%)	18.7	17.2	17.8	17.4	17.1
Consolidated group (%)	19.1	17.4	18.5	17.8	17.3
OUTsurance - solvency margin	63.3	50.0	39.5	39.1	37.0
Number of staff	2 399	2 350	2 411	2 164	1 940

Where we serve Namibia



How our clients transact

Volumes million >	2018	2017	% Up/ (down)
Branches	6	7	(6%)
ATM's & ADT's	32	30	5%
Speed-points	14	12	15%
Online banking	16	14	10%
Cellphone	19	16	20%
Ewallets	10	9	13%

Our business model

Capital investment in

Financial
We are entrusted with shareholder contributions and funding from investors and clients are managed optimally.

Infrastructure
Continued capital investment. To deliver financial services through convenient physical outlets as well as secure electronic delivery platforms.

Our People
2 399 dedicated employees. Spend N$ 9 million on training costs for employees.
"The best people working for the best employer".
Provide for an engaged workforce. Motivated by high internal moral and market related remuneration.

Natural and Social
Continued commitment of 1% of NPAT to the FirstRand Namibia Foundation. Contributions for the upliftment of the Namibian environment and community.

Income generated

Lending
N$ 3 182 million generated from loans issued to clients.

Investments
N$ 401 million generated through liquid asset portfolio.

Insurance
Short term insurance income of N$ 185 million generated through premiums.

Infrastructure
Fee and commission income earned of N$ 1 796 million by providing convenient channels through which clients can transact.

Costs incurred

Provisions
Provisions issued against loans N$ 128 million.

Funding costs
Clients rewarded for deposits N$ 1 762 million interest expense paid out.

Insurance
Claims payed to OUTsurance clients of N$ 96 million.

Operations
Various costs incurred to maintain infrastructure N$ 921 million.

Employee costs
Employees rewarded with market related remuneration N$ 1 060 million.

Taxes
Various taxes collected and paid to government N$ 469 million and deferred tax of N$ 67 million.

Income after tax
N$1 061mil

Value added statement

Client centric

- Offering clients the opportunity to be part of leading brands
- Receive innovative financial solutions

The value added by FirstRand Namibia through our operations

N$ 000	2018	2017
Income earned by providing financial services	3 583	3 286
Cost of services	(1 891)	(1 580)
Value added by financial services	1 692	1 706
Non-operating and other income and expenditure	1 063	945
Value added by operations	2 755	2 651

Government

N$ 469 million paid in the form of taxes

Shareholders

N$ 533 million paid to providers of capital

Employees

N$ 1 060 million paid to employees | Salaries and other benefits

Expansion and Growth

N$ 693 million for depreciation deferred tax and retained income

Natural and Social

N$ 10.7 million spent by FirstRand Namibia Foundation Trust | Continued investment in society

Value created

sustainability report

15 - 24

Sustainability report

As an end-to-end financial services partner, it is of great importance to us to ensure that the way we deliver more for customers and our country, is both sustainable and inspirational.

Our commitment as a group to be the best employer to the best people and Create a Better World for all our Stakeholders continues to be executed through 4 pillars, namely Planet, Partnership, Profit and People. We have invested heavily in the development and protection of the Environment, Economy and the Society in which we operate, through considered and long-term contributions to upliftment and enablement, and through sponsorship and our corporate social responsibility activities in excess of N$ 50 million across the country over the last 5 years.

We remain committed to being a business that employs the right people, values its customers, and does the right things. In as much as there we are vigilant and compliant to industry regulations that talk to market and business conduct, fundamentally what we stand for is doing business with the right people and operating in a fair and ethical way.

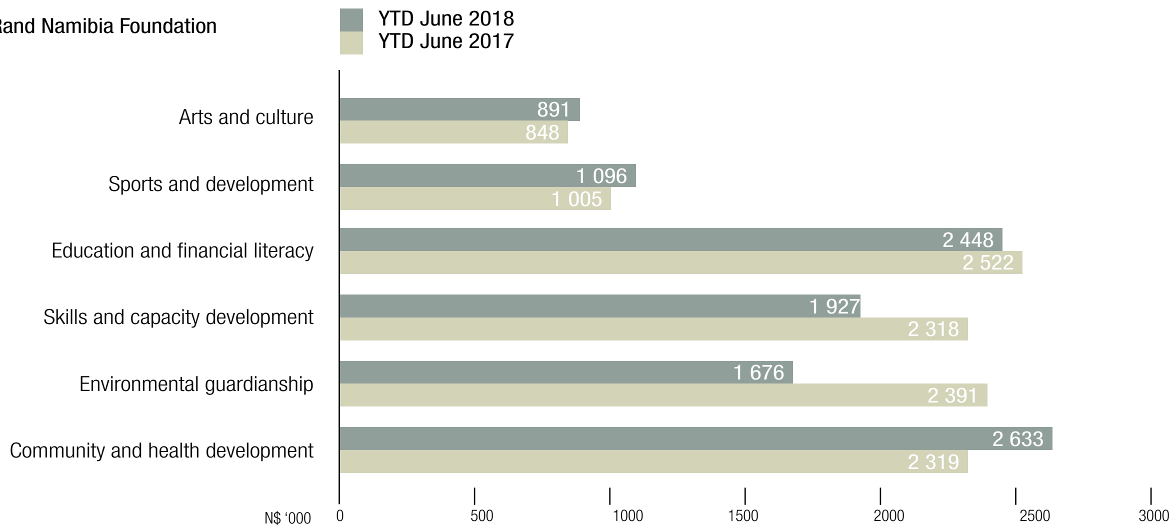
Social Capital

The FirstRand Namibia group commits 1% NPAT annually to our national support and development activities in the Trustee primary mandated categories of Education and Financial Literacy, Community and Health Development, Environmental Guardianship, Skills and Capacity Building, as well as development in Sports and Arts and Culture to the FirstRand Namibia Foundation.

Corporate Social Responsibility (CSR) is an integral part of the group's corporate business practice, and the Foundation operates under an independent Chairperson, with independent and sponsor Trustees; who are guided by an approved Trust Deed and Corporate Social Investment policy.

Below is the analysis of foundation expenditure for the period 2017-18:

FirstRand Namibia Foundation



FirstRand Namibia Foundation Highlights

COMMUNITY AND HEALTH DEVELOPMENT: 22 PROJECTS

Cancer Associasion Namibia

- N$200,000 towards House Acacia
- 24 Towns across Namibia
- 101 41 beneficiaries
- In 2017 the National outreach programme extended to all regions of Namibia with the highest reach in history.

Shack Dwellers Federation and Housing Action Group of Namibia

- N$1 million towards low cost housing
- 84 houses constructed in 2017/18
- 68 year old pensioner from Otavi, Magdalena Neibes, "I am so old but have been living in other people's houses. By joining the Federation, I improved my life and today am a proud home owner.

COMMUNITY AND HEALTH DEVELOPMENT: 21 PROJECTS SUPPORTED

Lifeline Childline

- N$144,800 towards Counselling Centre expenses
- 55 309 Child Helpline calls received
- Lifeline Childline continues to strengthen efforts to promote safer, healthier, more resilient, children, families and communities in Namibia.

Bethanie motivation workshop

- N$100,000
- 3,226 Youth inspired since inception
- Five-weeks motivational workshops and soft skills with out-of-school, unemployed young people in Bethanie.

ENVIRONMENTAL GUARDIANSHIP: 14 PROJECTS

FNB Global United Climate Kick 2018

- N$400,000
- 8 great years of Global United Climate kick.
- 10,000 beneficiaries from schools in Windhoek, Walvis Bay, Mariental, Outjo, Katima Mulilo, Gobabis and Okahandja.
- Recycling competitions, clean up campaigns and tree planting activities.

AfriCat Namibia

- N$250,000
- Protection kraals for the !Khoad di //Hoas and Ehirovipuka Conservancies.
- Fewer lions have been killed.
- Data collected on collared lions greatly improved knowledge on behaviour of the lions which in return assisted with the implementation of improved strategies on human & wildlife conflict.

SKILLS & CAPACITY DEVELOPMENT: 6 PROJECTS

SMEs Complete

- N$594,000 towards entrepreneurial development of 2000 entrepreneurs
- Training interventions include: entrepreneur's round table experience sharing sessions, mentorship programmes and market access events.
- With FNB's backing SMEs Compete's support of Namibian's entrepreneurs over the past 12 years has positioned entrepreneurs to grow business and create jobs.

CHANGE Namibia

- N$330,600 towards computer, millenary and tailoring courses for 1200 participants.
- Quite a number of those trained have managed to open up their own tailoring businesses.

EDUCATION & FINANCIAL LITERACY: 14 PROJECTS

Amos Meercat Syllabus

- N$635,200
- 2018: 4160 learners 5- and 6-year old and 226 teachers across the country in informal pre-schools on farms and in informal settlements.
- From a total of 84 grade 1 report cards received, 53 learners were above average, 25 were on average whilst only 6 learners were below average.

I Namibia Mathematics Institute

- N$189,100
- Initiative was a very timely intervention to boost the moral of our Grade 1 teachers teaching the majority of San learners in the region.
- The Omwaalu board covers many concepts in the syllabus and enables the teacher to repeat important concepts on a daily basis.

SPORTS DEVELOPMENT: 6 DEVELOPMENT PROJECTS

Cricket Namibia

- N$250,000
- Cricket development training for girls and boys aged between 7-10 from Khomas, Erongo, Kavango East and Oshana Regions.
- More than 10 schools participated with 15,000 learners and 55 teachers benefiting from the project.

Tennis Development Programme

- N$250,000 towards the Play & Stay Tennis Development Programme
- Schools from the Erongo, Kavango, Khomas and Otjozondjupa Regions participate on a yearly basis.
- Players compete in the u.10, u.12 and u.14 age groups
- Excellent platform for young players to play competitive Tennis.

ARTS & CULTURE: 8 DEVELOPMENT PROJECTS

Song Night

- N$70,000 for the development and training of upcoming artists.
- Song Night workshops were introduced to educate new singers on various invaluable industry topics including how to quote.
- Committed singers are presented with “regular gigging” opportunities.

NAGN Workshops

- N$604,600 over a period of 3 years toward the identification and development of talent.
- Facilitators encourage artist to have at least one finished piece of art by the end of the workshop.
- Workshops are held in the Khomas, Kavango West, Oshana, Hardap, Omaheke, Erongo and //Karas Regions.

Customers

Customer service is at the core of the group's existence and drives the provision of increasingly more accessible and affordable transactional banking and lending as well as expert support regarding investment and insurance.

FirstRand Namibia ramped up its digital transformation in the year under review, resulting in cheaper, more easily accessible and speedier banking services through alternative channels for taking deposits and facilitating withdrawals outside branches. Through our ATM and ADT networks and through partner banking relationships, clients can now withdraw and deposit cash at participating retail outlets, such as supermarkets and other merchants. These initiatives have impact on customer banking behaviour, and help facilitate easy customer migration from expensive branch-based transactions to more economical electronic transactions.

Electronic solutions to bank every Namibian

As the leading innovator in banking our investment in technology aims to help our customers to help themselves at significantly reduced costs. Ongoing enhancements on our eWallet, the user-friendly FNB App and our cellphone and online solutions, continue to delight customers, who remain our strongest promoters in the market. Expect to see more and more high-end products, services and channels introduced into the market, aimed to improve the ease of banking nationwide.

An example of this is our one-stop shop integrated payment solution called eCommerce Switch, slick and smooth experience for customers that ensures real-time payment approval so goods or services could get to customers quickly and efficiently. The services of a third party service provider are no longer required thus saving money and time.

More and more customers have not visited a physical branch in the past year, opting instead to transact on the Bank's digital platforms, exciting evidence that our customers are experiencing the value of embracing FNB self-servicing channels. FNB's self-service toolbox includes ADTs (automatic deposit taking machines), where FNB customers can deposit up to N$20 000 per day, Cash at Till, allowing FNB customers to withdraw cash at selected retailers after swiping their debit card to pay for purchases, and CashPlus, which offers FNB customers cash deposit and withdrawal services at selected Small and Medium Retail outlets, effectively taking the bank to the people. Introducing banking solutions to remote areas, essentially to wherever our customers are, is one of the ways we pro-actively answer our own question of 'how can we help?

Government and regulation

FirstRand Namibia has always engaged positively with the Namibian Government and various industry forums to promote the national interest, especially on economic and social fronts. FNB is committed to the national Harambee Prosperity Plan and NDP 5. Our attitude to regulation has always been one of applying the spirit and letter of the law, even when it may negatively impact our bottom line, as we believe this ultimately results in us building a sustainable business. We will continue to enhance those relationships, believing in achieving the ultimate aim of creating a better Namibia.

New regulation tends to fundamentally change the way we do business; therefore while we actively contribute to new legislation debate, we maintain a business we believe is agile enough to manage necessary changes as they arise.

Ethical Governance

Ethical governance is core to the FirstRand Namibia group strategic leadership. We embrace worldwide ethical best practices to ensure integrity in our business and market conduct.

In line with the Namcode, we have an Ethics and Conduct committee which comprises members of the executive committee, including the two executive directors.

The Ethics and Conduct committee convenes quarterly to monitor and assess the effectiveness of the Ethics Programme. Each month the Ethics Officer reports on the maturity and deployment of the ethics programme throughout the organisation.

The Ethics Program consists of:

- A code of Ethics;
- A Whistleblowing Platform;
- Anti-Bribery and Corruption training and awareness; and
- Whistle-blower Rewards known as Leading Light Rewards.

Our people sustain our group

Our Human Capital strategy encompasses a holistic approach in building and driving a high performance, owner-manager culture and values-driven culture. While the skills and competencies held by the group are necessary to effectively perform, driving the right organisational culture through passionate, motivated and engaged employees is considered our competitive advantage.

We understand that a sustainable and win-win employment relationship is dependent upon trust, and to build and retain the trust of our employees we annually conduct employee engagement surveys to understand and address any employee concerns. The outcome of these surveys provides us with valuable insight into the needs of our employees and the necessary action plans and initiatives required to address these needs.

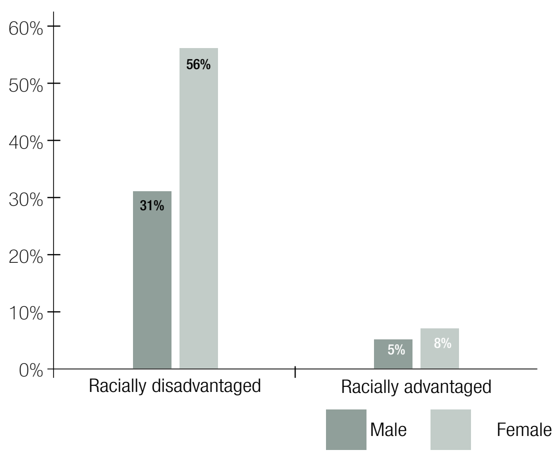
The success of our employee engagement strategy is evident in our recent Group Engagement Survey results. This survey was conducted across the FirstRand group and FirstRand Namibia results exceeded that of the rest of Africa Subsidiaries as well as the South African norm. We also improved on our 2016-17 performance, indicating that our people engagement strategy is appreciated and working.

	FistRand Namibia Segment 2018	FistRand Namibia Segment 2017
Engagement	83%	80%
Alignment	85%	86%
Agility	75%	74%
Innovation	68%	67%
Customer/Client Focus	82%	82%

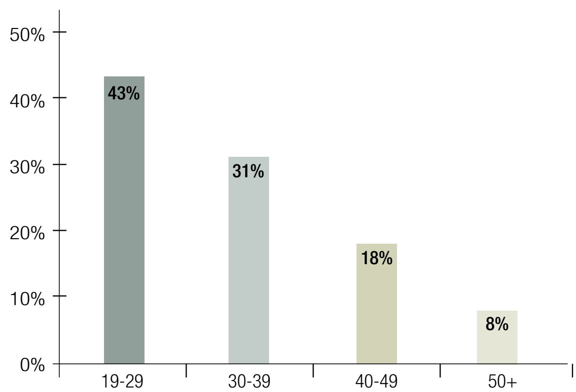
Our 2017-2018 strategic initiatives for the People Pillar focused amongst others on the following: Transformation to embrace our diversity; embedding our culture and values; effectively managing our talent; improving open and transparent communication; reward and recognition improvement and most importantly the personal wellbeing of our employees.

During 2016 we launched our in-house Diversity intelligence programme with the focus to increase awareness on unconscious bias and the effect it has on others and the work environment as well as to expand employees' knowledge on the importance of valuing diversity to build inclusivity. This programme continues, and will remain an annual compulsory development intervention for all newcomers. Our commitment towards embracing diversity is further confirmed through the awarding of the Affirmative Action Compliance Certificate by the Equity Commissioner. The statistics below provides an overview of our diversity distribution within the group as at financial year-end:

Gender distribution



Age distribution



To further develop and entrench our desired owner-manager, high performance culture we launched our FUSED values campaign during 2016 to acknowledge and reward employees who set an example through their daily behaviours in how they live the values. Our first group of overall winners were rewarded with an all-inclusive incentive trip to Mauritius during the period under review. Our revitalised FUSED campaign for the new financial year was launched in March 2018.

To remain sustainably competitive in an environment where the war for talent is ever increasing we understand that attracting and retaining passionate people is key to our future success. Our Talent Management strategy is therefore a major strategic focus area and we will continue to invest in this important aspect of our business.

To date seven graduates have successfully completed our Graduate Development Programme and another three Graduates were successful for the 2018 intake. The focus of this very intensive and specialised 1-year programme is to attract and retain high potential Namibian graduates that will be employed in entry level single-dependency professional roles where skills are generally not available internally or externally. The Graduate Trainees are specifically developed to take over an identified critical or specialist position.

Our Bursary Programme is one of our flagship Corporate Responsibility Programmes. The aim of this programme is to give tertiary education access to financially disadvantaged, yet academically strong students. During the 2017-18 financial year we awarded 7 bursaries to young and upcoming talent with an extra investment value of N$ 890 017 to current bursary holders. Our bursaries provide for full financial support to each student and cover all tertiary costs, accommodation, books, travel expenses and monthly allowances.

As part of our capacity building programme, internal bursaries were extended to previously disadvantaged, non-managerial employees and / or their dependents, through the Staff Assistance Trust. This Trust additionally covers unexpected medical expenses. A total of 72 employees and/or their dependents received financial assistance during this financial year to a value of N$ 391 150.

To retain our talented workforce we require highly competent leaders that have the ability to motivate and inspire employees to achieve exceptional results. For this reason we developed and implemented our first in-house Leadership Development programme that is designed to equip our Managers and Supervisors with theoretical and practical tools in order to be able to implement their learnings in the workplace.

This programme will run over a period of 1-year with the following outcomes as a key result:

- Developing the appropriate leadership competence and behaviour at the required delivery levels;
- Ensuring alignment of leadership style, brand and building on the key leadership practices required to underpin the organisation's culture, philosophy, values, vision and mission;
- Aligning and enhancing technical/functional competence through the efficient delivery of best practices;
- Delivering high performance values based on owner-manager competence; and
- Focused development on current and future skill requirements.

As at June 2018 we have invested a total of N$ 900 000 in 205 leaders who participated in our Leadership Development Programme.

The group also made a significant investment in the development and implementation of a Branch Manager Development programme and the Premium Academy. The purpose of the Branch Manager Development programme is to build in-branch capacity and develop our talent pool in order to maintain our competitive edge in the market. The aim of the Premium Academy is to upskill and develop our Premium Professionals to effectively and efficiently serve our affluent client base. To date a combined total 265 employees completed these two programmes with a total investment to date of N$ 659 723.

Our Talent Pipelining and Succession Management Programme is aimed at ensuring that the group is not unnecessarily exposed to people risks associated with the planned and unplanned loss of knowledge that is critical to the group's business continuity. This programme will guarantee a sustainable supply of the right talent in the right positions, at the right time and at the right level of excellence to enable the group to deliver on its vision and strategic objectives both now and into the future. Specifically, the programme seeks to achieve the following:

- Identification, development and retention of high performing, high potential employees within the group who have the ability to advance into critical or Leadership positions and who will make a significant contribution to the group;
- Systematic and long term development of individuals to replace critical job incumbents as the need arises due to resignations, deaths, disabilities, retirements and other unexpected eventualities; and

- Improve talent mobility and retention by providing a continuous flow of talented people to meet the group's leadership and mission critical requirements.

The Talent and Succession Management Plans reflect the group's commitment to affirmative action and diversity in the profile of the business. As such, the group's Transformation and Employment Equity Plan is at all times being considered to ensure that equal development opportunities are being afforded to deserving employees, and that the EE policy is being upheld and EE targets are being achieved.

Aside from our specialized training courses, we also provide generic job-specific and soft skills training. A total of 1 701 employees attended these courses while the group contributed N$ 9.6 million to the skills development fund of the National Training Authority.

In line with the Operational Efficiencies strategy, we continued to focus on process improvements. To this end we automated our Performance Management System as well as the personal development plans. The new performance management system provides for openness and transparency as it is employee driven and thereby ensuring that every employee is aligned to our strategic goals. To further improve efficiencies we developed and implemented an online Induction Programme that is compulsory for all new employees. The benefit of this programme is that new employees are introduced and exposed to the Company's culture, strategy, values, policies, history and business units in the shortest possible time without interfering in the employee's daily tasks as they can do the programme on their leisure and on their own time.

Open, transparent and regular communication remains critical in creating an engaged workforce that is willingly committed to generating business value. Our bi-annual EXCO Roadshows were launched for the first time during October 2017 with the focus to share strategic progress and company financial performance information with the entire organisation. The aim is also to improve on the visibility of our EXCO in all areas of the business.

Our internal Newsletter, the Insider, remains the key platform where we communicate weekly news and important information which is re-enforced through our weekly or bi-weekly business unit engagement sessions. We also introduced Ethics Sofa Chats whereby we encourage employees to have open and honest conversations about pertinent ethical concerns within the group in order to report and address unethical behavior.

We believe in involving our employees in shaping the culture within our group and to this end launched a Public Recognition competition where employees had to come up with innovative and cost effective proposals to reward and recognise employees who display and live the owner-manager and high performance culture. A total of N$ 20 000 in prize money was awarded to the top six finalists.

> The physical and emotional wellbeing of our employees remains a priority for the group and therefore we continued to embark on a variety of programmes and initiatives to sustain work-life balance.

Our on-site clinic at Parkside Building provides employees with access to our contracted medical practitioner twice per week, with an increase in general health and family planning appointments.

Seven awareness sessions were conducted across the group focussing on the following topics: basic ergonomics and posture assessment; blood donation clinic @Parkside; suicide prevention; Wellness Educators training; gender based violence; wellness workshops for Managers and Supervisors and health screenings at our on-site clinic.

We do not only focus on the wellbeing of our employees but are also passionate to improve the lives of society and therefore we participated in the BAN/Writers of Hope project where we collected stationery and money for donation to underprivileged schools in the country. BAN member donated a total amount of N$ 36,000 and 3 000 kilograms of stationary to these identified schools.

Our Employee Wellness Program (EWP) is a comprehensive program where wellness and health assistance is provided to our employees and their next of kin, free of charge. Telephonic, electronic and face-to-face assistance is provided to our employees either through self-referrals or management referrals. The programme also provides debriefing sessions to assist our employees in copying with traumatic events.

The Workplace Absence Management Program is ongoing and used to monitor absenteeism trends, and where required contact is made with the employees to understand the reasons for regular absence and to identify possible routes for assistance.

Our Brands

This year marked the 30th birthday year of the FNB Brand. On the 30th of September 1987 our logo and name were born. This year FirstRand Namibia planted Acacia trees at a variety of locations country-wide as a true symbol of our belief in the future. The Acacia tree in our brand logo is a suitable representation of our history. Our roots run deep, and we have grown, thanks to our commitment to serving the needs of our clients and communities. The tree also symbolises prosperity and growth and that is something we wish for the whole country.

Through the year we have maintained our competitiveness by leveraging on our 10th Bank of the Year award, as announced by The Banker Magazine in London. We take this Award very seriously as it highlights our overall commitment to all our stakeholders and proves that we are on the right track.

This year FNB Namibia also proudly accepted a total of eight PMR awards. The categories and awards are as follows:

- Banks (business banking) – Diamond
- Banks (agriculture) - Diamond
- Banks (personal banking) – Gold
- Banks (credit cards) – Diamond
- Investment Services- Gold
- Property Finance (commercial) – Gold
- Annual reports – Gold
- Companies/Institutions held in high esteem as good corporate citizens based on their corporate responsibility initiatives and investments over the past 12 months – Gold

We would like to thank all our employees who have worked hard and, of course, the Namibian public who voted for us. We are particularly proud of the business banking award, which we have won for the third consecutive year. Our brand mantra of How can we help you? remains central to all that we do, be it finding solutions for farmers, to ensuring that as many Namibians as possible have access to banking products, constantly enhancing our product and service offerings and making banking affordable for all, businesses or individuals.

To show our appreciation to our customers, we launched the FNB Rewards programme which has been an exciting bonus to the lives of FNB Namibia's customers. Making easy changes from old-fashioned banking behaviour to digital and cashless transacting, means that FNB customers have been able to earn cash back directly into their savings accounts with little effort. To date, FNB Namibia has paid out over N$ 9 million to qualifying customers since the launch of the programme in November 2017.

Natural capital

We strive to contribute positively to the future of the natural environment in which we operate. Although our direct impact is relatively low, we continue to identify and partner with activities that have a positive impact on the environment.

During the nationwide clean-up campaign, FirstRand Namibia employees got their hands dirty and helped clean our country. Clean-up campaigns have been happening all over the country and we thank all our staff and encourage them to continue with this great initiative.

From Saving Water campaigns to Saving Money campaigns, resource management at all levels is how we help you to do better. Encouraging all Namibians to be mindful of their water and energy consumptions, we too are playing our part at our recently awarded 5* Green Star Head office @Parkside where reduced energy and water consumption and a Waste and Recycling Management Plan ensure our footprint is lower than ever.

Planning and careful management of environmental resources is not the only way we remain committed to making Namibia a better place. We are proud to be a main sponsor of the Tourism Expo because it starts the important conversation around how all tourism stakeholders can come together to address some of the current challenges in the sector. From SME support in the sector to larger corporate partnerships in hospitality, from facilitating smooth payment mechanisms, to ensuring the best wheels are available on the road for tourists and our service providers, a sustainable tourism industry is in all of our best interest.

Financial capital

The management of financial resources, defined as capital, funding and liquidity, and risk appetite, is critical to the achievement of the group's stated growth and returns targets and is driven by overall risk appetite. As such, the group sets financial and prudential targets through different business cycles and scenarios. The group is expected, at a defined confidence level, to deliver on its commitments to the providers of capital.

The management of the group's financial resources is executed through Group Treasury and is independent of the operating business units. This ensures the required level of discipline is applied in the allocation of financial resources and pricing of these resources. This also ensures that Group Treasury's mandate is aligned with the operating franchises' growth, return and volatility targets in order to deliver shareholder value.

For detailed information refer to the Capital Management report on pages 97 to 99.

strategic overview

Strategic overview

MATERIAL ISSUES FOR THE YEAR

Our material issues relate to factors we believe could impact our ability to create value over the medium and long-term. Effectively managing how our business responds to material issues determines how successful we will be in achieving our strategy, business objectives and long term targets.

Our stakeholders expect of us to adequately balance and manage the risks and opportunities of our material issues to continually deliver value and meet their expectations.

Our approach

In identifying our material issues, the group uses the following processes and governance bodies to determine those issues which could significantly impact the sustainability of the business in the short, medium and long term. We review these issues regularly in the context of the macroeconomic environment, changing business environment, social context emerging trends and feedback from stakeholders.

Processes used to identify material issues:

- Issues that arise during our strategic planning process which could impact the achievement of our strategic objectives;
- Matters covered in our executive committee meetings;
- Matters covered in reports submitted to the board of directors;
- Outcomes of our internal risk assessment process; and
- Priority interests of key stakeholders.

Out of these processes and governance bodies we have identified the following material issues and our responses.

MATERIAL ISSUE 1:

Challenging macro-economic environment

The year saw Namibia through four quarters of consecutive GDP contraction, the worst since 1983, directly contributing to the sharp increase in NPLs in the advances portfolio. Private sector credit extension grew by 5.5% year on year, with corporates growing 4.2% and individuals 6.4%. New vehicle sales a saw decline of 5.6% year-on-year. As a financial service provider, our earnings are inextricably linked to the health of the economy. We therefore need to create a resilient business to ensure continued sustainable growth despite the current economic conditions.

Potential impact

- Reduced revenue driven by customer behaviour,
- Limited credit demand due to reduced business confidence; and
- Increased impairments due to affordability challenges created by increased unemployment.

Response

- Developed a risk and return framework that allows the business to remain sustainable;
- Forecast of macroeconomic metrics to inform our strategic planning process with agility to adapt to circumstance as they change;
- Grow responsibly and within the right market segments; and
- Early engagement with clients to ensure appropriate responses where necessary.

Stakeholders impacted

- Customers due to increased impairments;
- Shareholders due to the reduced return;
- Government due to reduced tax that the group can pay as income tax is linked to profit; and
- Communities due to reduced available resources for distribution.

Performance outcome

- CEO's report;
- CFO report; and
- Annual Financial Statements.

MATERIAL ISSUE 2:

Increased regulatory scrutiny and demands

We have seen an increase in regulatory scrutiny over the last few years predominantly driven by global events. A further increase has been experienced with the classification of First National Bank of Namibia Limited as a systematically important bank by the Bank of Namibia.

Various regulations were enacted during the financial year that require compliance by the group. In addition, criminals have become more sophisticated in their attempt to perpetuate the financing of illegal activities, which has put strain on the risk teams in complying with Anti-Money Laundering regulations.

Potential impact

- Increased expenditure due to investment in systems to ensure adherence to regulations; and
- Increased expenditure due to investment in skilled staff.

Response:

- Working closely with regulators to understand evolving frameworks, and that we plan, manage and report timeously and appropriately;
- Comply with relevant legislation and regulations;
- Instil a compliance mind-set across the organisation; and
- Continued sound management of capital and liquidity.

Stakeholders impacted

- Bank of Namibia as the custodian of the banking regulations;
- NAMFISA as the custodian of financial services regulations other than banking; and
- Shareholders due to the reduced return given increased expenditure.

Performance outcome

- CEO's report;
- Sustainability report;
- Risk report; and
- Capital management report.

MATERIAL ISSUE 3:

Managing our cost base

Our total cost continues to trend above inflation as well as above the revenue growth rate. The increase in costs is mainly driven by our continued investment in our risk and compliance office, modernizing infrastructure and operating systems.

As the requirements of the various tasks in the group have become more sophisticated, the higher the level of skills required become. As such employees, have become more expensive. As we continue to automate processes were possible we expect a reduction of staff without a related reduction in costs due to the reasons noted above.

Customers continue to migrate to self-service channels. The related costs of brick and mortar branches takes longer to reduce. This has inhibited the group's ability to reduce costs in the short term.

Potential impact

- Increase in staff expenditure despite a reduction in the number of staff; and
- Increase in lease expenditure due to escalation increases or termination penalties where the group has opted to discontinue the lease contract.

Response:

- Disciplined and careful management of discretionary expenses;
- Business case must prevail philosophy; and
- Launch of the Branch transformation project to enhance efficiency in the branch network.

Stakeholders impacted

- Employees need to re-skill to take up more complex roles as they emerge; and
- Suppliers who supply branch space where the group has decided to discontinue those branches.

Performance outcome

- CFO's report; and
- CEO's report.

MATERIAL ISSUE 4:

Integration of Pointbreak into the FirstRand Namibia group

In the previous year, the group acquired the Pointbreak group of companies. Management spent a considerable amount of time in integrating the group into the greater FirstRand Namibia group and in unlocking the synergies envisaged at acquisition

Potential impact

- Increase in diversity of revenue source.

Response:

- Integration into the broader FirstRand Namibia group of the Pointbreak group which remains on-going;
- Deployment of EBank staff members into FNB business units; and
- Discontinued the EBank core banking system.

Stakeholders impacted

- Employees need to take up different roles from the roles performed at EBank; and
- Shareholders due to the reduced return in the short term.

Performance outcome

- Annual Financial Statements.

MATERIAL ISSUE 5:

Transformation, people and bridging the skills gaps

While the group is generally known as the most innovative and has a reputation of being first to market with most of its financial products and solutions, we are cognisant of the fact that technology unaccompanied by service will not necessarily sets us apart. The Group has thus identified the need to unceasingly build a service-driven and customer centricity culture in order to lessen service failures.

Potential impact

- Service failures leading to customer attrition;
- Reduced revenues and profitability stemming from customer churn as a result of service failure; and
- Reputational damage.

Response

- Embedding and inculcating a performance-driven, values-driven and client-centricity culture through culture campaigns;
- proved internal communication through continuous staff engagements; and
- Leadership development to shape and nurture the desired culture within the group.

Stakeholders impacted

- Employees due to the need to ensure that they remain highly engaged to be able to provide best-in class service to clients.

Performance outcome

- Sustainability report.

THE STRATEGY

In 2015 we launched our vision for 2020 which we call the P4 strategy. Despite the challenging conditions of the past year we remain committed to this strategy, as we believe that it enable us to create a sustainable business in the long –run that delivers value to our various stakeholders.

The vision rests on four pillars – People, Partnerships, Profit and Planet. We have outlined below our strategy.

PEOPLE

Best people working for the best employer

CULTURE		
High performance	Owner manager	Values driven
Disciplined People Disciplined Thinking Disciplined Action	Create an Environment where people think and act like owners	Employees are trusted to do the right thing
TRUST		

Our People strategy is based on developing employees who share our values and feel a personal responsibility for the success of the business. We make sure they have a clear channel of contribution. We want them to live our culture because it dictates how we do business.

We are committed to transparency in all dealings with stakeholders because transparency breeds trust.

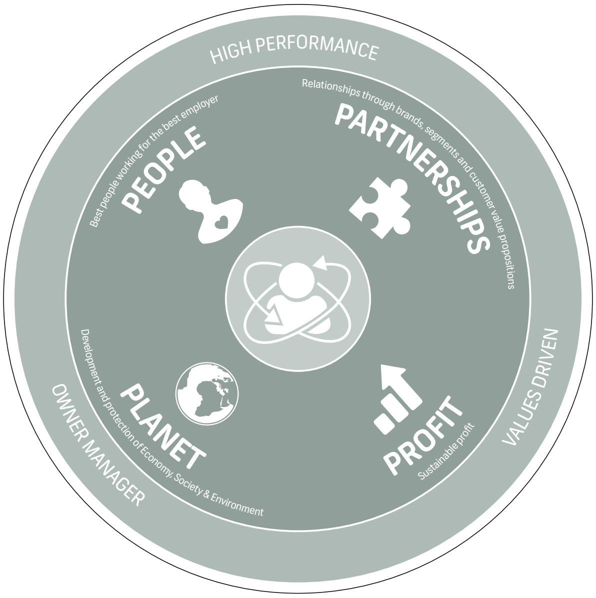
PARTNERSHIPS

Creating rewarding relationships through brands, market segmentation and customer value propositions.

We value the relationships we establish with all our Partners, including our customers and for that reason, we continue to evolve with the ever-changing environment. Our focus is on:

- Simplifying and consolidating our customer value propositions (VPs);
- Enhancing these propositions through innovative and electronic-based solutions;
- Simplifying fee structures; and
- Diversifying revenue streams by increasing focus on investment and insurance products.

We focus on targeted growth segments superior customer service and skills training for staff.



PROFITS

Creating a sustainable business

The group focuses on building a portfolio of businesses delivering integrated financial services to Namibians. Appropriate frameworks balance risk, growth and returns. We envisage Sustainable Profit will be generated not only by organic growth but also through improved efficiencies.

New laws and regulations continue to impact risk and compliance management, and our response is to strengthening the risk team where necessary. We are looking to introduce technology to make compliance and monitoring more efficient.

PLANET

Protecting the economy, environment and society

We achieve our Planet strategy through internal practices, the FirstRand Namibia Foundation and the staff volunteer programme. We consider the environment when dealing with our supplier networks. Our infrastructure team looks at ways to improve our environment footprint and promote sustainable resource use. We support Namibian products and services.

From a brand perspective, the above group wide strategy translates into specific brand strategies driven across the business, ultimately the strategy aims to balance the risk, return and growth in ensuring that we create a sustainable business.

DEPLOYMENT OF FINANCIAL RESOURCES

STRATEGIC FRAMEWORK
Strategy executed through our Brands
Appropriate mix between capital light and capital intensive businesses.
RISK
Through-the-cycle approach/ countercyclical origination and capital allocation
Understand and price for risk
Risk appetite - minimise volatility
RETURN
Positive net income after capital charge (NIACC)
GROWTH
Financial resource management (capital, funding, liquidity and risk appetite)

02 LEADERSHIP AND GOVERNANCE

Chairperson's report

Inge Zaamwani - Kamwi

Banks have long been considered vital to economic development through prudent investment of the portions of wealth stored in them; integral to the management of the nation's money supply and systems of credit, and financial services remain necessary enablers to growth and development.

A renewed emphasis on the basics of banking is what I believe the FirstRand Namibia group has achieved in the last year. Focusing on our people, actively imagining and investing in innovative customer solutions, developing e-fficient channels and changing processes to fit changing lifestyles, the past year has delivered steep learning curves, but also an ever stronger sense of our responsibility to help enable sustainable futures for all our stakeholders.

When I consider the group's performance for the year under review, I am struck by the degree to which going back to basics continues to deliver high levels of customer satisfaction and profitable market share. Winning new customers, providing them with affordable, easy and convenient channels with which to engage, lending good customers money at the right price, while all the while building a stable deposit franchise, is both commendable and encouraging.

Despite the fact that the operating environment continues to be challenging in terms of growth, the momentum gathered in the period under review, delivered satisfactory profits and returns to shareholders.

The FirstRand Namibia Foundation has made significant progress in 2018 in advancing our priority areas of Community and Health Development, Environmental Guardianship, Skills and Capacity Development, Sports Development, and Arts and Culture. We regard Social Corporate Responsibility as an integral part of our corporate business practice, and have over the last 14 years invested nearly N$ 75 million towards improving the life of our communities and quality of our environment across the country.

We have committed ourselves to focusing on the development and protection of the economy, society and environment in which we operate, not just through the FirstRand Namibia Foundation and the staff volunteer programme, but also through aligning our own internal practices and policies to operate responsibly and transparently.

Investing effort and resources into a sustainable future, FirstRand Namibia has long been recognised as a group that does the right thing and that cares deeply about its own people and all the communities within which we operate.

Our innovation-led approach to responsible and sustainable banking is about finding new ways to make banking more inclusive, easier, safer, and more convenient. I am delighted to see the headway we are making on a number of fronts, particularly with our digital offerings. Innovative solutions such as FNB Rewards, Automatic Deposit Taking (ADTs) machines, our Cash at Till service, and the newly introduced CashPlus banking and extended eWallet services coming soon, are just some of the ways in which FNB customers can bank more affordably, and efficiently.

FIRSTRAND NAMIBIA SUPPORTS THE NAMIBIAN GOVERNMENT

One of the most important roles our business plays in society is in ensuring our own strategies align with Government's development **plans in achieving Vision 2030,** through partnerships or collaborative support of specific developmental projects. We aim to not only partner with Government, but with other corporates and NGOs too, working together to help improve statistics on issues of national concern. **Poverty, unemployment and job creation are spurs to us to redouble our efforts in supporting SME's, invest in skills development countrywide and collaboratively work alongside agricultural partners and tourism partners to open doors for training and employment.**

It is not only through the FirstRand Namibia Foundation that we evidence our commitment to being a leading corporate citizen. The way the group approaches relationships at every level of operation is aligned to doing the right thing responsibly and transparently, whether in our daily product or service offering or in our community engagement, development and empowerment.

OUTLOOK

Previously flourishing on pro-cyclical fiscal spending and foreign investment in new mines and infrastructure, the Namibian economy faced severe headwinds in the period under review, and growth forecasts in the period were revised downwards by Government and most research houses. The economy remains challenged by lower commodity prices, severe drought conditions, weaker global and regional growth, and an ongoing slump in the construction and manufacturing sector.

FirstRand Namibia's performance reflects the impact of the macroeconomic environment. Nevertheless, as an industry leader, we often choose to set demanding targets that drive fundamental change, even while understanding that attaining such goals is not guaranteed. Overall, we are pleased with our sustainability progress and the milestones we have reached. As we advance our reporting and disclosures, we continue to support and measure our sustainability progress against the principles outlined in our vision statement and strategic objectives. This year and beyond, we remain committed to building on the successes of the past, further integrating sustainability into our business and gaining fresh momentum.

While the Namibian group's local investment continued at full commitment - in infrastructure, capacity-building referenced to increasing regulatory rigour, corporate social responsibility projects, community development, disaster relief support, requisite people development and training; rising costs and falling incomes in real terms, affected normally high returns to stakeholders and shareholders. Our return on equity remains a leading standard and our low non-performing loans ratio evidences a prudent but persistent commitment to growing a quality business.

While we anticipate operating conditions to become more demanding - in both the economic and regulatory environment, we believe our strong, 110 years plus, balance sheet, diversified earnings base and innovative customer solutions and service will work together to deliver a continued solid and sustainable performance for the group.

Thank you

Just as the year was a difficult one for the industry, so too was it a tough one for our people and the country at large. On behalf of the executive leadership I would like to thank our dedicated staff across the country for remaining focused on achieving our strategic objectives despite the demanding business environment.

To our Government and other key stakeholders, I extend my appreciation for your continued support and understanding. We remain ever committed to continuously delivering shared benefit for our shareholders and all other stakeholders to make FirstRand Namibia the preferred full service financial services house in Namibia.

Inge Zaamwani - Kamwi
Chairmperson

Banks have long been considered vital to economic development through prudent investment of the portions of wealth stored in them; integral to the management of the nation's money supply

Board of Directors

INGE ZAAMWANI-KAMWI

Namibian (59)

Chairperson

Independent non-executive director

Appointed April 2003

LLB (Hons) - London; LLM - Dundee

SAREL VAN ZYL

Namibian (56)

Chief Executive Officer

Executive director

Appointed December 2014

BBA Certificate in Applied Management, BBA, MBA

JABULANI KHETHE

South African (55)

*Non-executive director**
*(*no longer employed by FirstRand Group)*

Appointed August 2006

BCom (Banking), MBA

STUART MOIR

South African with Namibian Permanent Residence (70)

Deputy Chairperson

Independent non-executive director

Appointed November 2005

PMD (Harvard), CAIB (SA), B.Com, CIS

CHRISTIAAN RANGA HAIKALI

Namibian (49)

Independent non-executive director

Appointed February 2006

BBA (Entrepreneurship)

EBRAHIM MOTALA

South African (46)

Non-Executive Director

Appointed May 2016 (Resigned June 2018)

BCom Hons (Accounting), CA (SA)

OSCAR CAPELAO

Namibian (39)

Chief Financial Officer

Executive Director

Appointed March 2016

BCom Hons (Accounting), CA(Nam)(SA)

JANTJE DAUN

Namibian (51)

Independent non-executive director

Appointed March 2017

CA (SA), B.Com (Hon)

GERSON HINDA
Namibian (56)

Independent non-executive director

Appointed February 2017

B.Iuris, LLB, LLM

JUSTUS HAUSIKU
Namibian (39)

Independent non-executive director

Appointed April 2017

Post Graduate Diploma (Accounting) and CTA Honours Degree, Bachelor of Accounting

ROBERT HAMER
South African (50)

Non-executive director (*no longer employed by FirstRand Group)*

Appointed March 2018

MCom, CA (SA) ACA (UK) and BCom (Honours), Higher Diploma in Tax

LEONARD HAYNES
South African (55)

Non-executive director

Appointed April 2013 (Resigned October 2017)

B Com (Hons), MBA

PETRUS NEVONGA
Namibian (49)

Independent non-executive director

Appointed May 2003 (Resigned October 2017)

PG Diploma in Bus Admin, BTech, Dip: HR Management, MBA (Entrepreneurship)

GERT KRUGER
South African (45)

Non-executive director

Appointed June 2018

BCom (Acc) (Honours), CA (SA), MSc Financial Economics

Board of Directors continued

DIRECTORSHIPS, TRUSTEESHIPS AND COMMITTEE MEMBERSHIP

INGE ZAAMWANI-KAMWI Namibian

(Chairperson)

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, FNB Share Incentive Trust

FirstRand Namibia group committee membership: Directors' Affairs and Governance Committee

External directorships & trusteeships: Swakop Uranium (Pty) Ltd, Tungeni Africa Investments (Pty) Ltd, Zan Tag Investment (Pty) Ltd, Farm Rimini, Feist Investments CC

STUART MOIR

South African with Namibian Permanent Residence

(Deputy Chairperson)

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Ltd, Ashburton Unit Trusts Management Compant Ltd, FNB BEE Trust, Ashburton Investments Namibia Holdings (Pty) Ltd, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd

FirstRand Namibia group committee membership: Audit Committee, Risk, Capital and Compliance, Remuneration Committee, Directors' Affairs and Governance Committee, FNB Employee Share Incentive Trust

External directorships & trusteeships: Stimulus Investments Ltd, The Namibia Procurement Fund I, The Namibia Procurement Fund II

SAREL VAN ZYL Namibian

(Chief Executive Officer)

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, FNB Fiduciary Namibia (Pty) Ltd, Swabou Investments (Pty) Ltd, Talas Properties (Windhoek) (Pty) Ltd, FNB Nominees Namibia (Pty) Ltd, FNB Staff Assistance Trust, FirstRand Namibia Foundation Trust, Ashburton Investments Namibia Holdings (Pty) Ltd, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd

OSCAR CAPELAO Namibian

(Chief Financial Officer)

FirstRand Namibia group directorships and trusteeship: FirstRand Namibia Limited, First National Bank of Namibia Limited, OUTsurance Insurance Company of Namibia Ltd, Ashburton Unit Trusts Management Company Limited, Swabou Investments (Pty) Ltd, Talas Properties (Windhoek) (Pty) Ltd, RMB Investments (Pty) Ltd, FNB Nominees Namibia (Pty) Ltd, FNB Staff Assistance Trust, Ashburton Investments Namibia Holdings (Pty) Ltd, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd, FNB Consumer Ltd

External directorships & trusteeships: National Housing Enterprise, Namibian Stock Exchange

JABULANI KHETHE South African

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Ltd

FirstRand Namibia group committee membership: Directors' Affairs and Governance Committee, Remuneration Committee

FirstRand group directorships: First National Bank of Botswana Ltd, FNB Moçambique S.A.

CHRISTIAAN RANGA HAIKALI Namibian

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited, FNB Insurance Brokers Namibia (Pty) Ltd, RMB Advisory Board

FirstRand Namibia group committee membership: Audit, Remuneration, Directors' Affairs and Governance Committee, Senior, Credit, Risk Committee

External directorships & trusteeships: Inexma Electrical Namibia (Pty) Ltd, Africa Personnel Services, Namibia Stevedoring Services, Hanu Investments, Tulongeni Family Trust, Gecko Holdings and Mining, Namibia Drum and Cladding, Okahandja Sink & Staal (Pty) Ltd, Chappa Ai Investments, Petronam Investments, Namibia Liquid Fuel, New Frontiers Investments / Safland Property Services, Mertens Mining and Trading, Ndalonga Investments CC, Morgan Cargo-Namibia, Tulonga Investments (Pty) Ltd, Oryx Investments (Pty) Ltd, Frontier Property Trust, PC Centre through Duiker Investments 175 (Pty) Ltd, Tulongeni Strateic Investments (Pty) Ltd, Tulongeni Mining (Pty) LTd, Tualonga Investments (Pty) Ltd

EBRAHIM MOTALA South African

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited
FirstRand Namibia group committee membership: Remuneration Committee
FirstRand group directorships: First National Bank Ghana, FNB Zambia Ltd, RMB Nigeria

JANTJE DAUN Namibian

FirstRand Namibia group directorships and trusteeship: FirstRand Namibia Limited, First National Bank of Namibia Limited, FNB Insurance Brokers (Namibia) (Pty) Limited, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd, Ashburton Investments Namibia Holdings (Proprietary) Limited, FNB Consumer Ltd
FirstRand Namibia group committee membership: Audit Committee, Asset, Liabilities and Capital Committee
External directorships & trusteeships: Cornerstone (Pty) Ltd

GERSON HINDA Namibian

FirstRand Namibia group directorships and trusteeship: FirstRand Namibia Limited, First National Bank of Namibia Limited, OUTsurance Insurance Company of Namibia Ltd, FNB Fiduciary Ltd, FNB Consumer Ltd
External directorships & trusteeships: Sabmiller Breweries ABInbev, P E Minerals (Pty) Ltd, Rosh Pinah Zinc Corporation Limited, Sada Investments (Pty) Ltd, Namport, Daureb Investments CC, Roeder Property Ten CC, Erf One Eight Six Langstrand Extension One, Tristan Enterprises CC, FGK Investments Sixty Seven (Pty) Ltd

JUSTUS HAUSIKU Namibian

FirstRand Namibia group directorships and trusteeship: FirstRand Namibia Limited, First National Bank of Namibia Limited, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd, Ashburton Investments Namibia Holdings (Proprietary) Limited
FirstRand Namibia group committee membership: Risk, Capital and Compliance Committee
External directorships & trusteeships: Quanta Holdings, Arch Group of Companies, MMI Short Term Insurance, Roads Contractor Company LTD

ROBERT HAMER South African

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited, Ashburton Investments Namibia Holdings (Proprietary) Limited, Ashburton Management Company Namibia (Proprietary) Limited, Ashburton Fund Managers Namibia (Proprietary) Limited
FNB group committee membership: Audit, Risk, Capital & Compliance Committee, Directors Affairs and Governance Committee

GERT KRUGER South African

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited
FirstRand group directorships: RMB Australia Holdings, RMB Morgan Stanley, RMB Nigeria

LEONARD HAYNES South African

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Ltd
FirstRand Namibia group committee membership: Audit Committee & Risk, Capital and Compliance Committee
FirstRand group directorships: First National Bank of Lesotho Ltd (Chairman), FNB Zambia Ltd (Chief Executive Officer)

PETRUS NEVONGA Namibian

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Ltd
External directorships & trusteeships: Namibia Grape Company (Pty) Ltd, Effort Investment Holdings (Pty) Ltd, Endombo Enterprises (Pty) Ltd, Esindano, Pharmaceutical (Pty) Ltd, Tulongeni Fishing (Pty) Ltd, Punctual Investments (Pty) Ltd, Sovereign Capital (Pty) Ltd, NAPWU Investment Trust, Namibia Grape Company Social Trust

Group Executive Committee (EXCO)

Sarel Van Zyl
Namibian

BBA Certificate, BBA, MBA

Chief Executive Officer

Age: 56

Oscar Capelao
Namibian

BCom Hons (Accounting), CA (Nam)(SA)

Chief Financial Officer

Age: 39

Andreas Kanime
Namibian

B.Admin, B.Tech, B.Acc (Hons),MBA

Chief Human Resources Officer

Age: 43

Louis Potgieter
Namibian

CA (Nam)(SA)

Chief Operating Officer

Age: 55

Johan du Plessis
Namibian

B Comm Accounting, B.Compt (Hons), CTA, CRA, Advanced Banking Diploma

Chief Risk Officer

Age: 46

Elmarie Cilliers
Namibian

Certificate in Banking, MBiA (SA), SMDP

Executive Officer - WesBank

Age: 53

Francois Booysen
Namibian domicile

B.Comm, CIA, GIA (SA), CFSA, CCSA, CAIB(SA), SMDP

Head of Internal Audit

Age: 52

Tracy Eagles
Namibian domicile

Higher Diploma in Education, BA, MBA

Chief Marketing Officer

Age: 48

Michelle Erlank
Namibian

B.Acc; B.Acc Hons;
CA (Nam)(SA), AMCT

Treasurer

Age:42

Conrad Dempsey
Namibian

CGMA, AMCT, M. Philosophy, CA (Nam)(SA)

Executive Officer - RMB

Age: 42

Stephanie Quarmby
Namibian

BCom Accounting,
Postgraduate Diploma in Accounting, CA (Nam)

Chief Credit Officer

Age: 32

Josephat Mwatotele
Namibian

BA: Economics, MA: International Relations & Strategic Studies

Executive Officer - Ashburton

Age: 46

03 CORPORATE GOVERNANCE REPORT

The directors and management of FirstRand Namibia Ltd subscribe to the generally accepted principles of good corporate governance as one of the foundations of a sustainable business. FirstRand Namibia Ltd is committed to and accepts responsibility for applying these principles to ensure that the group is managed ethically within prudent risk parameters.

FirstRand Namibia Ltd is subject to and endorses the on-going disclosure, corporate governance and other requirements required by the Namibian Stock Exchange (NSX). The group also supported and applied the principles of the (NamCode) the Corporate Governance Code for Namibia throughout the financial year 2017/2018.

In response to the NSX Gazette #139 published on the 13 February 2018 the group replaced all references made to King II in the NSX Listing requirements with the NamCode.

Compliance Statement

FirstRand Namibia Ltd is the controlling company of First National Bank of Namibia Limited and various other subsidiaries.

The group's main business is diversified into banking and non-banking financial service provision, the bank business is regulated by the Bank of Namibia in terms of the Banking Institutions Act No 2 of 1998, as amended and determinations passed in terms thereof, while the short-term insurance, insurance brokerage, unit trusts and asset management businesses are regulated by the Namibia Financial Institutions Supervisory Authority ("NAMFISA") in terms of different legislations. FirstRand Namibia Limited is also listed on the Namibia Stock Exchange ("NSX"), and therefore obliged to comply with the Stock Exchanges Control Act of 1985, NamCode on Corporate Governance and the listing requirements of the exchange.

The directors of FirstRand Namibia Ltd ensure compliance with all relevant regulations including the Banking Institutions Act as amended, the Stock Exchanges Control Act of 1985, NamCode on Corporate Governance and the listing requirements of the exchange the Companies Act, Basel Committee and other best practice regulations flowing from both local and international authorities.

The board is satisfied that the group materially complied with all these laws and regulations for the past year and none of the regulatory authorities, through their ongoing supervision mechanisms, expressed any material dissatisfaction with the manner in which the group conducts its business.

Director's Responsibility Statement

The directors of FirstRand Namibia Ltd collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the integrated annual report contains all information required by law and the NSX Listings Requirements.

Board Changes

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

Appointments		Effective date
RJC Hamer	Non-Executive	20 March 2018
GCP Kruger	Non-Executive	29 June 2018

Resignations		Reason for resignation	Effective date
LJ Haynes	Non-Executive	Expiry of term of appointment	27 October 2017
PT Nevonga	Independent Non-Executive	Expiry of term of appointment	26 October 2017
ES Motala	Non-Executive	Resigned	29 June 2018

Employment Status Change		Nature of change
RJC Hamer	Non-Executive	Resignation from employment within FirstRand Group

Board Nomination and Appointment

There is a formal transparent board nomination and appointment process. The appointment process has been delegated to the Directors Affairs and Governance Committee (DAGC), who identify suitable members to the board, taking cognisance of its needs for appropriate demographics and diversity (which applies to, inter alia, academic qualifications, technical expertise, relevant industry knowledge, nationality, age, race and gender diversity at board level, together with the balance between non-executive and independent non-executive directors. In addition the appointment process includes interviewing the nominees for the role and performance of reference and background checks of candidates prior to nomination.

Limitation to appointment period

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.

Tenure

Three directors have served more than 9 years on the board of FirstRand Namibia Ltd. The Directors Affairs and Governance Committee reviewed the performance of these directors, taking into consideration factors which may impair their independence and found that they were suitable to act as independent non-executive directors.

Retirement of directors at age 70 years

Notwithstanding any contrary provision contained in the Articles, the office of a director may be vacated at the close of the Annual General Meeting of the Company relating to the financial year of the company in which the director reaches the age of 70 (seventy) years, but is subject to the discretion and review by the board.

S Moir, current Deputy-Chairperson reached age 70 years. The DAGC was tasked with considering his potential re-election, deliberated same and recommended to the board to retain S Moir post age 70 years on the basis that his competency and contribution to the board and the company are keenly valued. S Moir has gained a deep and invaluable understanding of the company and its business and operations, and continues to be of great value as a board member. S Moir has indicated that he is eligible and available for re-election, the board of directors unanimously approved this decision and this appointment will be put to shareholders at the 24 October 2018 Annual General Meeting. This decision will be reviewed on an annual basis.

The Chairperson and Deputy-Chairperson of the Board

The FirstRand Namibia Ltd board Chairperson and Deputy-Chairperson are both independent non-executive directors, whose roles are separate from that of the Chief Executive Officer. The Chairperson and Deputy-Chairperson held office till the first board meeting in 2018, where they were duly re-elected after consideration of their independence. The Chairperson, duly assisted by the Deputy-Chairperson continue to provide the FirstRand Namibia Ltd board the direction necessary for an effective board.

Composition of Board, Independence of Directors and Demographics

The company has a unitary board structure comprising 2 (two) executive directors and (9) non-executive directors (6 (six) of whom are independent non-executives as defined by the NamCode). The non-executive directors are drawn from diverse backgrounds and bring a wide range of experience, insight and professional skills to the board to ensure effective leadership of the company. Generally, non-executive directors have no fixed term of appointment. Under the company's Memorandum and Articles of Incorporation, however, a third of directors retire by rotation each year and are eligible for re-election by shareholders at the annual general meeting of the company.

	Independence Status	Employed by Group	Resident in Namibia	Gender	Previously Disadvantaged
II Zaamwani-Kamwi	Independent non-executive	No	Yes	Female	Yes
SH Moir	Independent non-executive	No	Yes	Male	No
JG Daun	Independent non-executive	No	Yes	Female	No
OLP Capelao	Executive	Yes	Yes	Male	Yes
CLR Haikali	Independent non-executive	No	Yes	Male	Yes
RJC Hamer	Non-executive	No	No	Male	No
JR Khethe	Non-executive	No	No	Male	Yes
Adv. GS Hinda	Independent non-executive	No	Yes	Male	Yes
GCP Kruger	Non-executive	Yes	No	Male	No
JH Hausiku	Independent non-executive	No	Yes	Male	Yes
SJ van Zyl	Executive	Yes	Yes	Male	No

The above classification of directors, as independent or otherwise, has been done on the basis of the evaluation of their independence by the Chairperson, duly assisted by the Directors Affairs & Governance Committee (DAGC).

The Chairperson and DAGC conducted a rigorous review of individual directors having regard to various considerations, including tenure, membership to various boards and committees within the group, external directorships, character, judgment and any factors that may impair independence.

Board Committee Composition

	Audit Committee	Risk, Capital & Compliance Committee	Directors Affairs & Governance Committee	Remuneration Committee
II Zaamwani-Kamwi			√	
SH Moir	√	√	√	√
RJC Hamer	√	√	√	
CLR Haikali	√		√	√
JG Daun	√			
JH Hausiku		√		
JR Khethe			√	√
ES Motala				√

Group Company Secretary

The Group Company Secretary plays an essential role and is suitably qualified and experienced. The Group Company Secretary is, inter alia, responsible for the duties stipulated in the Companies Act 28 of 2004, The Banking Institutions Act 2 of 1998 (as amended) and the NSX listing requirements.

Ms Nelago Ashipala was appointed as FirstRand Namibia Ltd's Group Company Secretary in 2015 and is also the company secretary to the board committees. An assessment of the company secretary is undertaken annually as part of the board Evaluation process, which confirmed that she has discharged her responsibilities effectively for the year under review.

Board & Committee Evaluation

The evaluation of the board, its committees and the individual directors was performed in-house for the period ended 30 June 2018. The board carefully considered whether the directors evaluations should be done in-house or conducted by independent service providers. Quotations were received and the board elected to conduct the evaluations in-house. The responses received remain strictly confidential throughout the assessment process and the results are reported to the director's affairs and governance committee on an anonymous basis. The directors were encouraged to provide sincere responses with an aim to identify future training needs and further to receive factors that affect the proposed re-election of directors. The evaluations identified no material concerns in respect of the areas assessed.

An overview of the results of the performance assessment and the action plans to be implemented are as follows:

Compliance with Board Charter & Board Meetings	The board of directors ensured that the charter appropriately reflected its responsibilities and duly complied with its duties and responsibilities as contained in the Charter. Sufficient meetings of appropriate length are held during the year to enable proper consideration of issues. Meetings are conducted in a manner that encourages open discussion and healthy debate whilst allowing each member to contribute to both discussions and decisions. board members express their views frankly and constructively. The board receives full support from executive management.
Board Composition	The board's composition is effective and designed to ensure efficient operation. The board is suitably qualified to carry out its responsibilities and facilitate effective oversight. The board composition comprises the balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities. board members understand their oversight and governance role and are able to exercise sound, objective judgement about the affairs of the company.
Board & Committee Succession	The board and the board committee succession plan to ensure board/committee continuity requires improvement. Further improvement is required in terms of executive director (Chief Financial Officer and Chief Executive Officer) succession planning.
Strategic foresight	Improvement is required in the form of provision of more information. The board can be given sufficient information to enable it to evaluate the strategic plan. The board's involvement in the strategic plan can be improved upon.
Company performance	The annual budget approval process presents opportunities to challenge the assumptions and the results. The board is provided with sufficient information to enable an informed decision when approval is sought. In its review of the company performance, the board is duly provided with sufficient information to enable it to assess business performance (e.g. competitor information, market share etc.).
Risk management	The risk management framework in operation is appropriate for the board to identify, understand and manage the risk universe associated with the group.
Governance principles	The board duly set the tone and lead ethically and effectively, serving as the focal point and custodian of corporate governance in the company. The board led the value creation process by appreciating that strategy, risk and opportunity, performance and sustainable development are inseparable elements. The board ensured that the company is a responsible corporate citizen. The governance of the company is adequately transparent to its shareholders, depositors and other relevant stakeholders.

Board Chairperson Assessment	The Chairperson was found to demonstrate a thorough understanding of the company's business and the matters before the meeting. The Chairperson lead by example in demonstrating the group values and commitments to ethical behaviour as espoused in the group Code of Ethics. The Chairperson's other time commitments do not detract from fulfilling her role as expected. The Chairperson takes the lead in ensuring that the meeting achieves its objectives, keeping it effective. In addition the chairperson displayed good facilitation skills in ensuring a good balance of contributions from members.

Fitness and probity of the Board of Directors, Principle Officers and Executive Officers

In line with the Determinations on the Appointment, Duties and Responsibilities of Directors and Principal Officers of Banking Institutions (and controlling companies), the Board of Directors, Principal Officers and Executive Officers comprises technically competent persons of integrity with a strong sense of professionalism, fostering and practicing the highest standards of banking and finance to ensure the interest of the banking institution (and controlling company) are adequately safeguarded through prudent, efficient and professional management.

Board and committee meetings attendance

The board met 4 (four) times and two General Meetings of Shareholders were held during the year under review. The board's paramount responsibility is the positive performance of the company in creating value by setting direction through strategic objectives and key policies. In doing so, the board appropriately considers the legitimate interests and expectations of all its stakeholders.

The board members are required to attend at least 75% of the board meetings to ensure that they will discharge their duties and responsibilities effectively. During the period under review all directors duly attended at least 75% of the board meetings.

Director	*Category*	FirstRand Namibia Ltd	Audit Committee	Risk, Capital and Compliance Committee	Directors Affairs and Governance Committee	Remuneration Committee
Meetings held		4	4	4	3	2
II Zaamwani-Kamwi	Chairperson	3	-	-	3	2
SH Moir	Deputy – Chairperson	4	4	4	3	2
CLR Haikali	Independent non-executive	4	4	-	3	2
JR Khethe	Non-executive	4	-	-	3	2
SJ Van Zyl	(CEO) Executive Director	4	-	-	-	-
OLP Capelao	(CFO) Executive Director	4	-	-	-	
ES Motala	Non-Executive Director	3	-	-	-	2
GS Hinda	Independent non-executive	3	-	-	-	-
JH Daun	Independent non-executive	4	4	-	-	-
JH Hausiku	Independent non-executive	3		4	-	-
RJC Hamer	Non-Executive	1/1	1/1	1/1	1/1	-
G Kruger	Non-Executive	-	-	-	-	-
LJ Haynes	Non-Executive	2/2	2/2	2/2	-	-
PT Nevonga	Independent non-Executive	2/2	-	-	-	-

Note(s):

- RJC Hamer appointed 20 March 2018 to the group, and only one meeting was held since his appointment.
- PT Nevonga and LJ Haynes resigned as directors on 26 October 2017 and 27 October 2017 respectively.
- E Motala resigned as director on 29 June 2018.
- G Kruger appointed as director on 29 June 2018.

Director Training

The board as part of its formal on-going director development programme attended the following training during the year:

- AML and Regulatory Risk;
- Ethics and Market Conduct;
- Recovery and Resolution Planning;
- Operational Risk Management; and
- Basel Risk Data Aggregation and Risk Reporting Principles (BCBS 239).

The success of the FirstRand Namibia Ltd is intimately connected to the effectiveness of its board. The group recognises that the board is made up of directors that have extensive knowledge and experience within their specific disciplines. In order for the board to discharge its duties in managing the FirstRand Namibia Ltd group in an effective and efficient manner, directors are encouraged to stay up-to-date with any new developments as well as engage in continuous professional development.

FirstRand Namibia Ltd Corporate Governance Framework

FirstRand Namibia Ltd operates within a clearly defined board-approved governance framework, which provides guidance on Corporate Governance related matters for the board of FirstRand Namibia Ltd, First National Bank of Namibia Ltd and its sub-committees. It ensures the implementation of robust governance practices and provides clear direction for decision making across all disciplines. The board of directors is satisfied that the Corporate Governance Framework contributes to role clarity and the effective exercise of board authority and independence thereof.

Name Change of FNB Namibia Holdings Limited to FirstRand Namibia Limited

Shareholders were informed on 16 March 2018 via the Namibian Stock Exchange, the FNB Namibia website and individually posted circulars that FirstRand Namibia Ltd would seek the approval of its shareholders for the change of the Company's name from FNB Namibia Holdings Ltd to FirstRand Namibia Limited. The purpose of the circular was to provide FNB shareholders with relevant information relating to the change of name and to enable shareholders to consider and approve the proposed special resolution for the name change.

The rationale and reason for the proposed change of the name is due to the fact that the activities within the FNB Namibia Holdings Limited group have expanded to a multi-branded approach. The previous naming of the listed entity is likened to one brand, being the FNB brand and does not reflect the multi-branded structure of the group. The then proposed name, FirstRand Namibia Limited is representative of a holding company for a multi-branded group, including the FNB, RMB, WesBank and Ashburton brands.

The name change to FirstRand Namibia Ltd was approved by the requisite majority of shareholders at the Special General Meeting held on Tuesday, 24 April 2018. The Special Resolution and Change of Name Certificate were registered with the Registrar of Companies at the Business and Intellectual Property Authority (BIPA) on 2 July 2018. Shareholders were informed that there are no further conditions precedent outstanding. No surrender of Share Certificates is required, existing Share Certificate(s) will continue to be accepted as tradable instruments on the NSX. Share Certificates reflecting the new name of the Company will be issued for all transactions on or after Monday, 9 July 2018 and transfers dated on or after Monday, 16 July 2018.

Governance Structure and Board Committees

While the board ultimately retains responsibility for the proper fulfilment of all functions, it delegates authority to the group Chief Executive Officer, Executive Directors and Senior Management for the implementation of the strategy and the ongoing management of the business on a day-today basis.

The board is supported by its committees which provide in-depth focus on specific areas and make recommendations on matters delegated to them, encompassing, inter alia, risk, internal control, financial reporting, strategy and, appointments and remuneration issues. Through the deliberations and reporting of the various committees, the board ensures that the company and its subsidiaries are being managed in line with its objectives.

Considering the evolving and challenging environment in which the group operates, the board recognises that governance must be dynamic to meet current and future business requirement. Each committee has its own charter, approved by the board and reviewed as deemed necessary. The charter sets out the committees' role, responsibility, composition, powers, structure, resources and any other relevant matters

The following board committees exist:

- Audit Committee;
- Risk, Capital & Compliance Committee;
- Remuneration Committee;
- Directors' Affairs and Governance Committee;
- The Ethics and Conduct Committee; and
- FirstRand Namibia Executive Committee.

The board assures stakeholders that all the board committees met their respective obligations in all material respects.

Audit Committee

Audit Committee

The audit committee continues to fulfill a vital role in corporate governance and ensuring the integrity of integrated reporting and internal financial controls. The audit committee further assists the board to comply with its duties in terms of section 42 of the Banking Institutions Act 2 of 1998, read together with chapter 3 on the NamCode on corporate governance.

The independence of the audit committee is paramount. The audit committee is composed of four directors, three of whom are independent.

The Chairperson of the audit committee is an independent non-executive director who continued to lead constructive dialogue with management, internal and external auditors. The Chairperson of the audit committee will be in attendance at the Annual General Meeting (AGM) to answer queries, through the Chairperson of the board, on matters within the scope of the audit committee.

RJC Hamer is a non-executive director in terms of the NamCode definition due to his employment within the FirstRand group structure, the majority shareholder for the preceding three years, deemed not to independent. The board is of the opinion that his specialist skills, experience, knowledge of the group and the value that these bring to the audit committee deliberations continue to warrant his membership.

The board assures stakeholders that the committee's collective skills are appropriate to oversee integrated reporting taking into consideration the industry, the groups size and circumstances.

The period for which the audit committee members have served is as follows:

SH Moir	Appointed 2006
CLR Haikali	Appointed 2016
JG Daun	Appointed 2017
RJC Hamer	Appointed 2018
LJ Haynes	Resigned 2018

The committee discharged its duties by inter alia complying with its legal and regulatory responsibilities, as well as:

- Considering and recommending the internal audit charter for approval by the board;
- Reviewing and approving the integrated report and recommending same to the board for approval;
- Ensuring the expertise, resources and experience of the financial management function;
- Ensuring integrity, reliability and accuracy of the financial statements, the accounting practices and the internal financial management function;
- Evaluating the adequacy and effectiveness of internal audit assurance functions;
- Maintaining transparent and appropriate relationships with the external auditors;
- Reviewing the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors. Ensuring that the appointment of the external auditors complies with the Companies Act, Banking Institutions Act and other relevant legislation;
- Ensuring that there is adequate reliance placed on effective internal, external and management assurance providers;
- Ensuring that the internal audit function is independent and has the necessary resources, budget, standing and authority within the company to enable it to discharge its functions;
- Ensuring that the integrated sustainability reporting obligations are met;
- Satisfying itself that the external auditor was independent of the company and determining the nature and extent of non-audit services;
- Understanding how the board and the external auditor evaluate materiality for integrated reporting purposes; and
- Collectively having an understanding of International Financial Reporting Standards and other regulatory requirements and it assures stakeholders that the accounting policies and practices within the group are in compliance with IFRS and regulatory requirements.

Audit Committee continued

The committee assures stakeholders that:

- The committee has reviewed a documented assessment including key assumptions, prepared by management of the going concern status of the company had has accordingly confirmed to the board that the company will be a going concern for the foreseeable future;
- The financial statements of the group accurately reflect the financial position and records of the group;
- Effective accounting practices and policies have been maintained;
- The skills and resources of the finance functions are adequate and all requirements have been met; and
- Internal controls of the group have been effective in all material respects during the year under review.

Assurance to stakeholders

Going concern

The committee has reviewed a documented assessment including key assumptions, prepared by management of the going concern status of the company and accordingly confirmed to the board that the company is expected to be a going concern for the foreseeable future.

Expertise and adequacy of finance function

The committee is satisfied that Mr. OLP Capelao (BCom Hons (Accounting), CA (Nam), CA (SA)), the Group Chief Financial Officer and Executive Director, possesses the appropriate expertise and experience to meet his responsibilities in that position.

The committee is satisfied with:

- The expertise and adequacy of resources within the finance function, and
- The experience, expertise and continuous professional development of the management members of the finance function.

Financial statements and accounting practices

The committee reviewed the accounting policies and financial statements of the company and is satisfied that they are appropriate and comply with IFRS and the financial statements of the group accurately reflect the financial position and records of the group.

Internal Audit and Internal control

- The committee is satisfied that internal audit function has adequate skills and resources;
- The Head of Internal Audit has unrestricted access to the Audit Committee Chairperson; and
- Internal controls of the group have been effective in all material respects during the year under review.

SH Moir
Chairperson, Audit Committee

Risk, Capital & Compliance Committee (RCCC)

The prime objective and mandate of the RCCC is to assist the board in discharging its responsibilities in terms of the management of risk, compliance and capital across the group (inclusive of the banking group and all its subsidiaries).

The RCCC discharged its duties by:

- Approving risk management policies and frameworks for submission to the FirstRand Namibia Limited board, and ensuring that the group's risk management processes and methodologies are implemented to increase the probability of anticipating unpredictable risks;
- Recommending risk exposure limits and tolerance levels for approval by the FirstRand Namibia Limited board;
- Monitoring of the effectiveness of risk management processes on behalf of the FirstRand Namibia Limited board. Reviewing the risk maturity of the group, the effectiveness of risk management activities, the key risks facing the company, and the responses to address these risks;
- Monitoring of the effectiveness of capital management processes on behalf of the FirstRand Namibia Limited board.;
- Reviewing environmental and social risks and potential environmental and social impacts, acknowledging FirstRand Namibia Limited's environmental and social responsibility; and
- Ensuring that the Internal Capital Adequacy Assessment Process (ICAAP) is reported to the board and senior management to ensure that the ICAAP forms an integral part of the management process and decision-making culture of the group.

Ensuring that there is an effective process in place for the management of liquidity risk delegating the management of liquidity risk to the Asset, Liability & Capital Committee (ALCCO), a specialist risk sub-committee.

SH Moir
Chairperson, Risk, Capital & Compliance Committee

Remuneration Committee (REMCO)

REMCO is charged with ensuring that an appropriate remuneration governance framework is in place to attract, retain and incentivise talent in order to sustain the group through superior performance. The committee is overall accountable for providing governance oversight over all forms of remuneration and reward for non-executive directors, executive directors, senior management and all employees.

COMPOSITION

REMCO is chaired by an independent Non-Executive Director and is constituted by Non-Executive Directors, majority of whom are independent. The Chief Executive Officer, the Chief Financial Officer and the Chief Human Resources Officer attend all committee meetings in an ex officio capacity and are recused when matters that affect them are discussed.

REMUNERATION GOVERNANCE FRAMEWORK

At the core of the group's remuneration framework is recognition and reward for superior performance and sustainable value creation. The group makes use of a Performance Management System (PMS) to manage performance at individual, team, business unit and group levels relative to targets set at each of these levels.

The group performance management process commences with an annual performance planning process whereby an annual operating business plan is developed informed by the group's long-term strategic blueprint. The Board of Directors sets strategic priority areas for the particular financial year derived from the goup's long-term strategy. Based on such priority areas, an overall group scorecard is agreed upon between the board and the management team setting out group performance targets for the year. group targets are set within the group's overall risk appetite.

The performance management framework requires that management produce positive net income after cost of capital (NIACC). Another way of looking at NIACC is the amount of earnings left after shareholders and other capital providers are paid for their investment at the prescribed level. Management only starts to share thereafter.

The group's reward philosophy is underpinned by the performance management framework and is fully aligned to the group's strategic objectives, namely:

- deliver long-term franchise value;
- deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and
- maintain balance sheet strength.

REMCO is pleased to report that the group's reward philosophy as encapsulated in the following remuneration components is fully aligned to the group's core purpose:

GUARANTEED PAY

Guaranteed pay is designed to attract and retain human resources in line with the skills requirements of the role and is benchmarked relative to skills, experience, performance and complexity of the role.

An individual's guaranteed pay is determined by:

- the appropriate salary range matched to the role using market benchmarks (pay for the role); and
- the value he/she adds to FirstRand Namibia Ltd (pay for the person) in relation to the expected outcomes for a specific position/role.

Remuneration, benchmarking forms the cornerstone of determining employees' guaranteed pay and is conducted against the financial services industry and other companies in the market with similar market capitalization, using independent industry salary surveys on a regular basis. The PwC Remchannel® salary survey is used to benchmark against the market. This approach ensures that guaranteed pay packages are competitive allowing FirstRand Namibia Ltd to attract and retain the right caliber of employees.

Annual salary increases are determined using a combination of the bottom-up and top-down approaches. The top-down approach is informed by retention considerations and individual employee performance all of which are anchored against remuneration competitiveness relative to market.

The group has recognised the Namibia Bank Workers Union (NBWU) as the exclusive bargaining agent for non-managerial employees. As part of the bottom-up approach, the group negotiates salary increases with the NBWU on an annual basis as provided for in the Recognition Agreement. Salary negotiations and resulting settlement are generally informed by prevailing macro-economic factors as well as individual employees' performance.

All remuneration increases are reviewed and approved by REMCO in the context of individual and business unit performance, inflation and specific industry practices and trends as well as current economic environment.

Short-Term Incentive (STI) Scheme

A short-term incentive scheme is in place to reward and incentivise achievement of annually agreed individual, business unit and group performance objectives and strategic priorities.

Individual performance is formally assessed twice a year, measured against specific quantitative financial and qualitative non-financial performance criteria. Specific quantitative performance measures include, amongst others the following:

- ROE;
- earnings growth and NIACC;
- performance within overall group risk appetite;
- quality of earnings;
- audit findings; and
- operational losses.

Examples of qualitative non-financial measures include teamwork, client-focus, innovation, progress implementing key control projects and delivery on socioeconomic development objectives.

Short-term incentive awards are funded from the group's Short-term Term Incentive pool which is decided upon annually by REMCO based on the group's profitability, performance metrics, business unit profitability, risk taken within risk appetite compared to realized returns and sustainable future profitability. The size of the STI pool and its allocation within the group takes current and potential future risks into account. These include:

- the cost and quantum of capital required to support risks taken;
- liquidity risk assumed in the conducting of business; and
- consideration of the timing and certainty of the realisation of accrued, but as yet unrealised, accounting profits included in current earnings.

Short-term incentive awards recognise individual performance and overall contribution to business-unit performance. As such employees who fail to attain set minimum performance targets do not participate in the STI scheme.

The awards are discretionary and paid in cash with the primary objective of rewarding superior performance. Worth noting is the fact that short-term incentive awards reduces or disappears in the event of poor group, franchise, business unit or individual performance in line with the claw-back principle.

Individual employee performance awards are determined by a combination of company and individual performance and are paid in accordance with the applicable STI scheme rules. Individual short-term incentive awards in excess of N$ 650,000 are paid out in three tranches. Interest, as determined by the group, accrues on the second and third tranches and is included in these payments. Should an employee resign or leave the employ of the group for any reason before the date on which any tranche is payable, any outstanding tranches will no longer be payable and are forfeited.

Long-Term Incentive Scheme

The group operate long-term award incentive schemes to retain key executives and critical skills who are expected to generate long-term value for the group as well as to reinforce and align their interests with those of shareholders and other stakeholders. The FirstRand Limited Conditional Incentive Plan (CIP) is utilised to achieve this objective. The CIP has a zero strike, meaning it has value from day one and the participant still get value even if the share price falls.

Remco has the discretion to determine the total amount of long-term incentive awards made to any employee, which are deferred and payments are not finalised over short periods as risks can manifest over longer periods. Thus, there are no multi-year guaranteed incentive awards or substantial severance arrangements for employees.

In order to link compensation to the time horizon of risk assumed by the group, the vesting of the CIP awards is subject to satisfying performance conditions including corporate performance targets (CPTs) set and measured over a three-year performance period. If performance conditions are not satisfied, outstanding payments are forfeited. In terms of the scheme rules, participants do not receive dividends on their long-term incentive allocations during the performance period nor do these accrue to them during the performance period.

All long-term incentive awards are deferred by a conditional award in terms of the group's conditional incentive plan for three years. Should an employee resign or be dismissed, unpaid bonus tranches are forfeited subject to the discretion of the committee. Also, in terms of the group's current policy any unpaid portion of deferred compensation is forfeited in the event that the applicable business unit suffers a loss during the year in question.

Remco is of the view that the long-term incentive scheme encourages behaviour that is consistent with effective risk management and claw-back arrangements, therefore, do not exist post vesting. The group's current long-term incentives use share-linked instruments and, therefore, do not require the allocation of shares. The committee has the discretion to determine the total amount of long-term incentive awards made to any employee.

DIRECTORS REMUNERATION

Executive Directors

Executive Directors are employed on fairly standard employment contracts as all other employees. Remuneration paid is based on the group's remuneration policy as set out above. The actual remuneration paid to the executive directors is disclosed in the notes of the annual financial statements.

The committee took note of the recommendations of NamCode that companies disclose the remuneration of its three highest paid employees who are not directors. After due consideration of this provision the committee with concurrence of the board resolved that the disclosure of the remuneration of the executives sufficiently illustrates the alignment between reward and shareholder return.

The committee ensures an optimal balance between operational stability, superior value creation and sustaining appropriate alignment of employee performance with the medium-to long-term interests of the group's stakeholders. The following principles are at the core of the group's remuneration practices:

- ensuring guaranteed pay is commensurate with the volume of work, level of responsibility and individual performance in the role;
- protecting stakeholder value through compensation based on performance measured after adjusting for the level of risk assumed and the cost of capital incurred in the course of business; and
- overseeing the implementation of long-term incentive awards subject to performance criteria that appropriately reflect sustainable value creation over the medium to long term.

Non-Executive Directors

Non-executive directors receive fees for services as directors and for services provided as members of board committees. These fees are paid on a retainer as well as attendance basis. The fees vary depending on the role of the committee, are based on market comparisons, and are reviewed on an annual basis in order to meet the remuneration philosophy of the group that advocates for fair and responsible remuneration. The fees are reviewed by the Remuneration Committee and are approved in advance by shareholders at the annual general meeting.

Non-executive directors do not receive share options or other incentive awards, besides the implementation of the BEE/Transformation agreement entered into in 2005. Further information on exposure of directors to the shares of the company is provided in the notes of the annual financial statements. In terms of the group's 2005 BEE transaction as approved by shareholders on 21 April 2005, 15 million FirstRand shares were allocated to a black non-executive directors' trust. Allocations of participation rights in the black non-executive directors' trust have been made to certain black non-executive directors in the group. In terms of the group's remuneration policy these allocations are not considered to be incentive schemes as their raison d'être is one of BEE ownership.

Actual remuneration paid to executive directors is detailed in the notes to the annual financial statements.

REMCO TERMS OF REFERENCE

The committee exercise stewardship over FirstRand Namibia Ltd's remuneration practices and ensure that compensation works in harmony with the implemented risk postures. The committee's specific responsibilities, includes, amongst others the following:

- **Remuneration Policies and Practices** - The committee ensure alignment of the remuneration strategy and policy with the FirstRand Namibia group's business strategy and the desired culture and approves the general principles applied to remuneration, bonus and share incentive schemes' policies and practices ensuring a balance between guaranteed and performance-based remuneration, taking into consideration at all times the risk associated with the behaviour being incentivised.

- **Performance management** - The committee ensures that appropriate performance measurement processes are implemented for the award of salary increases, bonuses and share incentives whilst ensuring that remuneration is pitched at levels relative to other comparable companies taking relative performance into account.

- **Salary increases** - The committee approves the general principles applied to the award of salary increases and approves remuneration packages needed to attract, retain and motivate high performing executive directors and executive management, but avoid paying more than is necessary for this purpose.

REMCO TERMS OF REFERENCE continued

- **Incentive Bonuses** - The committee approves the quantum of the annual bonus pool, the methodology utilised for the allocation of the pool to the Business Units and the quantum of the allocations to the Business Units.

- **Share incentives** - The committee approves the general principles applied for the award of share incentives to employees. The awards are approved on an individual basis in respect of executive directors and senior management.

- **Employees over which it exercises discretion** - The committee determines remuneration policy generally (i.e. positioning relative to the market etcetera.), bonus and share incentive award policy for the employees over which it exercises discretion. The committee receives proposals on the criteria used to measure the performance for reward purposes of the employees over which it exercises discretion. The committee approves salary increases, bonus and share incentive awards on a name-by-name basis annually, or as deemed necessary by the boards, for the employees over which it exercises discretion. The committee approves remuneration packages and service agreements for the employees over which it exercises discretion. The committee must ensure that the employees involved in financial and risk control positions must be compensated in a manner that is independent of the business areas that they oversee to ensure their independence.

- **Service Agreements** - The committee reviews, as it deems necessary, or as it is requested to do so by the boards or CEO, the service agreements of those employees over which it exercises discretion in order to ensure the adequacy of benefit schemes for executive directors and executive management whilst taking account of consequences and associated costs to the company of such benefits.

- **Succession planning** - The group has an approved succession policy setting out principles of talent management and development of its key resource, its human capital and the CEO provides periodic reports to the remuneration committee. A formal succession plan is in place for key positions within the group and is updated on a regular basis. The board is confident that it should be possible to identify suitable short-term and long-term replacements from within the group should the need arise.

- **Employment equity** - The group is committed to creating an-all-inclusive working environment where the unique talents of all employees are recognised equally. As such, the group has an employment equity policy in place and is committed to the achievement of equity within its workforce in compliance with internal and regulatory obligations. The policy is aimed at achieving employment equity in the workplace and to enhance business competitiveness. Developing all employees is critical to the success of the programme and emphasis is placed on training, monitoring and promotion of existing staff. The group has received its Affirmative Action Compliance Certificate from the Employment Equity Commission annually since inception and has met its set targets.

REMCO PROCEEDINGS

The committee meets twice a year. Attendance at the meetings held during the year is as follows:

Members	April 2017	July 2017	April 2018	July 2018
CLR Haikali	√	√	√	√
SH Moir	√	√	√	√
JR Khethe	√	√	√	√
ES Motala	A	√	√	√

A – Denotes apologies tendered and accepted

The Chairperson attends the annual general meeting

The group's remuneration policies for the upcoming financial year remain unchanged from the current financial year and will be put to a shareholder's vote at the annual general meeting to ratify the current Remuneration Policy, as provided in the notice of the annual general meeting.

CLR Haikali
Chairperson, Remuneration Committee

Directors Affairs & Governance Committee (DAGC)

The DAGC is constituted as a standing committee of the board of directors of FirstRand Namibia Ltd. The committee's mandate extends, on behalf of FirstRand Namibia Ltd, to include all companies in the FirstRand Namibia Ltd.

The committee discharged its duties by:

- Monitoring the adequacy and effectiveness of group's corporate governance structures and processes; ;
- Reviewing the board structure, size and composition, taking account of skill and experience requirements and a need for appropriate demographics and the balance between non-executive and executive directors as well as the need for independent non-executive directors;
- Successfully identifying suitable candidates for appointment to the board and recommending them to the full board in a formal and transparent manner. The committee in making its recommendations took cognisance of the candidate's integrity, skills and further ensured that any statutory requirements for the proposed appointments were complied with;
- Regularly reviewing the board structure and composition of the significant operating companies and non-statutory boards and committees in FirstRand Namibia Ltd and making recommendations thereon to the board;
- Monitoring progress with the boards on-going director development programme and identifying relevant areas of training for the board;
- To consider the independence of non-executive directors on an annual basis as required by law and/or recommended by the NamCode or King IV report on Corporate Governance; and
- To advise the board on succession planning in respect of the office of chairperson of the board and executive and non-executive directors.

SH Moir
Chairperson, Directors Affairs & Governance Committee

Ethics and Conduct Committee

Ethical governance is at the core of the FirstRand Namibia group leadership. **We embrace worldwide ethics best practices to ensure integrity in our business and market conduct. The group therefore established a formal ethics and conduct committee to exercise oversight over the governance and functioning of the group-wide ethics programme.** This committee comprises members of the executive committee, including the two executive directors.

The Ethics Program consists of:

- A code of Ethics;
- A Whistleblowing Platform;
- Anti-Bribery and Corruption training and awareness; and
- Whistle-blower Rewards known as Leading Light Rewards.

The group code of ethics is the cornerstone of the ethics management framework. Any contraventions of the code of ethics are acted upon in accordance with clearly communicated principles.

The ethics and conduct 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 the promotion of responsible business conduct was maintained and included in-depth training on whistle blowing, conflict of interest and 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.

To combat the risk of insider trading, share trading is governed by a policy that sets out practices including approval requirements, disclosure principles and closed period rules.

The Ethics and conduct committee convenes quarterly to monitor and assess the effectiveness of the Ethics Program. Each month the Ethics Officer reports on the maturity and deployment of the ethics program throughout the organisation.

Group Executive Committee

The executive committee coordinates and guides the execution of the strategy as approved by the board and assists to align, coordinate and facilitate the management of the company's business in a proficient, timeous, agile and proactive manner in order to achieve sustainable profitable growth and performance.

In carrying out its duties, the executive committee had due regard to the principles of governance as contained in the NamCode on Corporate Governance, the various statutes and their regulations and the rules of industry representative bodies which regulate the businesses of the FirstRand Namibia and its subsidiaries and of the Listings Requirements of the NSX.

In addition to carrying out other responsibilities delegated to the committee by the board, the committee ensures that:

- That regular reports are submitted to the FirstRand Namibia Board on matters falling within the committee's ambit and on each of the major businesses in which the FirstRand Namibia is invested;
- Review and filter all matters to be considered by the FirstRand Namibia board and its major subsidiaries including First National Bank of Namibia Ltd;
- Verifying the correctness of and obtaining further information on all issues relevant to matters to be considered by the FirstRand Namibia board;
- Strategy is formulated and implemented;
- FirstRand Namibia's annual budget and those of significant franchises and support units are reviewed and approved;
- FirstRand Namibia Ltd's financial performance is monitored;
- Best practices in terms of Corporate Governance across the FirstRand Namibia is ensured;
- It receives reports of significant risk/risk trends; and reports of significant non-compliance issues;
- It reviews and approves large projects capital expenditure (including consulting) in excess of the limits set by the FirstRand Namibia Board from time-to-time prior to submission of such proposals to the Board; and
- Monitors and manages the non-financial performance of the company and takes into account the legitimate interests and expectations of FirstRand Namibia Ltd's stakeholders in doing so.

04

PERFORMANCE REVIEW

Chief Executive Officer's report

Sarel van Zyl

Operating environment

The year under review saw Namibia work through four quarters of consecutive GDP contraction, the worst since 1983, directly contributing to the sharp increase in NPLs in the portfolio. Cost of funding has over the last two years seen consecutive increases in the high teens, bringing an end to the low cost of funds of the past and putting pressure on margins. A renewed focus on risk management, specifically AML, resulted in a sharp increase in operating and staff costs in this space. The group however responded well to the challenges by continuing its focus on core organic growth and driving efficiencies, which is evidenced in the satisfactory results of N$ 1.6 billion in profit before tax for the year.

The group understands that the environment in which we operate is changing to a digital one, and various initiatives have been instituted to keep us abreast of current developments.

FirstRand Namibia Ltd

The group activities comprise banking, insurance and other activities. The banking activities provide a comprehensive range of retail, commercial, corporate and investment banking services under the First National Bank (FNB), Rand Merchant Bank (RMB), and WesBank franchises. The group was renamed in the current year from FNB Namibia Holdings Ltd to FirstRand Namibia Ltd due to confusion created between FNB Namibia Holdings Ltd and the FNB brand in the market.

Banking Activities

FNB franchise

Our segmented approach is serving us well and the Retail segment continued to produce resilient growth in non-interest revenue due to increases in the usage of digital channels by the customers as indicated by the growth in transaction numbers. Our efforts to move customers from branch to digital channels continued to pay off as in-branch transactions have reduced by 12% consecutively for two years as customers are transacting on self-servicing channels allowing us to focus on reducing the operating costs of the expensive branch channels.

During the year we introduced FNBRewards, helping customers to save on their banking fees by encouraging them to use our more affordable self-servicing channels, as well as inculcate the culture of Savings and Investments. Customers who demonstrate the good banking behavior will be promoted to a next reward level with the potential to earn equal to or more than their monthly fee charges.

Our non-interest revenue on ATMs/ADTs have increased by 23%, while the volumes on FNB App, Speedpoints and mobile banking platforms increased by 81%, 15% and 16% respectively. This is in line with our strategy to drive down the cost of branch banking and provide more affordable and accessible cash out points in partnership with retailers and agencies, using our more than 4,000 reliable Point of Sale devices deployed throughout Namibia. We have, to date, partnered with close to 200 retailers to pay out cash at till, and are in the process of rolling out ewallet cash out at till and Cash Plus product offerings to small retailers to enable money in and out in areas where FNB does not have a physical presence.

The FNB Business segment delivered satisfactory results on the back of good on advances growth, despite a tough macro-economic climate faced by especially its customers in the Construction industry. Impairments, albeit still very low, were however higher than the prior year as expected. Margin management remains a strategic driver in our business.

Our Agricultural segment performed well and above expectations, despite the drought and challenging legislative environment.

Our Commercial Property Finance team maintained their market position in a year which saw Commercial Property construction and related sectors grind to a halt.

The SME segment was a strong performer in FNB Business segment, as it continues to deliver service excellence in terms of its value propositions and mentorships offered to our customers. We continue to empower our customers through migration to digital and self-service channels.

As evidence of our consitent customer centric approach, FNB Business was for the 3rd consecutive time, honoured with the top PMR Diamond award, as the Best Business Bank in Namibia.

RMB franchise

RMB has partnered with clients throughout the year of tough macros to provide solutions in the Investment Banking, Corporate Banking and Treasury Solutions space. RMB executed landmark deals in the development of Namibia such as funding to Namwater in collaboration with the Government of Namibia in record time, assisting the client to meet commercial obligations under tight deadlines. With a proactive approach RMB advised Bannerman Resources on its unique and locally relevant localisation transaction and in the process provided the One Economy Foundation, a not-for-profit organisation, with direct beneficial shareholding in Bannerman.

RMB won the award for best trade bank as well as the best treasury and cash management in Namibia in the 2018 Global Finance awards. RMB's market leading capability in this space optimized working capital for our clients as evidenced by structured solutions to Namibia Diamond Trading Company (NDTC) and Namdia. On term lending, RMB continues to support our clients that invest throughout the cycle and was the sole arranger and funder of the N$ 450 million Wernhil Park Shopping mall expansion, construction of which is expected to be completed in June 2019.

When hard thinking is required, RMB collaborates effectively to design unique solutions with agility, a can-do mindset and a passion for possibilities. Anticipating and understanding the needs of our clients, RMB builds enduring and mutually rewarding relationships that fuel growth and deliver sustainable returns. This culture empowers and challenges this team of diverse talent to make a difference and to positively contribute to the societal, economic and financial landscape in Namibia.

Wesbank franchise

The vehicle finance market has seen some of the biggest challenges in the recent past with new vehicle sales down by over 20% for two consecutive years. Competitive interest rates and increased costs of funding have had a further negative impact on the business. This situation has warranted a need to re-look at our business, exploring profit pools in which we previously did not operate, whilst remaining committed to our philosophy of not chasing market share at the expense of returns. WesBank remains a market leader embodied by superior customer service. In the year ahead, we look forward to launching innovative products that speak to the needs of our customers.

Insurance Activities

Outsurance

Since entering the Namibian market in 2007 we have made it our mission to provide world-class value-for-money insurance products backed by awesome client service. Over the last financial year, more than 48% of clients “got something OUT”, either through a claim payment or an OUTbonus. 65% of our clients rated our service as not just good but awesome, across sales, client care and claims. Treating customers fairly is at the heart of what we do and this is evidenced by less than 10% of our disputed claims being overturned by the regulator versus the rest of industry average of 30% (NAMFISA STI industry report 2017Q1 to 2017Q4).

OUTsurance Namibia generated normalised earnings of N$40 million for the financial year. The improvement in the claims ratio to 51.1% was the major driver behind the 11.6% growth in normalised earnings. The gross written premium, on a normalised basis, declined by 0.8% due to pressure on new business volumes in light of soft market conditions driven by broader macroeconomic factors. Premium inflation was well below general inflation in response to favourable claims frequency trends and lower repair cost inflation. New business volumes started to show an improving trend towards the latter part of the reporting period, benefitting from low premium adjustments and operational improvements.

Other Activities

Ashburton Investments

Ashburton was launched in 2017 on the back of the acquisition of the Pointbreak group of companies. The launch of Ashburton was in line with executing on the group’s vision of becoming a comprehensive end-to-end financial services group. As can be expected with any acquisition the first year of acquisition was predominantly spent on integrating Pointbreak into the broader FirstRand Namibia group and leveraging of the points of presence of the FNB franchise. We are now confident that the desired synergies and benefits are to be achieved in the coming years.

Outlook

Global developments have been particularly challenging for emerging economies. Dollar strength, coupled with interest rate normalisation and escalating trade tensions between the US and China, have increased global risk aversion. As a consequence, portfolio capital flows to emerging economies reversed sharply, forcing emerging market central banks to increase policy rates. Namibia’s real GDP growth is projected to improve from -0.8 percent in 2017 to 0.6 percent and 1.9 percent in 2018 and 2019, respectively.

Risks to domestic growth include a meagre recovery in the country’s trading partners, slow recovery in international commodity prices particularly for uranium, undue exchange rate volatility and uncertainty. Furthermore, a slowdown in demand for minerals from China will also increase the risk to projected growth for the primary sector. We believe the above factors will put increasing pressure on our topline, as such it is imperative that we focus on cost control going forward.

Conclusion

In these difficult times, we remain committed to helping and supporting our customers through the cycle, by providing solutions to assist them with their cash flow management.

As importantly, I would like to thank our employees for their contribution, hard work, dedication and drive to ensure that we remain “a great Namibian business, creating a better world”, focused on our customers. I have no doubt that we have the right strategy and the best team, and am confident that we will not only overcome this economic challenge, but that we will continue to provide value for our customers, shareholders and stakeholders.

Sarel van Zyl
Chief Executive Officer

In these difficult times, we remain committed to helping and supporting our customers through the cycle, by providing solutions to assist them with their cash flow management.

Chief Financial Officer's report

Oscar Capelao

FirstRand Namibia group produced a good set of results for the year ended 30 June 2018. Financial services entities, especially banks' earnings are inextricably linked to the health of the economy and currently Namibia is facing some very difficult conditions.

The results and commentary are presented on a normalised basis as the group believes this most accurately reflects economic performance. The results include the acquired Pointbreak companies and EBank for a full twelve months whereas prior year only had this in for three months as the acquisition was only concluded on 30 March 2017. Line items in the profit and loss statement impacted by the acquisition are not comparable at face value. Normalised operations exclude the Pointbreak and EBank earnings impact for the current and comparative year.

The banking operations with its leading franchises FNB, RMB and Wesbank contribute 95% to group earnings followed by OUTsurance contributing 4%.

Despite a very challenging economic period, the group was able to produce a set of satisfactory results for the year under review. The group maintained a stable funding and liquidity base and sustained a solid capital position.

Our decision making and consistent focus is reflected in our profit for the year which ended 30 June 2018 at N$ 1 060.7 million (2017: N$ 1 113.2 million).

Headline earnings decreased by 4.3% to N$ 1 039 million. Earnings per share decreased to 398.1cents (2017: 418.9 cents).

Normalised earnings – headline earnings adjustments, non-operational items and impact of the acquired subsidiaries which did not form part of the group for the full comparative period provide a more accurate view of performance.

Normalised profit before tax for the year decreased by 3.8% to N$ 1 580.2 million.Return on average equity reduced to 22.1% (2017: 25.6%), return on average assets was 2.7% (2017: 3.0%) and cost to income ratio increased to 50.3% (2017: 48.4%).

Statement of comprehensive income

Interest income

The repo rate and prime rate were reduced by 25 basis points in August 2017. The resulting endowment effect and increased funding costs negatively affected the net interest income growth. Net interest income grew by 3.1% to N$ 1 820.8 million (2017: N$ 1 764.6 million) on the back of resilient deposits growth and somewhat constrained advances growth given the subdued economic environment. Margins remained under pressure during the period.

Interest expense increased by 15.9%. The negative impact of deposit pricing on margins reflects heightened competitive pressures experienced during the year. Interest income grew at 9% driven by the subdued growth in advances as reflected in the lower growth of PSCE for year of 5.5%.

Impairment losses

The total impairment charge trended up year-on-year and closed at N$ 128.3 million (2017: N$ 59.3 million). The total impairment charge is 0.44% (2017: 0.21%) of gross advances.

Group credit loss rates increased as expected, impacted by a more challenging macroeconomic environment, but performance is acceptable and within risk appetite. Credit origination strategies are aligned to the group's macroeconomic outlook.

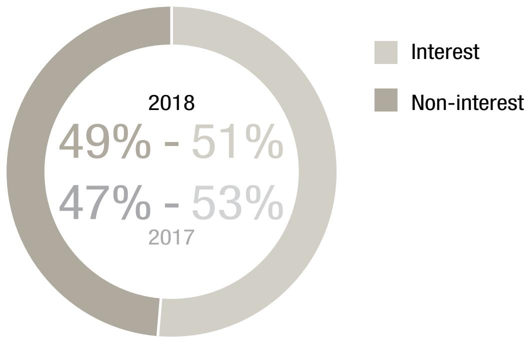
The ratio of non-performing loans to gross advances ended the year at 1.7% up from 1.4% and in dollar terms increased from N$ 339.1 million to N$ 481.5 million.

Mortgage NPLs increased by 43.8% to N$ 304.5 milion.

This increase is mainly attributable to specific impairments and was anticipated in the deteriorating economic climate. The group's impairment levels remain well within acceptable levels through the cycle, and coverage ratios remained in line with industry. Portfolio impairments increased by N$ 2.5 million (2017: N$ 83 thousand), but overall provisioning levels for the group have remained conservative to maintain an adequate level of provisioning on the performing loan book.

Non-interest revenue

Sources of gross revenue



Group normalised NIR growth of 11.2% reflects strong fee and commission income growth of 12.0% within the banking group, which continued to benefit from volumes in digital and electronic channels, and solid growth in customer numbers. Banking fee and commission income represents 81.3% (2017: 83.6%) of group operational NIR. The trend of decreasing branch volumes continued in the current year.

Cash related NIR had no growth for the year, reflecting the depressed economic environment and regulation impact. The bank successfully launched FNBRewards its customer loyalty programme during the year, rewarding client's primarily making use of electronic channels. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions. In total bank has awarded N$ 9 million in cashback to its clients.

Capital gains from the disposal of excess properties contributed N$ 49 million to NIR (2017: N$ 7 million).

Insurance premiums increased by 1.1% contributing N$ 185 million (2017: N$ 183 million) for the year, claims paid for the year saw a reduction from N$104 million to N$ 96 million which in turn improved the claims ratio to 51.1%. This improvement was mainly due to favourable claims frequency trends and lower repair cost inflation.

Operating expenses

Normalised group operating costs have increased by 11.5%, with unadjusted increasing by 18.3%. Shareholders are advised that operating expenses are not comparable to that of the prior year due to the acquisition timing creating accounting anomalies.

This negative trend is reflected in our cost to income ratio of 53.5% (2017: 48.9%). The impairment of the EBank trademark and software contributed to the above inflationary increase in operating expenses. Costs growth above inflation is mainly attributed to our continued investment in our risk and compliance office, infrastructure and operating systems.

Core staff costs (normalised) increased by 13%, unadjusted staff related costs increased 17.6% for the year. Cost growth influenced by the wage settlement with the union above inflationary increase for non-managerial staff and the continued conversion of staff from basic pay to Cost-to-Company and includes the team acquired with the Pointbreak transaction. The continued investment in the expansion of our risk and compliance team to remain abreast of regulatory and risk issues has also contributed to the increase. The increase to N$ 37.5 million (2017: N$ 15.6 million) in the group conditional incentive plan (CIP) is linked to the movement of the FirstRand Ltd share price listed on the JSE.

Depreciation increased by 33.0%, reflecting the increasing investment in ADT's (automated deposit terminals) and speedpoints. ADT's are more expensive than normal ATM's, but support our migration of clients to self-service channels.

Property rentals increased with the growth in points of presence, which includes sites for ATMs.

IT costs increased as a result of upgraded bandwidth lines for new ADT's and ATMs, as well as an addition made to data line capacity. Investment in cyber security, new product development and other regulatory projects has also contributed to the increase.

Operating expenses in the current year includes the impairment loss N$39.3 million for the EBank trademark and acquired software and development costs. Having reviewed the information technology integration costs, management found it uneconomical to maintain an additional core banking system.

Statement of financial position

The group's total assets grew by 4.2% to N$ 39.4 billion (2017: N$ 37.8 billion). Year-end advances making up 72% of the balance sheet, increased by 1.4% to N$28.5 billion. Growth in private sector credit extension has throughout the year been on a downward trend, and we are pleased to have grown advances reflecting our continued support to economic growth. Private sector credit extension was 5.5% in June 2018.

Mortgage loans increased year on year by 4.3% to N$ 13.1 billion and constitute 46.0% (2017: 44.5%) of our advances book. Our exposure to home loans is reflective of the Namibian banking industry where home loans tend to average 40% of credit extended in the local market. In line with our risk appetite we have selectively grown the home loans book in segments where we believe the risk is lower. The granting of instalment credit reduced by 4.3%, considering the industry decline of 5.5%.

FNB Business and RMB Corporate lending remained under pressure, as we continued to focus on ROE preservation given the prevailing competitive pressures.

Deposits increased by 3.5% to N$ 31.5 billion, ahead of advances growth. Fixed deposits increased by 17.1% year on year, whilst NCD's are down year on year by 12.4% due to improved liquidity challenges. Current accounts increased by 1.1% whereas savings and call accounts increased by 31.1% and 10.7% respectively.

We raised N$ 219 million from an international bilateral development finance institution for Sustainable Use of Natural Resources and Energy Financing.

Conclusion

The group delivered resilient, high quality earnings on the back of reasonable topline growth, which has translated into a strong return profile and it is well-positioned for the continued emergence of the credit cycle.

Oscar Capelao
Chief Financial Officer

05 FIRSTRAND NAMIBIA GROUP

Directors' responsibility statement

To the shareholders of FirstRand Namibia Limited

The directors of FirstRand Namibia Limited 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.

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 101 to 128.

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 69 to 71.

The consolidated annual financial statements of the group, which appear on pages 68 to 224 and the separate annual financial statements of the company, which appear on pages 226 to 237 were approved by the board of directors on 07 August 2018 and signed on its behalf by:

I I Zaamwani – Kamwi
Chairperson

S J Van Zyl
Chief Executive Officer

Windhoek
07 August 2018

Independent Auditor's report

To the Members of FirstRand Namibia Limited

Opinion

We have audited the consolidated and separate financial statements of FirstRand Namibia Limited (previously FNB Namibia Holdings Limited) set out on pages 72 to 73 and 97 to 237, which comprise the consolidated and separate statements of financial position as at 30 June 2018 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 30 June 2018 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

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 Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were adressed in the context of our audit of the consolidated financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters. No key audit matter was identified in the separate financial statements.

Key audit matter – Group	How the matter was addressed in the audit
Impairment of advances Advances represents 72.40% of total assets and the estimation of impairment against advances is considered to be a key audit matter due to significance directors' judgement 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). The assessment of objective evidence of impairment is firstly applied individually on financial assets which are individually significant and then 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.	We assessed the design and implementation and operating effectiveness of 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 tested 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. 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.

<table>
<tr><th>Key audit matter – Group</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Impairment of advances continued
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; and
• The impact of market factors, including macro-economic trends.

Related disclosures included in the consolidated financial statements are:

• Accounting policies section 9.4;
• Group note 13 - advances; and
• Group note 14 - impairment of advances.</td><td>Where impairments were calculated on a model basis we tested and challenged the basis and operation of those models, the data and assumptions used with the assistance of internal specialists.

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 financial statements incorporated appropriate disclosures relating to impairment of advances.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises of the Understanding our Group, Leadership and Governance, Corporate Governance Report, Performance Review and Shareholders' Information sections as well as the Directors' Responsibility Statement and Risk Report, which we 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 company or 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;
- 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; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Deloitte & Touche

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

Per J Cronjé
Partner

PO Box 47, Windhoek, Namibia
05 September 2018

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

Directors' report

Nature of business

FirstRand Namibia Limited is the holding company of the FirstRand Namibia group of companies. The group provides banking, insurance and investment products and services to retail, commercial, corporate and public sector customers through its portfolio of market-leading franchises; First National Bank (FNB), the retail and commercial bank, Rand Merchant Bank (RMB), the corporate and investment bank, WesBank, an instalment finance provider, Outsurance, a short term insurance provider and Ashburton Investments, an investment management business.

Refer to page 240 for a simplified group structure.

Share capital

The company's authorised share capital remained unchanged at N$ 5 million.

The company's authorised share capital at year-end consists of 990 000 000 (2017: 990 000 000) ordinary shares of 0,5 cents each and 10 000 000 (2017: 10 000 000) cumulative convertible redeemable preference shares of 0,5 cents each.

The issued ordinary share capital remained unchanged at 267 593 250 ordinary shares and 2 cumulative convertible redeemable preference shares.

Share analysis – ordinary shares

Based on information disclosed by the Namibian Stock Exchange and investigations conducted on behalf of the company, the following shareholders have a beneficial interest of 5% or more in the issued ordinary shares of the company:

FirstRand EMA Holdings (Pty) Limited	58.4%	(2017: 58.4%)
Government Institutions Pension Fund	14.8%	(2017: 14.8%)

A detailed analysis of shareholders is set out on page 241.

Share analysis – preference shares

RMB-SI Investments (Pty) Limited	100%	(2017: 100%)

FNB Share Incentive Scheme

No new shares were allocated during the year by the company to trust. (2017: nil). Staff exercised options on 2 441 910 (2017: 1 519 247) shares during the year. The total number of shares held by the trust at 30 June 2018 amounts to 5 845 313 (2017: 6 055 652).

Please refer to note 30 of the annual report for further details.

Dividends

The following dividends were declared in respect of the current and previous financial years:

N$'000	2018	2017
Ordinary dividends		
Final dividend of 113 cents (2017: 113 cents)	302 380	302 380
Interim dividend of 91 cents (2017: 91 cents)	243 510	243 510
Total distribution for the 12 months of 204 cents per ordinary share (2017: 204 cents per ordinary share)	545 890	545 890

Directors interest in FirstRand Namibia Limited

Details of the directors' holdings in the issued ordinary shares of FirstRand Namibia Limited are reflected in note 6 to the annual financial statements.

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 68 to 237 set out fully the financial position, results of operations and cash flows of the company and the group. Your attention is also drawn to the chairperson's report on pages 32 to 35, the chief executive officer's report and the chief financial officer's report on the financial results on pages 61 to 66.

Directorate

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 supported their nomination.

The FirstRand Namibia Limited Board Chairperson is an independent non-executive director, whose role is separate from that of the chief executive officer. The Chairperson held office till the first board meeting in 2018, where she was duly re-elected after consideration of her independence. The Chairperson continues to provide the FirstRand Namibia Limited the direction necessary for an effective board.

The composition of the board of FirstRand Namibia Limited is as follows:

II Zaamwani-Kamwi (Chairperson)
SH Moir** (Deputy Chairperson)
OLP Capelao (Chief Financial Officer)
JG Daun
CLR Haikali
RJC Hamer*
JH Hausiku
Adv. GS Hinda
JR Khethe*
GCP Kruger*
SJ van Zyl (Chief Executive Officer)

* South African
**South African with Namibian Permanent Residence

Board changes

During the period under review Mr. PT Nevonga, Mr. LJ Haynes and Ms. ES Motala resigned from the Board of FirstRand Namibia Limited on 26 October 2017, 27 October 2017 and 29 June 2018 respectively. Two non-executive directors were added to the board in the period under review. Mr. RJC Hamer and Mr. GCP Kruger were appointed effective 20 March 2018 and 29 June 2018 respectively.

Directors' emoluments

Directors' emoluments are disclosed in note 6 to the annual financial statements.

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 a direct or indirect 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 FirstRand Namibia Limited is FirstRand EMA Holdings (Pty) Limited and its ultimate holding company is FirstRand Limited, both of which are incorporated in the Republic of South Africa.

Subsidiaries

Interest in subsidiaries are set out in note 34 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

On 2 July 2018 FNB Namibia Holdings Limited changed its name to FirstRand Namibia Limited.

risk report

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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 market 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 2018

Namibia and Southern Africa Environment

- Significant downward pressure on revenue growth given challenging macroeconomic conditions;
- Effect of the sovereign rating downgrades on the macroeconomic environment and funding costs as well as risk of a further sovereign downgrade;
- Increasing cost and scarcity of financial resources;
- Ongoing introduction of new regulations and legislation (particularly in banking activities), which could impact profitability over the medium to long term; and
- Intensifying competition in banking profit pools from non-traditional competitors.

Expected top risk to impact the Financial service sector in 2019

- Cybercrime and IT related disruptions;
- Regulatory risk;
- Data protection;
- Theft, Fraud and violent crime;
- Risk relating to market conduct; and
- War for scare talent.

Group Responses

These challenges and associated risks are continuously identified, potential impacts determined, reported to and debated by appropriate risk committees and management.

Developments in Namibia are monitored with appropriate responses, strategic adjustments and proactive financial resource management actions implemented where required. Credit origination and funding strategies are assessed and adjusted in light of macroeconomic conditions and market liquidity. Actions are in place to ensure a resilient funding model. Significant investment in people, systems, processes and data projects are made to:

- manage the risks emanating from the large number of regulatory requirements;
- address possible control weaknesses and improve system security;
- improve operational business resilience capability; and
- improve risk data management aggregation and reporting.

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 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.

The board adopted the following guiding statements to frame appetite

Qualitative principles
• Always act with a fiduciary mindset; • Comply with prudential regulatory requirements; • Comply with the spirit and intention of accounting and regulatory requirements; • Build and maintain a strong balance sheet which reflects conservatism and prudence across all disciplines; • Do not take risk without a deep understanding thereof; • Comply with internal targets in various defined states to the required confidence interval; • Do not implement business models with excessive gearing through either non-or off – balance sheet leverage; • Limit concentrations in risky asset classes or sectors; • Avoid reputational damage; • Manage the business on a through – the –cycle basis to ensure sustainability; • Identify, measure, understand and manage the impact of downturn and stress conditions; • Strive for operational excellence and responsible business conduct; and • Ensure the group's sources of income remain appropriately diversified across business lines, products, markets and regions.

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 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.

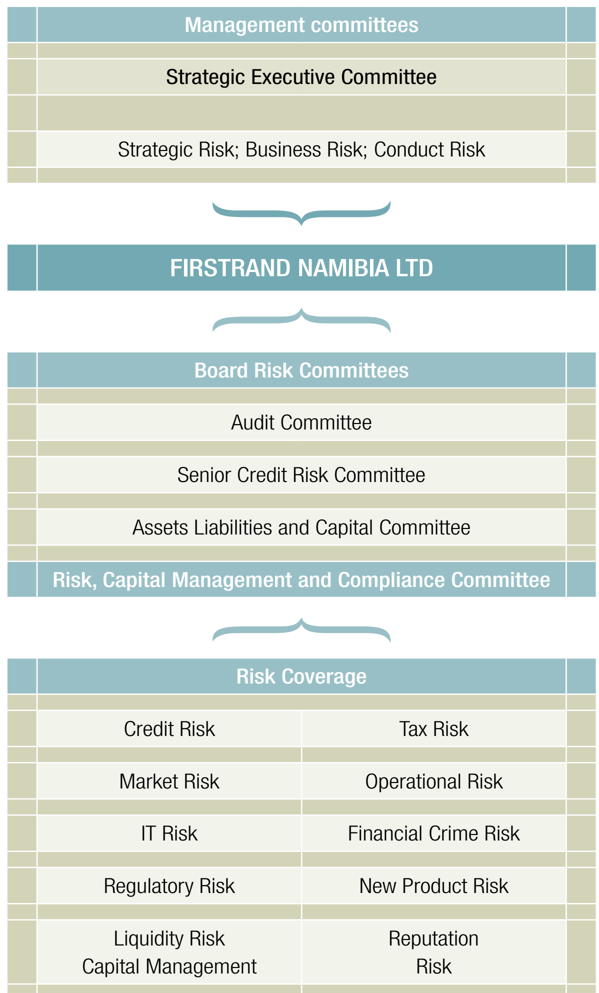
Risk governance structure

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

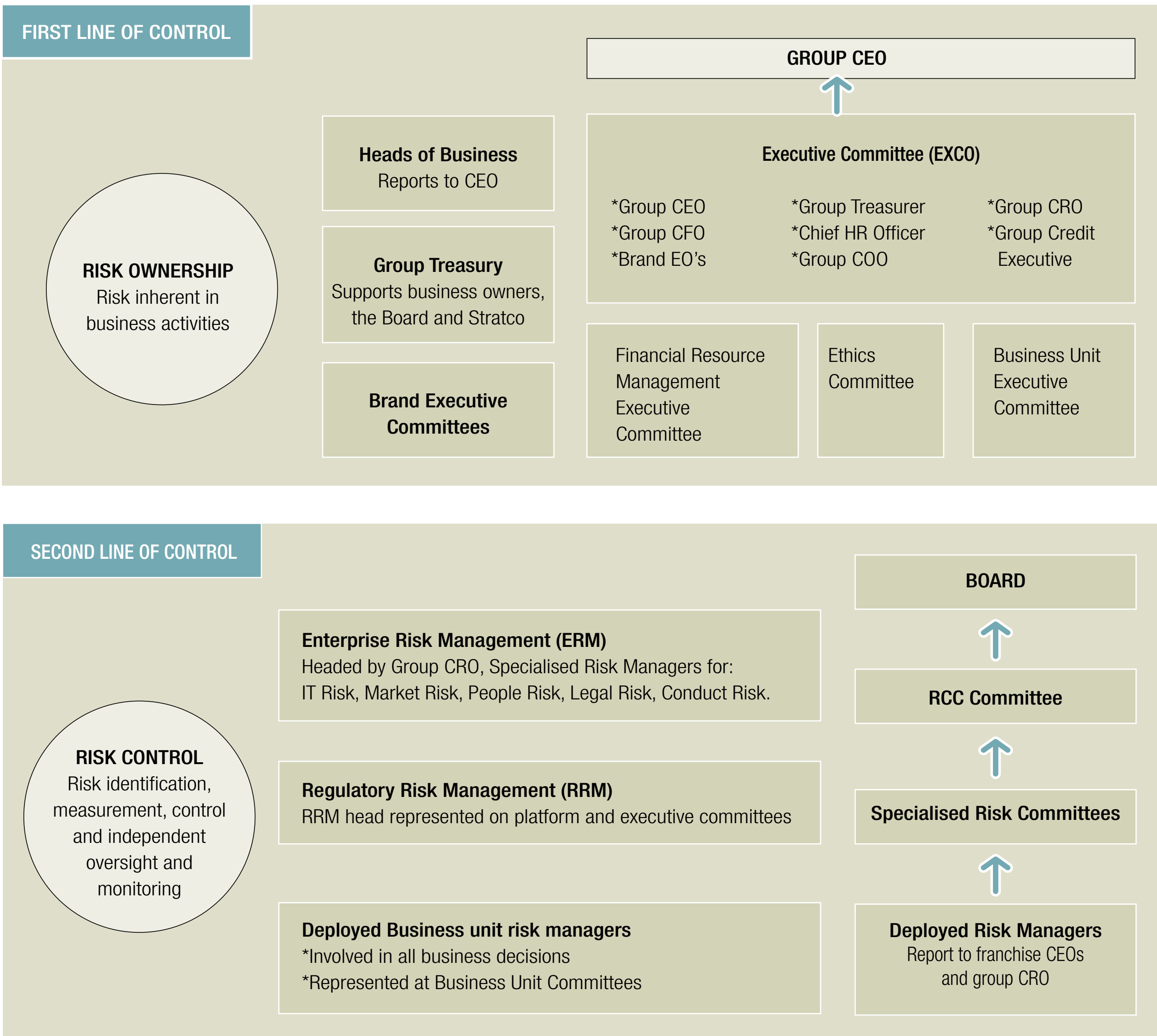


Three lines of control

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, ERM is responsible for consolidated risk reporting, policy ownership and facilitation and coordination of risk management and governance processes.

GIA as the third line of control, provides independent assurance of the adequacy and effectiveness of risk management processes and practices.



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.

The group is exposed to a number of risks that are inherent in its operations. Managing these risks appropriately is the core competency of the individual business areas.

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.

RISK UNIVERSE			
Capital Risk	Liquidity Risk	Market Risk	Information Technology Risk
Operational risk	Compliance Risk	People Risk	Reputation Risk
Credit Risk	New Business Risk	Strategic Risk	Accounting and Taxation Risk

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 in terms of its risk appetite 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 securitization 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 and translation risk in the banking book	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. Translation risk is the risk associated with banks that transact in foreign currencies or hold foreign assets. The greater the proportion of asset, liability and equity classes denominated in a foreign currency, the greater the translation risk.
	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 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.

Ethics Committee

The group ethics committee 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.

Risk culture

The Ethics committee endorses a risk philosophy which takes cognisance of the importance of ethical conduct. Organisational culture is an important component of ensuring the robustness of the group's internal control environment.

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.

Leadership	Flow of information	Customers
Active promotion of the FirstRand philosophy	Legitimising candour especially across hierarchies	Increased customer centricity embedded in strategy
Leadership development/ impact through others	Safe and effective reporting mechanisms	Strong customer centric goal setting in management
Stronger distinctions between strategic and operational layers	Better platform and inbuilt controls	Client service and conduct measurements and rewards

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.

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.

Reputational 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 seeks 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.

The goal of credit risk management is to maximise the group's measure of economic profit, NIACC, within acceptable levels of earnings volatility by maintaining credit risk exposure within acceptable parameters.

Credit risk management objectives are two-fold:

- **Risk control:** Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task; and
- **Management:** Credit risk is taken within the constraints of the risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions fulfil this role.

Based on the group's credit risk appetite, as measured on a ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the group, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement as well as collection and recovery of delinquent accounts.

Credit Risk Profile

N$ million	2018	2017
Gross advances	28 833	28 478
Credit loss ratio (%)	0.45%	0.22%
NPLs as % of advances	1.67%	1.19%
Specific coverage ratio (%)	0.60%	0.33%
Total impairments coverage ratio (%)	1.05%	0.77%
Performing book coverage ratio (%)	0.46%	0.45%

Assessment and Management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the group is split into three distinct portfolios: retail, commercial and corporate, and are aligned to customer profiles.

The assessment of credit risk across the group relies on internally developed quantitative models for addressing regulatory and business needs. The models are used for the internal assessment of the three primary credit risk components:

- Probability of default (PD);
- Exposure at default (EAD); and
- Loss given default (LGD).

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and group level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

The group employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. FirstRand (FR)1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

Mapping of FR grades to rating agency scales

FirstRand rating	Midpoint PD	International scale mapping
1 - 14	0.06%	AAA, AA, A
15 - 25	0.29%	BBB
26 - 32	0.77%	BB+, BB
33 - 39	1.44%	BB-
40 - 53	2.52%	B+
54 -83	6.18%	B
84 - 90	13.68%	B-
91 - 99	59.11%	Below B-
100	100%	D (Defaulted)

** Indicative mapping to the international rating scales of S&P Global Ratings (S&P) The group currently only uses mapping to S&P's rating scales.*

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.

International Financial Reporting Standards 9 (IFRS 9) Update

The group is well positioned to implement IFRS 9 for the financial year ending 30 June 2019. The group established a steering committee in 2015, which is supported by a number of working groups that have made good progress in setting accounting policies, determining the classification of instruments under IFRS 9, developing pilot models for estimating expected credit losses and designing reporting templates.

The group has developed and/or amended applicable credit and accounting policies to incorporate the new requirements of IFRS 9. In addition, group wide definitions, such as the definition of default and significant increase in credit risk, have been finalised to ensure consistent application of key terms in model development across the group. This will ensure that movement of customer accounts through impairment stages is applied consistently.

The group will be adopting the PD/LGD approach for the calculation of expected credit losses (ECL) for material advances. The ECL will be based on a probability-weighted average of multiple macroeconomic scenarios. Appropriate ECL models have been developed, including underlying PD, LGD and EAD models. All required models are being developed within the group, and are validated independently both internally (ERM) and externally by the group's external auditors. Model development has been guided by appropriate frameworks, which articulate minimum required standards and reference industry best practice.

Where possible, existing methodology used in the regulatory models has been leveraged for the development of IFRS 9 models, e.g. through the cycle PDs have been adjusted to IFRS 9 PDs using PD term structures and forward looking macroeconomic information.

Existing governance frameworks have bene utilised for the governance of IFRS 9 related processes. Overall, no significant changes are anticipated in the governance processes related to impairments. Where necessary, these have been amended to incorporate elements not presently catered for in existing frameworks. One such amendment is the governance process to ensure the independence of the production of forward looking macroeconomic information which is incorporated into the ECL models.

Impact assessments have been performed on a six monthly basis since the formal inception of the IFRS 9 project in 2015 and the group continues to refine the calculations. The models are in the process of independent validation. Please refer to page 218 to 221 in the annual report for further detail on the impact of IFRS 9 on the group.

Market risk

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 head of RMB. 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 Risk Capital and Compliance committee (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

The interest rate risk stemming from the endowment effect is managed dynamically by aligning the house view on rates with the structure of the balance sheet and devising actions to protect and enhance margin earnings.

Interest rate risk is an inevitable risk associated with grouping 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.

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 and from one country to another; • 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 central bank clearing; • managing net daily cash posiåtions; • 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 the recent credit crisis. 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.

Regulatory risk

INTRODUCTION AND OBJECTIVES

The group expects ethical behaviour that contributes to the overall objective of prudent regulatory compliance and risk management by striving to comply fully with the spirit and the letter of the law. Management's ownership and accountability contributes to this through, within the confines of the law, the provision of appropriate and customer-centric financial products and services, and treating customers fairly. The compliance culture also embraces broader standards of integrity and ethical conduct which affects all employees. RRM's objective is to ensure business practice, policies, frameworks and approaches across the Group are consistent with applicable laws and that regulatory risks are identified and proactively managed.

Compliance with laws and regulations applicable to its operations is critical to the group as non-compliance may have potentially serious consequences and lead to both civil and criminal liability, including penalties, claims for loss and damages, or restrictions imposed by regulatory authorities.

YEAR UNDER REVIEW AND FOCUS AREAS

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
Key emerging legislation for the financial services sector: • Exchange Control & Foreign Financial Transactions Bill; • Banking Institutions Bill,2017; • Banking Institutions Regulations on Unfair Terms and Conditions; • Electronic Transactions and Cybercrime Bill; • Basel III Framework for Liquidity risk measurement; • Financial Intelligence Act Circular 02 of 2018 - Circular on New Reporting Business Rules; • Financial Institutions and Markets Bill; • Financial Services Adjudicators Bill; and • Micro lending Bill.	• Continue to cooperate and build relationships with regulatory authorities and other stakeholders. • Continue to make significant investments in people, systems and processes to manage risks emanating from the large number of new local and international regulatory requirements. • Ongoing investment in systems, processes and resources to ensure compliance with anti-money laundering and combating the financing of terrorism (AML/CFT) legislation as well as new requirements under the payment space. • Strengthen focus on anti-bribery and corruption strategy and programs to ensure compliance with both local and international regulatory instruments with extraterritorial reach. • Continue to focus on managing regulatory and conduct risk posed by clients and other external stakeholders. • Continue to focus on managing organizational culture risk detection, prevention and remediation, which supports regulatory risk management. • Ongoing focus on remediation actions required in respect of identified regulatory risk management matters, including matters identified by the Bank of Namibia, the Namibia Financial Institutions Supervisory Authority, and the South African Reserve Bank where applicable. • Continue to manage risks associated with illicit cross-border flows.

ASSESSMENT AND MANAGEMENT

RRM's board mandate is to ensure full compliance with statutes and regulations. To achieve this, RRM has implemented appropriate structures, policies, processes and procedures to identify all regulatory and supervisory risks. RRM monitors the management of these risks and reports on the level of compliance to the board, BON, as well as SARB where required. These include:

- risk identification through documenting which laws, regulations and supervisory requirements are applicable to the group;
- risk measurement through the development of risk management plans;
- risk monitoring and review of remedial actions;
- risk reporting; and
- providing advice on regulatory compliance-related matters.

Although independent of other risk management and governance functions, the RRM function works closely with the group's business units, GIA, ERM, RCCC, external auditors, internal and external legal advisors, and the company secretary's office to ensure the effective functioning of compliance processes.

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 undetected type of financial crime facilitated through the abuse of financial services offered by the group or from failure to implement the minimum required control measures as prescribed by the Financial Intelligence Act, 2012, its regulations, circulars, directives and guidance notes resulting in financial crime risk introduced into the Namibian and international financial system. The group will not knowingly allow its platforms to be abused for purposes of financial crime and has a zero tolerance level for any willful and deliberate non-compliance.

The group is 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.

As a Financial Services group, the main objectives of Financial Crime Risk Management activities are to:

- Understand the nature and level of the financial crime risks across the group;
- Develop and apply Financial Crime Risk Management frameworks and policies, internal controls, and programmes to adequately mitigate those risks;
- Apply appropriate Customer Due Diligence (KYC) measures to identify and verify the identity of our customers (including the beneficial owners) and conduct ongoing monitoring of customer transactional behaviour in order to adequately detect and report suspicious transactions; and
- Comply with other AML/CFT requirements within the FIA, such as threshold reporting obligations, orders and directives form the regulator, training of employees, etc.

Financial Crime Risk Management Department (FCRM)

The group established a dedicated Financial Crime Risk Management department with a mandate from the board to ensure that the group's financial crime risk and compliance management program is implemented. FCRM 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;
- 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; and
- Establishing and managing processes and systems to report all transactions which reportable in terms of threshold reporting requirements on behalf of the entire group.

YEAR UNDER REVIEW AND FOCUS AREAS

During the year under review the group reviewed the 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 below.

FCRMF
Group FCRM Policy
Various Group Directives and Guidance Notes
Various Group Standards and Internal Rules: CDD; EDD; PEP's; Sanctions; Corresponding Banking; Golden Rules; Notices; and Other Internal Proceedures

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

- Group wide Annual Anti Money Laundering / Combating the Financing of Terrorism & Proliferation (AML/CFT) awareness training programs rolled out;
- Board and Senior Management Training provided;
- Board approval of FCRM strategy;
- 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;
- Implementation of remedial actions to address weaknesses identified by both group internal audit and the Financial Intelligence Center (FIC);
- On-going enhancements on automated transaction monitoring rules have resulted in notable improved reporting rates;
- Established a dedicated team within FCRM to perform enhanced due diligence (EDD) reviews on all identified high risk clients. Approximately 6,500 EDD reviews have been completed with approximately 500 client relationships terminated due to unacceptable levels of financial crime and reputational risk; and
- The group continued to invest in enhancing the capacity of the staff members within FCRM and is providing support to recently created local chapter of the ACCPA.

Focus areas for 2019

The FCRM continuously strives to enhance the overall effectiveness of the financial crime control environment across the group. During the next financial year the following will key focus areas will receive attention:

- On-going improvement in automated transaction monitoring and screening systems;
- Enhance efficiencies within the operational process within FCRM; and
- Refine the adopted risk based approach towards financial crime risk management

Operational risk

INTRODUCTION AND OBJECTIVES

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.

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 Management Framework

This Operational Risk Framework is a sub-framework of the Business Performance and Risk Management Framework ("BPRMF") and a management tool to ensure business success. 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 aim is not to eliminate all operational risk exposure, but to set a framework for effectively managing and mitigating operational risk within the group and the approved group operational risk appetite levels.

The group manages operational risk using the Standardised Approach ("TSA")

The Operational Risk Framework is applied as follows:

Risk Management Principle	Tools / Methodology / Key considerations
Risk Identification	• Process based risk and control identification and assessment ("PRCIA"); • Audit findings; • Analysis of internal Events and Losses; and • Data Quality Assessment
Risk exposure quantification and measurement	• Assess operational risks from two perspectives: likelihood and impact, and use a combination of qualitative and quantitative methods to do so.
Risk monitoring	• Use of Key Risk Indicators against pre-determined thresholds (risk appetite).
Risk reporting	• Risk Profile Reporting to support decision making.
Capital Calculation	• Risk Scenario Analysis; • Assessment of internal loss data; • Consideration of external loss data; and • Evaluation of control environment within the group.

Risk Appetite & Tolerance Thresholds

The Operational Risk Appetite Policy governs the group's approach to Risk Appetite. FirstRand Namibia Ltd aims to maintain a mix of businesses, business activities, income streams and risk exposures which will ensure that the group will limit earnings volatility within acceptable levels under all economic and market conditions to avoid loss of confidence or adverse reputational impacts.

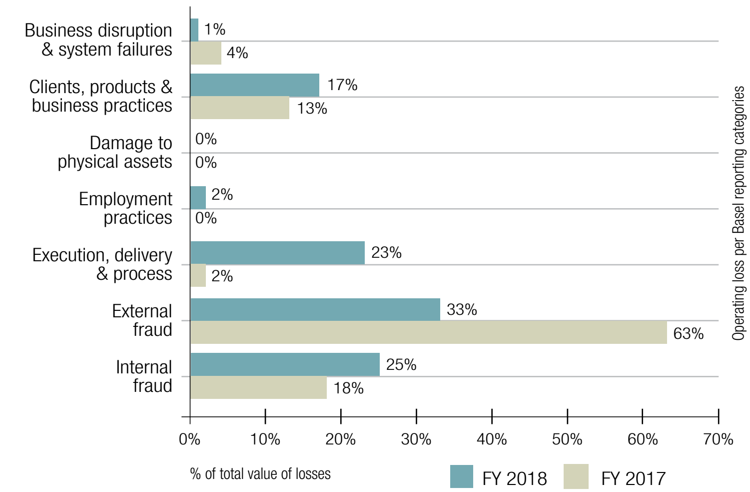
Establishing a risk appetite and finding an adequate balance between risk and reward is a dynamic process that is built on a blend of qualitative and quantitative principles, processes and guidelines which aim to set acceptable thresholds for risk appetite.

All exceptions and breaches of thresholds are reported per the escalation process, to the ERM Committee, EXCO and the RCCC, as appropriate.

Operational Risk Events & Losses for the year under review

The graph below shows the distribution of risk events across the Basel risk event categories for the period 1 July 2017 to 30 June 2018.

Operational risk events by risk category - % of total value of risk events



Summarised commentary on operational risk events

- The overall expected losses incurred were within the group's risk appetite;
- The majority of risk events occurred "Execution, Delivery & Process" category;
- There were 2 major events that comprised of 40% of the total losses incurred; and
- Events in the external fraud category were predominantly due to application and credit card fraud.

YEAR UNDER REVIEW AND FOCUS AREAS

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
• Maintain governance, processes and systems; supporting Operational Risk Management; • Develop electronic monitoring processes; • Prioritise Cyber-security risk managemen;t • Manage Outsourcing / Insourcing risk; • Drive Information Governance awareness; • Implement improvements to Physical Security; • Improve Business Continuity Management; • Improve the new product risk assessments process; and • Enhance the Fraud risk assessment process to anticipate future events.	• Embed a continuous process to review and keep governance frameworks and policies fit-for-purpose and up to date; • Enhance risk culture and risk maturity through training & on-going risk awareness; • Improve process flow documentation, and effectiveness of process risk assessments; • Adopt an electronic system for control monitoring, which will enable effective monitoring of process efficiencies; • Maintain a dynamic and risk based cyber-security strategy; • Complete an Information Security Forum (ISF) self-assessment (UK version); • Upgrade IT Infrastructure to ensure optimal processing speed, technology resilience and enable growth (part of a 3 year plan); • Enhance minimum standards for risk management of key insource & outsource arrangements; • Formalise actions with defined timelines for compliance with the Basel principles for risk data aggregation and reporting; • Upgrade infrastructure, e.g. control rooms, alarms, etc; • Increase the headcount of team members managing physical security risk; and • Evaluate and refine recovery strategies to ensure they are effective and appropriate.

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, ERM is responsible for consolidated operational risk reporting, policy ownership and facilitation, and coordination of operational risk management and governance processes. Group Internal Audit (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.

The Top Operational Risks that the group is currently facing are:

- Information Security Risk – Global & Industry-Wide risk given growing sophistication of cyber-attacks.
- Regulatory Risk – the amount on resources required to comply existing legislation / prepare for emerging legislation has been and is expected to continuously grow.
- Dependency Risk regarding new IT projects – an inherent risk given the broader FirstRand Group Structure, where the Namibian operations are dependent on specialised resources based in South Africa to develop new systems and/or deliver on system enhancements.
- Execution, delivery and process management risk – the risk of weaknesses and control deficiencies developing as the business continues to grow and evolve (organisational change).

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.

Legal risk

The group has in the past two years embarked on upscaling its legal division to ensure a fully-fledged legal division to cater for comprehensive legal risk management throughout the group. The division is headed by Group Legal Advisor who is an admitted legal practitioner, who reports directly to the CRO. The overall objective of Group Legal Services is to establish a functional, world-class legal risk specialist management environment where all legal risks are identified, analyzed, monitored, adequately reported, quantified where possible and managed on a consistent basis.

In addition to the Group Legal Advisor, the legal division currently consists of two other admitted legal practitioners and an ESRA specialist. The mandate and functions of the Group Legal Office is contained in the Legal Framework Policy which sets out the core responsibility of the office. The primary function of Group legal Services comprises of:

- General day to day corporate legal advisory functions;
- Legal drafting and review;
- Contract management;
- Management and oversight of litigation and litigious matters;
- Intellectual property; and
- Identifying, monitoring and reporting on emerging legislations likely to impact the group.

In line with the group's "owner manager" culture, Group Legal Service serves as a support function to the various business unit management throughout the group. Ultimately, the respective business units remain accountable and responsible for all legal risk management activities within their respective departments.
During the period ending 30 June 2018 Group Legal Services has made good traction, and achieved all its set milestones. No significant legal risks materialised.

YEAR UNDER REVIEW

The group initiated a project to centralise guarantees and allocated responsibility to the legal department. The objective is to manage the legal, collateral and local guarantee risk.

Increased Risks in the field of finance have inspired greater responsibility on the part of Banks and the aim is to make sure the risks are as low as possible for the parties involved.

The department ensure that collateral and guarantees are legally enforceable and realisable to mitigate risks, both identified and inherent. Collateral and Guarantee Management is a large and complex discipline which includes the following:

- Constant maintenance and verification of Collateral and Guarantees;
- Drafting of standard Collateral agreements such as Loan Agreements, Facility Letters and suretyships;
- Issuance of Local Guarantees;
- Managing Collateral and Guarantee Movements; and
- Custody and Record-keeping.

The Bank embarked on a centralization project for all Guarantees. The potential risk exposure identified for the group at the commencement of the project amounted to approximately N$255 000 000. This value has since been reduced significantly to approximately N$12 000 000 at year end.

Due to the success of the Guarantees centralization, the centralisation of Collateral was started. The value of Collateral under the custodianship of department has increased to more than N$8 bil and will continue to increase as the remaining clusters are centralized.

Its benefits realised from the projects saw improve of the quality, completeness and accuracy of:

- the collateral that is held by the bank in support of its lendings; and
- the contingent liabilities relating to local guarantees issued on behalf of customers.

We have recently implemented eCalendar, a web based diary system to control and maintain expired items.

Future endeavours include an electronic collateral management system, Collate with its expected roll out anticipated for 2019.

Fraud risk

INTRODUCTION AND OBJECTIVES

The objectives, remain, to proactively manage the risk of loss arising from fraudulent activities whether this emanates from an external or internal source and enable the proactive recovery of funds involved in fraud.

The FirstRand Namibia group is a law abiding corporate citizen and requires all business entities and employees to, at all time act honestly, with integrity, and within the confines of the law. It is furthermore remain the responsibility of the FirstRand Namibia group to ensure that adequate control and preventative measures are in place to combat all criminal activities, and to adhere to such controls.

The group views any criminal activity as an extremely serious matter and is committed to the enforcement of an anti-crime culture throughout the organisation including fraud training, awareness and communication for all staff and customers of the First National Bank Holdings.

Our main focus remain to improve our ability to proactively identify all criminal activity, and in particular syndicated / organised criminal activity targeting the FirstRand Namibia Ltd, by establishing detection and prevention strategies that enable this.

A Fraud Risk Management framework/policy that governs key risk management principles and guidelines and by which the critical fraud risks areas, are identified, trends monitored and preventative actions documented, is in place.

Trends

With the Digital/Online banking world evolving so is the fraudsters and we had seen a slight migration from ordinary fraud (identity theft, ATM card swap etc) to Digital Fraud e.g. CNP/Online Fraud, Phishing/Hacking & e-wallet product being used as access mechanism to defraud customers.

"Understanding that the Forensics Team does not have eyes and ears everywhere, whistleblowing is strongly encouraged in the group. The group believes in rewarding those who speak up and run a whistleblower rewards program known as the Leading Light Rewards. The number of entrants has risen by 50% since the last financial year. As at the end of April N$ 93 000 in prize money has been paid out. Every valid entry receives a guaranteed prize of N$ 1 000. Draws are done quarterly and annually.

The protection of whistleblowers is imperative to the success of whistleblowing and is therefore governed by a whistleblowing policy which is in line with the whistleblower protection bill."

Focus areas

During 2019, the team will focus on embedding more electronic surveillance and monitoring tolls to improve the proactive detection and deterrence of fraud.

Other risk monitoring tools will be integrated into the banking system to aid in the finding and stopping of potential gaps that could be exploited.

Insurance risk

OUTsurance Namibia Risk Management

OUTsurance Namibia has adopted the Enterprise Risk Management Strategy and Framework (which to provide reasonable assurance that risks are being managed in line with the best practices, our values and the risk principles of FirstRand Namibia Ltd. This framework is designed according to the corporate governance principles for sound risk management. The framework also outlines the key risk categories, the risk appetite, as well as risk management and combined assurance processes that form the basis of the reports to the board.

The risk management philosophy is to proactively undertake and direct actions to attain and preserve the group's objectives and values in a sustainable and profitable environment.

Insurance risks

The primary activity of OUTsurance relates to the assumption of possible loss arising from risks to which OUTsurance is exposed through the sale of short-term insurance products. Through the continuous sale of insurance products and subsequent growth in the pool of insured risks, OUTsurance can diversify its portfolio of risks and therefore minimise the impact of variability of insurance losses affecting that portfolio.

OUTsurance manages its insurance risk through its reinsurance programme which is structured to protect the company against material losses to either a single insured risk, or a group of insured risks in the case of a catastrophe where there would tend to be a concentration of insured risks.

Underwriting strategy

OUTsurance aims to diversify the pool of insured perils through writing a balanced portfolio of insurance risks over a large geographical area.

Reinsurance strategy

OUTsurance reinsures a portion of the risk it assumes through its reinsurance programme in order to control the exposure of the group to losses arising from insurance contracts and in order to protect the profitability of the business and its capital

Exposure to catastrophes and policies mitigating this risk

Catastrophe modelling is performed to determine the impact of different types of catastrophe events (including natural disasters) in different geographical areas, at different levels of severity and at different times of the day.

capital management

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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. 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; and
- 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 capital 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 FirstRand Namibia 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 FirstRand Namibia fully comply to.

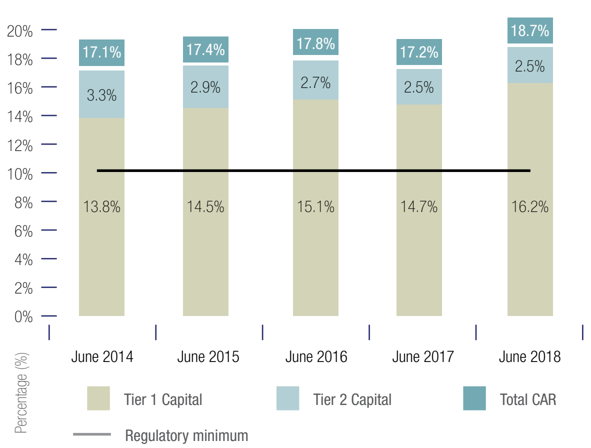
- The total qualifying capital exceeds the minumum regulatory requirement with N$ 2.6 billion.

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

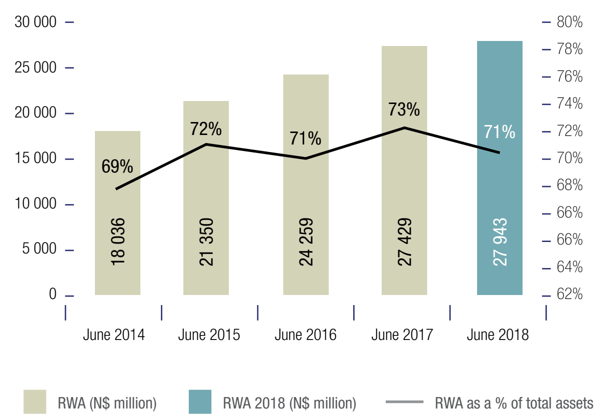
The dividend policy plays a pivotal role in the supply of Core Equity Tier 1 and the group managed to maintain a dividend cover of 2. The long term dividend cover range remains unchanged at 1.8x to 3x. The interim and final dividends were 91 cents and 113 cents respectively.

The demand for 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 developments and proposals

In October 2017, BoN issued a circular with revised implementation timelines for Basel III capital framework in Namibia. The implementation and gazetting date were shifted to the second half of 2018.

The proposed determination would in the interim keep the calculation of risk weighted assets unchanged.

The draft proposals in BID5A would introduce major adjustments to capital components, measures, limits and new buffers. The total regulatory capital proposed will consist of the sum of the following elements:

- Tier 1 Capital (going-concern capital), which comprises:
  - Common Equity Tier 1 Capital
  - Additional Tier 1 Capital
- Tier 2 Capital (gone-concern capital)

For each of the categories above the draft determination has a set of criteria that instruments are required to meet before inclusion in the relevant capital type.

In addition, the capital measures and limits proposed are described as:

- Common equity Tier 1 (CET1) ratio that must be at least 6.0% of risk-weighted assets at all times.
- Tier 1 capital adequacy ratio that must be at least 7.5% of risk-weighted assets at all times.
- Tier 2 capital adequacy ratio that must amount to 2.5% of risk-weighted assets but must not exceed 25% of Total Capital (a third (1/3) of Tier 1 Capital) at all times.
- Total capital adequacy ratio (CAR) (Tier 1 Capital plus Tier 2 Capital) that must be at least **10.5%** of risk-weighted assets on implementation. It is further proposed that the minimum CAR would gradually increase with 0.5 percentage point with aim to reach a minimum of 12.5% by 2022.

In summary, the proposed draft requirements under Basel III, the minimum CET1 requirement is 6.0% of RWA. In addition, a phase-in CET1 capital conservation buffer that will gradually increase to 2.5% in 2022 will be required and is intended to absorb losses in periods of financial and economic stress. Banking institutions that do not maintain this buffer will be limited in their ability to pay dividends.

CET1 capital would be subject to certain regulatory deductions and other adjustments to common equity, including the deduction of deferred tax assets for tax-loss carry-forwards, goodwill and other intangible assets and investments in banking and finance entities.

In addition to the CET1 requirements, there is also an allowance for 1.5% of additional tier 1 capital and 2.5% of tier 2 capital. These requirements may also be met with CET1 capital. To qualify as additional tier 1 under Basel III, capital instruments must provide for principal loss absorption through a conversion into common equity or a write-down of principal feature.

Capital instruments that do not meet the strict criteria for inclusion in CET1 are excluded. Capital instruments that would no longer qualify as tier 1 or tier 2 capital will be phased out.

Leverage ratio is currently at 6.0% and expected to remain flat until implementation date.

For the insurance business, the regulatory environment continues to evolve which requires an ever increasing focus on the strength and depth of our risk management and compliance capabilities. Significant investment has been made to bolster oversight and control of client engagement activities to eliminate the occurrence of sub-standard customer outcomes. OUTsurance management team actively participates in regulatory interactions related to the development of new regulatory regimes and requirements. Particularly we are engaging with the Minister of Finance on how the proposed Financial Institutions and Markets Bill may impact the direct selling business model.

OUTsurance

OUTsurance's capital adequacy is measured by the solvency coverage ratio expressed as the shareholders' funds divided by the solvency capital requirement calculated as 25% of net written premium. The target solvency coverage ratio of 1.2 has been set considering the likelihood and impact of various stress scenarios coupled with the unique risk profile of the business. At 30 June 2018 the solvency coverage ratio increased to 2.5 (2017: 2.0) due to increased earnings following favourable claims experience. OUTsurance proposed a normal dividend of N$37 million for 30 June 2018 (2017: N$ 20 million).

Outlook

The group will 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.

In addition the impact of the envisaged NamibRe legislation on insurance business will further reduce net earned premium and consequently retained earnings. It is therefore expected that the solvency capital requirement will also reduce since it is set as a percentage of net written premium.

Capital adequacy of Banking Operations

	Banking operations		Regulated consolidated group	
	Year ended 30 June	Year ended 30 June	Year ended 30 June	Year ended 30 June
N$ 000	**2018**	2017	**2018**	2017
Risk weighted assets				
Credit risk	23 695 641	23 429 606	23 876 025	23 518 179
Market risk	18 977	87 200	18 977	87 200
Operational risk	4 228 852	3 912 647	4 292 965	3 953 464
Total risk weighted assets	27 943 470	27 429 452	28 187 967	27 558 844
Regulatory capital				
Share capital and share premium	1 142 792	1 142 792	282 148	310 643
Retained profits	3 506 042	3 010 780	4 595 866	4 004 370
Capital impairment: intangible assets	(104 244)	(130 350)	(162 810)	(146 645)
Total tier 1	4 544 590	4 023 222	4 715 204	4 168 368
Eligible subordinated debt	400 000	400 000	400 000	400 000
General risk reserve, including portfolio impairment	291 663	286 043	291 663	286 043
Capital impairments*	-	-	(19 945)	(56 838)
Total tier 2	691 663	686 043	671 718	629 205
Total tier 1 and tier 2 capital	5 236 253	4 709 265	5 386 922	4 797 573
Capital adequacy ratios				
Tier 1	16.2%	14.7%	16.7%	15.1%
Tier 2	2.5%	2.5%	2.4%	2.3%
Total	18.7%	17.2%	19.1%	17.4%
Tier 1 leverage ratio	11.7%	10.7%	12.4%	11.4%

* Includes intangible assets, investment in deconsolidated entities and investment in significant minority & majority insurance entities

accounting policies

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Accounting policies

1. INTRODUCTION AND BASIS OF PREPARATION

1.1 Introduction

The FirstRand Namibia group (the group) consolidated 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 held for sale (section 5.2)	
6	Capital and reserves	Share capital and treasury shares	Dividends	Other reserves
7	Transactions with employees	Employee liabilities (section 7.1)	Share-based payment transactions (section 7.2)	
8	Insurance activities	Insurance activities (section 8.1)		

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 FirstRand Namibia group 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.

The segmental analysis included in the segment report is based on the information reported to the chief operating decision maker for the respective segments under the current franchise management structures. The information is prepared in terms of IFRS with the exception of normalisation adjustments and certain adjustments made to the segment results in order to eliminate the effect of non-taxable income and other segment specific items that impact certain key ratios reviewed by the chief operating decision maker when assessing the operating segments' performance.

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 9.

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$)
Level of rounding	All amounts are presented in thousands of Namibian Dollars. The group has a policy of rounding up in increments of N$ 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.	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.

Consolidated financial statements		
	Consolidation	Equity accounting
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.

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

The principal shareholder of FirstRand Namibia Limited 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 FirstRand Namibia Limited board of directors and the FirstRand Namibia 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.

<table>
<tr><th colspan="2">Non-interest revenue recognised in profit or loss</th></tr>
<tr><th colspan="2">Net fee and commission income</th></tr>
<tr><td>Fee and commission income</td><td>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.</td></tr>
<tr><td>Fee and commission expenses</td><td>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.</td></tr>
<tr><td>Customer loyalty programmes</td><td>The group operates a customer loyalty programme, Rewards, in terms of which it undertakes to provide reward credits to customers when they transact. The reward credits are accounted for as a fee and commission expense.</td></tr>
<tr><th colspan="2">Non-interest revenue recognised in profit or loss</th></tr>
<tr><th colspan="2">Fair value gains or losses</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><th colspan="2">Gains less losses from investing activities</th></tr>
<tr><td colspan="2">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.</td></tr>
</table>

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:

<table>
<tr><th></th><th>Type of advance</th><th>Group policy on past due/impaired</th></tr>
<tr><td rowspan="4">Past due advances</td><td colspan="2">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.</td></tr>
<tr><td>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)</td><td>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.</td></tr>
<tr><td>Loans payable on demand (e.g. overdrafts)</td><td>Treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made.</td></tr>
<tr><td colspan="2">The full outstanding amount is reported as past due even if part of the balance is not yet due.</td></tr>
<tr><td rowspan="2">Non-performing loans</td><td>Retail loans</td><td>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.</td></tr>
<tr><td>Commercial and wholesale loans</td><td>Analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.</td></tr>
</table>

	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).

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:

<table>
<tr><th>Transaction type</th><th>Description</th><th>Accounting treatment</th></tr>
<tr><td colspan="3">Transfers without derecognition</td></tr>
<tr><td>Traditional securitisations and conduit programmes i.e. non-recourse transactions</td><td>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.</td><td rowspan="3">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.</td></tr>
<tr><td>Repurchase agreements</td><td>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.</td></tr>
<tr><td>Securities lending</td><td>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.</td></tr>
<tr><td colspan="3">Transfers with derecognition</td></tr>
<tr><td>Where the group purchases its own debt</td><td colspan="2">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.</td></tr>
</table>

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

<table>
<tr><th>Classification</th><th>Measurement</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><td colspan="2">Property and equipment</td></tr>
<tr><td>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.</td><td>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).</td></tr>
<tr><td colspan="2">Intangible assets</td></tr>
<tr><td>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.</td><td>Cost less accumulated amortisation and any impairment losses.

Amortisation is on a straight line basis over the useful life of the asset.</td></tr>
<tr><td>Goodwill arising from business combinations is recognised as an intangible asset.</td><td>Refer to policy 2.1.</td></tr>
<tr><td colspan="2">Provisions</td></tr>
<tr><td colspan="2">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.</td></tr>
</table>

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

<table>
<tr><th>Transaction</th><th>Liability</th><th>Equity</th></tr>
<tr><td>Shares issued and issue costs</td><td colspan="2">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.</td></tr>
<tr><td>Dividends paid/ declared</td><td>Recognised as interest expense on the underlying liability.</td><td>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.</td></tr>
<tr><td>Share trust</td><td></td><td>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.</td></tr>
<tr><td>Other reserves</td><td></td><td>Other reserves recognised by the group include general risk reserves, share base payment reserve, defined benefit post-employment reserve and available-for-sale reserves.</td></tr>
</table>

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.

7.2 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 FirstRand Namibia shares in the market to economically hedge the group against price risk of the FirstRand Namibia 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. INSURANCE ACTIVITIES

8.1 Insurance activities

The group issues contracts that transfer insurance risk or financial risk. As a result of the different risks transferred by these contracts, contracts are separated into investment and insurance contracts for the purposes of measurement and income recognition.

The classification of contracts is performed at the initial recognition of each contract. The classification of the contract does not change during its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

The group seeks reinsurance in the ordinary course of business for the purpose of limiting its net loss potential through the diversification of its risks on short-term insurance contracts. Reinsurance arrangements do not relieve the group from its direct obligations to its policyholders.

Insurance contracts		
	Short-term insurance contracts	**Reinsurance contracts held**
Definitions	Contracts that transfer significant insurance risk to the group and are within the scope of IFRS 4.	Contracts that give rise to a significant transfer of insurance risk from the group to another insurance entity.
Types of policies underwritten	• Liability - provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract; • Motor - provides indemnity cover relating to the possession, use or ownership of a motor vehicle; • Personal accident - provides compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this injury; and Property -provides indemnity relating to movable and immovable property.	
Premiums / recoveries	Gross premiums written comprise the premiums on contracts entered into during the year. Recognised in profit or loss as part of premium income in non-interest revenue gross of commission and reinsurance premiums but net of taxes and levies. Only the earned portion of premiums is recognised as revenue. Includes all premiums for the period of risk covered by the policy, regardless of whether or not these are due for payment in the accounting period.	Premiums paid are recognised as a deduction against premium income in non-interest revenue at the undiscounted amounts due in terms of the contract, when they become due for payment. Recoveries are recognised in profit or loss as part of premium income in non-interest revenue in the same period as the related claim at the undiscounted amount receivable in terms of the contract.
	Short-term insurance contracts	
Claims paid	Claims paid decrease the policyholder liability.	
Policyholder liability / reinsurance asset	Comprises: • Provision for claims reported but not paid; • Provision for claims incurred but not reported (IBNR); and • Provision for unearned premiums. Measured at the best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not, and related internal and external claims handling expenses.	
Profit and loss impact of movements in the policy holder liabilities / reinsurance assets	Adjustments to the amounts of policyholder liabilities for policies established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately if material.	

Insurance contracts	
	Short-term insurance contracts
Liability adequacy test	The net liability recognised is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional liability and the related expense are recognised.
Acquisition costs	Expensed as incurred.
Related receivables and payables	Amounts due to and from policyholders, recognised as part of accounts receivable or payable on the statement of financial position. Recognised when due/receivable. Receivables recognised are impaired in line with the group policy on the impairment of financial assets – refer to policy 4.2.
Outstanding insurance contract claims	Provision is made on a prudent basis for the estimated final costs of: • claims notified but not settled at year end, using the best information available at that time. The estimate includes an amount of the direct claims expenses and assessment charges arising from the settlement of claims; and • claims incurred at year end but not reported until after that date (IBNR), using historical experience and the best information available at the time. Estimates provide for inflation as well as claim handling and assessing costs. Estimates are adjusted for management's expectations of trends relating to the development of such claims.
Cash bonuses on insurance contracts	The group provides for its contractual obligation per the contract of insurance to pay a non-claims bonus to a client in the event that the client remains claim free for a specified period of time. To derive the best estimate of the expected future cash flows, the non-claims bonus percentage per the contract of insurance is adjusted for the following factors: • The bonus percentage is reduced to allow for the probability that the client may claim (and hence forfeit eligibility for the OUTbonus) over the OUTbonus cycle. • The bonus percentage is reduced to allow for the probability that the client will cancel during the OUTbonus cycle. • A risk margin is added to allow for the uncertainty relating to the above claims and lapse assumptions. • Where the impact of discounting is considered to be material, the expected future obligation is discounted to the present value using an appropriate discount rate reflecting the time value of money.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

9.1 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 35.

9.2 Subsidiaries, associates and joint arrangements

Subsidiaries	
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:	
Decision making power	• 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.
Exposure to variable returns	• 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.
Ability to use power to affect returns	• 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.

<table>
<tr><th>Associates</th><th>Joint arrangements</th></tr>
<tr><td>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.</td><td>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.</td></tr>
<tr><th colspan="2">Structured entities</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><th colspan="2">Investment funds</th></tr>
<tr><td colspan="2">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.</td></tr>
</table>

9.3 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.

9.4 Financial instruments

<table>
<tr><th colspan="2">Impairment of financial assets</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><th>General</th><th>Available-for-sale equity instruments</th></tr>
<tr><td>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.</td><td>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.</td></tr>
<tr><td>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.</td><td></td></tr>
</table>

<table>
<tr><th colspan="2">Advances</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><th>Performing loans</th><th>Non-performing loans</th></tr>
<tr><td>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.</td><td>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.</td></tr>
</table>

9.5 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	Customer related intangibles	10 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.				

9.6 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.

9.7 Insurance activities

SHORT-TERM INSURANCE CONTRACTS	
Determination of policyholder liability for short term insurance contracts	The liability for outstanding claims is calculated by reviewing individual claims and making allowance for IBNR, and the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. The group does not discount its liability for unpaid claims. Claims incurred include claims handling expenses paid during the financial year together with the estimated liability for compensation owed to policyholders or third parties affected by the policyholders. Claims handling expenses include, amongst others, fees incurred for legal expenses, loss adjusters and administration fees. The provision for unearned premiums comprises the proportion of gross premiums written which are estimated to be earned in the following financial year. This is computed separately for each insurance contract using the method most reflective of any variation in the incidence of risk during the period covered by the contract.

annual financial statements

Consolidated statement of comprehensive income
for the year ended 30 June

N$'000	Note(s)	2018	2017
Interest and similar income	1	3 583 400	3 285 633
Interest expense and similar charges	1	(1 762 644)	(1 521 032)
Net interest income before impaiment of advances		1 820 756	1 764 601
Impairment and fair value of credit of advances	14	(128 261)	(59 251)
Net interest income after impairment of advances		1 692 495	1 705 350
Non-interest income	2	1 795 926	1 553 954
Net insurance premium income	3	185 015	182 902
Net claims and benefits paid	4	(96 151)	(103 678)
Income from operations		3 577 285	3 338 528
Operating expenses	5	(1 981 249)	(1 663 061)
Operating profit		1 596 036	1 675 467
Share of profit of associates after tax	17	1 102	2 515
Income before tax		1 597 138	1 677 982
Indirect tax	7	(45 841)	(40 767)
Profit before tax		1 551 297	1 637 215
Income tax expense	7	(490 589)	(523 984)
Profit for the year		1 060 708	1 113 231
Other comprehensive income:			
Items that may not be reclassified to profit or loss:			
Remeasurements on net defined benefit post-employeement plan		1 270	7 776
Deferred income tax		(406)	(2 488)
Total items that may not be reclassified to profit or loss		864	5 288

N$'000	Note(s)	2018	2017
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets adjustments		(4 837)	(8 762)
Deferred income tax		1 548	2 804
Total items that may be reclassified to profit or loss		(3 289)	(5 958)
Other comprehensive income for the year net of taxation		(2 425)	(670)
Total comprehensive income for the year		1 058 283	1 112 561
Total comprehensive income attributable to:			
Owners of the parent		1 037 535	1 092 825
Non-controlling interest		20 748	19 736
		1 058 283	1 112 561
Profit attributable to:			
Owners of the parent		1 039 960	1 093 495
Non-controlling interest		20 748	19 736
		1 060 708	1 113 231
Earnings per share			
Per share information			
Basic earnings per share (c)	8	398.1	418.9
Diluted earnings per share (c)	8	396.6	414.3

Consolidated statement of financial position
as at 30 June

N$'000	Note(s)	2018	2017
Assets			
Cash and cash equivalents	10	1 345 842	1 466 113
Due from banks and other financial institutions	10	2 781 551	2 667 981
Derivative financial instruments	11	93 520	95 221
Investment securities	12	5 266 144	3 866 395
Advances	13	28 531 833	28 258 413
Accounts receivable	15	245 171	197 444
Current tax asset		605	1 226
Reinsurance assets	16	219	99
Investments in associates	17	25 321	36 025
Property and equipment	18	907 259	953 290
Intangible assets	19	180 613	232 665
Deferred income tax asset	20	32 347	34,634
		39 410 425	37 809 506
Liabilities and Equity			
Liabilities			
Short trading positions	21	-	39 330
Derivative financial instruments	11	109 755	115 562
Creditors and accruals	22	378 114	452 815
Current tax liability		186 646	56 233
Deposits	23	31 546 201	30 488 360
Due to banks and other financial institutions	23	897 408	1 192 537
Employee liabilities	24	247 337	211 340
Other liabilities	25	253 253	-
Policyholder liabilities	26	49 200	52 642
Tier 2 liabilities	27	402 783	402 830
Deferred income tax liability	20	323 672	257 240
		34 394 369	33 268 889

N$'000	Note(s)	2018	2017
Equity			
Equity Attributable to Equity Holders of Parent			
Ordinary shares	28	1 319	1 326
Share premium	28	30 631	74 507
Reserves		4 911 461	4 403 086
		4 943 411	4 478 919
Non-controlling interest		72 645	61 698
		5 016 056	4 540 617
Total equity and liabilities		39 410 425	37 809 506

Consolidated statement of changes in equity
for the year end 30 June

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve	Available-for-sale reserve
Balance at 01 July 2016	1 304	126 680	127 984	(2 520)	(15 067)
Total comprehensive income for the year	-	-	-	5 288	(5 958)
Staff share option transactions	-	-	-	-	-
Transfer between reserves	-	-	-	-	-
Dividends	-	-	-	-	-
Consolidation of shares held by the share trusts	22	(52 173)	(52 151)	-	-
Balance at 01 July 2017	1 326	74 507	75 833	2 768	(21 025)
Total comprehensive income for the year	-	-	-	864	(3 289)
Staff share option transactions	-	-	-	-	-
Transfer between reserves	-	-	-	-	-
Dividends	-	-	-	-	-
Consolidation of shares held by share trusts	(7)	(43 876)	(43 883)	-	-
Balance at 30 June 2018	1 319	30 631	31 950	3 632	(24 314)

General risk reserve	Share based payment reserve	Total reserves	Retained earnings	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
135 412	16 987	134 812	3 726 903	3 989 699	50 782	4 040 481
-	-	(670)	1 093 495	1 092 825	19 736	1 112 561
-	4 781	4 781	-	4 781	-	4 781
24 642	(5 655)	(18 987)	(18 987)	-	-	-
-	-	-	(556 235)	(556 235)	(8 820)	(565 055)
-	-	-	-	(52 151)	-	(52 151)
160 054	16 113	157 910	4 245 176	4 478 919	61 698	4 540 617
-	-	(2 425)	1 039 960	1 037 535	20 748	1 058 283
-	3 882	3 882	-	3 882	-	3 882
3 086	(12 268)	(9 182)	9 182	-	-	-
-	-	-	(533 042)	(533 042)	(9 800)	(542 842)
-	-	-	-	(43 883)	-	(43 883)
163 140	7 727	150 185	4 761 276	4 943 411	72 645	5 016 056

Consolidated statement of cash flows
for the year end 30 June

N$'000	Note(s)	2018	2017
Cash flows from operating activities			
Cash receipts from customers	31	5 477 353	4 972 903
Cash paid to suppliers and employees	31	(3 622 613)	(3 184 904)
Cash generated from operations	31	1 854 740	1 787 999
Increase in income earning assets	31	(1 935 087)	(3 917 675)
Increase in deposits and other liabilities	31	664 321	2 948 038
Net cash generated from operations		583 974	818 362
Tax paid	31	(331 414)	(514 887)
Net cash from operating activities		252 560	303 475
Cash flows from investing activities			
Acquisition of property and equipment		(94 022)	(110 053)
Proceeds from the disposal of property and equipment		88 916	17 511
Acquisition of investments in subsidiaries		-	(328 390)
Net cash from investing activities		(5 106)	(420 932)
Cash flows from financing activities			
Acquisition of share for share trusts	31	(43 883)	(52 151)
Dividends paid		(533 042)	(556 235)
Other liabilities		219 000	-
Dividends paid to non-controlling interests		(9 800)	(8 820)
Redemption of tier 2 liabilities		-	(390 000)
Proceeds from the issue of tier 2 liabilities		-	400 000
Net cash from financing activities		(367 725)	(607 206)
Net decrease in cash and cash equivalents		(120 271)	(724 663)
Cash and cash equivalents at the beginning of the year		1 466 113	2 119 861
Cash and cash equivalents acquired through the acquisition of subsidaries		-	70 915
Cash and cash equivalents at end of the year	10	1 345 842	1 466 113

Notes to the consolidated annual financial statements
for the year ended 30 June continued

1. Analysis of interest income and interest expense

	2018		
N$'000	Fair value	Amortised cost	Total
Interest and similar income			
Advances	-	3 053 501	3 053 501
Cash and cash equivalents	-	121 643	121 643
Investment securities	401 187	-	401 187
Unwinding of discounted present value on non performing loans	-	13 766	13 766
Unwinding of discounted present value on off-market advances	-	2 203	2 203
On impaired advances	-	(26 374)	(26 374)
Net release of deferred fee and expenses	-	13 780	13 780
Other	-	3 694	3 694
	401 187	3 182 213	3 583 400
Interest expense and similar charges			
Deposits from banks and financial institutions	-	34 799	34 799
Current accounts	-	122 521	122 521
Savings deposits	-	7 042	7 042
Call deposits	-	295 024	295 024
Term deposits	-	558 910	558 910
Negotiable certificates of deposit	-	573 902	573 902
Tier 2 liabilities	-	39 075	39 075
Fixed and floating notes	-	121 404	121 404
Other liabilities	-	9 967	9 967
	-	1 762 644	1 762 644

Notes to the consolidated annual financial statements
for the year ended 30 June continued

1. Analysis of interest income and interest expense continued

	2017		
N$'000	Fair value	Amortised cost	Total
Interest and similar income			
Advances	-	2 893 676	2 893 676
Cash and cash equivalents	-	88 353	88 353
Investment securities	281 754	261	282 015
Unwinding of discounted present value on non performing loans	-	18 436	18 436
Unwinding of discounted present value on off-market advances	-	2 897	2 897
On impaired advances	-	(19 867)	(19 867)
Net release of deferred fee and expenses	-	15 913	15 913
Other	-	4 210	4 210
	281 754	3 003 879	3 285 633
Interest expense and similar charges			
Deposits from banks and financial institutions	-	69 832	69 832
Current accounts	-	114 688	114 688
Savings deposits	-	6 892	6 892
Call deposits	-	251 219	251 219
Term deposits	-	421 073	421 073
Negotiable certificates of deposit	-	563 400	563 400
Tier 2 liabilities	-	33 964	33 964
Fixed and floating notes	-	59 964	59 964
	-	1 521 032	1 521 032

2. Non-interest income

N$'000	2018	2017
Fee and commission income:		
Card commissions	157 922	146 147
Cash deposit fees	112 590	109 544
Commissions: bills, drafts and cheques	155 090	147 769
Bank charges	1 090 248	980 781
Banking fee and commission income	1 515 850	1 384 241
Brokerage income	76 372	65 750
Management, trust and fiduciary service fees	85 970	38 594
Reinsurance commission received by insurance companies	-	1 312
Non banking fee and commission income	162 342	105 656
Fee and commission income	1 678 192	1 489 897
Fee and commission expenses:		
ATM commissions paid	(5 724)	(7 470)
Cash sorting handling and transportation charges	(23 779)	(15 674)
Card and cheque book related	(4 400)	(4 883)
Customer loyalty program	(8 869)	-
Insurance operations	(8 675)	(4 371)
Transaction processing fees	(90 130)	(85 276)
Other	(3 768)	(4 164)
Fee and commission expenses	(145 345)	(121 838)
Fee and commission income, by category:		
Instruments at amortised cost	1 515 850	1 375 908
Non financial assets and liabilities	162 342	113 989
Fee and commission expenses	(145 345)	(121 838)
Net fee and commission income	1 532 847	1 368 059

Non banking fee and commission earned relates to fees and commissions earned for rendering services to clients other than those related to the banking operations. This includes commission earned on the sale of insurance products.

Fee and commission income and expenses has been reclassified in order to better reflect the nature. The reclassification is a reallocation within fee and commission income and expenses and therefore had no impact on the overall balance.

2. Non-interest income continued

N$'000	2018	2017
Fair value income:		
Foreign exchange gains or losses	89 981	78 948
Other	7 333	7 843
Designated at fair value through profit or loss	55 489	53 914
Fair value income	152 803	140 705
Portfolio analysis for fair value income		
Held for trading	97 314	86 791
Designated at fair value through profit or loss	55 489	53 914
Fair value income	152 803	140 705

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 the gains and losses from government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives.

	2018	2017
Gains less losses from investing activities		
Gains on investment securities designated at fair value through profit or loss	17 150	6 328
Dividends received unlisted investments	15 204	17 829
Share of profit from associates after tax	1 102	2 515
Gross gains less losses from investing activities	33 456	26 672
Less: Share of profit from associates after tax (disclosed separately on face of the statement of comprehensive income)	(1 102)	(2 515)
Gains less losses from investing activities	32 354	24 157

N$'000	2018	2017
Other non-interest income		
Gains and losses on sale of property and equipment	49 276	7 110
Rental income	6 027	5 716
Other income	22 619	8 207
Other non-interest income	77 922	21 033
Other non-interest income, by category		
Non-financial assets and liabilities	77 922	21 033
Total non-interest income	1 795 926	1 553 954

3. Net insurance premium income

N$'000	2018	2017
Short term insurance contracts		
Gross written premiums	187 541	180 624
Insurance premiums ceded to reinsurers	(4 177)	(12 020)
Change in unearned premium provision	1 651	14 298
Net insurance premium inwcome	185 015	182 902

4. Net claims and benefits paid

Short term insurance contracts		
Gross insurance contracts claims	96 861	109 385
Transfer to provision for unintimated claims	(41)	(40)
Gross claims and benefits paid on insurance contracts	96 820	109 345
Insurance benefits recovered from reinsurers	(669)	(5 667)
	96 151	103 678

5. Operating expenses

N$'000	2018	2017
Auditors' remuneration		
Audit fees	8 284	7 960
Fees for other services	282	949
Auditors' remuneration	8 566	8 909
Operating lease charges		
• Property	48 238	43 054
• Equipment	19 924	20 231
Operating lease charges	68 162	63 285
Staff costs		
Salaries, wages and allowances	818 239	700 363
Off-market staff loans amortisation	2 203	2 897
Defined contribution schemes: pension	78 831	69 043
Defined contribution schemes: medical	91 852	84 072
Post retirement medical expense	3 239	4 270
Severance pay: death in service	929	940
Social security levies	2 109	2 125
Share-based payments	41 342	20 259
Skills development levies	9 309	8 763
Other staff related costs	12 489	8 127
Total staff costs	1 060 543	900 858

N$'000	2018	2017
Other operating costs		
Amortisation of intangible assets	21 568	2 566
Impairment of intangible assets	50 987	-
Depreciation	97 762	73 497
Insurance	8 790	8 984
Advertising and marketing	66 379	60 664
Property and maintenance related expenses	81 854	76 956
Legal and other related expenses	11 829	10 666
Postage	5 002	4 329
Stationery and printing	13 883	13 843
Telecommunications	22 349	22 034
Travel and accommodation	18 214	17 980
Computer and processing related costs	311 393	257 848
Total directors' remuneration	11 437	9 614
Professional fees	7 709	11 200
Transaction costs in respect of business combinations	-	2 130
Other operating expenditures	114 822	117 697
Other operating costs	843 978	690 009
Total operating expenses	1 981 249	1 663 061

Significant impairments incurred during 2018

Intangible assets - Ebank trademark

First National Bank of Namibia Limited, impaired the Ebank trademark after management reviewed the value of the trademark and found that it would no longer meet future needs of the group. This trademark has been impaired to a carrying amount of N$ nil based on its anticipated value in use to the business and an impairment loss of N$ 13.7 million recognised.

Intangible assets - software and development costs

First National Bank of Namibia Limited, impaired software after management reviewed their information technology platform and found that the software would no longer meet future needs as Ebank customers were migrated to the FNB Core banking system. This software has been impaired to a carrying amount of N$ nil based on its anticipated value in use to the business and an impairment loss of N$ 25.6 million recognised.

Notes to the consolidated annual financial statements
for the year ended 30 June continued

6. Directors' emoluments

Executive

2018	Cash package	Performance related	Retirement contributions	Other allowances	Total guaranteed and variable pay
SJ van Zyl	2 465	2 113	390	120	5 088
OLP Capelao	1 450	1 268	240	220	3 178
	3 915	3 381	630	340	8 266

2017	Cash package paid	Performance related	Retirement contributions	Other allowances	Total guaranteed and variable pay
SJ van Zyl	2 289	1 843	367	115	4 614
OLP Capelao	1 258	1 268	206	189	2 921
	3 547	3 111	573	304	7 535

Non-executive

2018	2018	2017
II Zaamwani-Kamwi	343	369
SH Moir	922	857
J Daun	374	42
CLR Haikali	626	488
RJ Hamer *	105	-
JH Hausiku (appointed current year)	213	-
Adv G Hinda	240	54
JT Khethe *	257	-
MN Ndilula (resigned during 2017)	-	89
PT Nevonga (resigned during current year)	91	180
	3 171	2 079

Executive directors and non-executive directors appointed by FirstRand SA do not receive directors fees for services.
* No longer employed by FirstRand Group.

Directors' holdings in shares

The following shares are held by the directors or individuals related to them in the year under review:

	2018		2017	
Directly	Number of ordinary shares	Percentage holding	Number of ordinary shares	Percentage holding
II Zaamwani-Kamwi	54 463	0.020 %	54 463	0.020 %
SH Moir	6 000	0.002 %	6 000	0.002 %
SJ van Zyl	192 533	0.072 %	257 332	0.092 %
OLP Capelao	130 792	0.049 %	107 881	0.040 %
CLR Haikali	15 506	0.006 %	15 506	0.006 %
	399 294	0.149 %	441 182	0.164 %
Indirectly	Number of ordinary shares	Percentage holding	Number of ordinary shares	Percentage holding
SH Moir	1 900	0.001 %	3 800	0.001 %
J Daun	387	0.001 %	-	-
CLR Haikali	3 018 199	1.128 %	3 018 199	1.128 %
	3 020 486	1.129 %	3 021 999	1.129 %

Notes to the consolidated annual financial statements
for the year ended 30 June continued

6. Directors' emoluments continued

Share Options

Share options allocated to directors and movements of share options are summarised below:
Refer to note 30 for the description of terms of the share trusts.

Director/Executive Member's Name	Opening balance as at June 2017	Granted during the year	Strike price	Expiry date	Forfeited this year	Taken this year (vested/ sold)	Benefit Derived (N$ 000)	Closing balance as at June 2018
S. Van Zyl								
FirstRand Ltd shares	28 725	-	-	Sep-17	-	(28 725)	(1 580)	-
FirstRand Ltd shares	473	-	-	Sep-17	-	(473)	(29)	-
FirstRand Ltd shares	37 985	-	-	Sep-18	-	-	-	37 985
FirstRand Ltd shares	46 508	-	-	Sep-19	-	-	-	46 508
FirstRand Ltd shares	-	558	-	Sep-19	-	-	-	558
FirstRand Ltd shares	-	41 876	-	Sep-20	-	-	-	41 876
Totals	113 691	42 434			-	(29 198)	(1 609)	126 927
FirstRand Namibia share scheme 2007-2014	88 000	-	11.80 - 24.52	Sep-20	-	(43 999)	(1 218)	44 001
O. Capelao								
FirstRand Ltd shares	20 549	-	-	Sep-17	-	(20 549)	(1 130)	-
FirstRand Ltd shares	24 738	-	-	Sep-18	-	-	-	24 738
FirstRand Ltd shares	25 368	-	-	Sep-19	-	-	-	25 368
FirstRand Ltd shares	-	22 333	-	Sep-20	-	-	-	22 333
Totals	70 655	22 333			-	(20 549)	(1 130)	72 439
FirstRand Namibia share scheme 2007-2014	84 001	-	11.80 - 24.52	Sep-20	-	(40 000)	(1 089)	44 001

7. Taxation

N$'000	2018	2017
Indirect tax		
Value-added tax (net)	36 987	29 243
Stamp duties	8 854	11 524
Total indirect tax	45 841	40 767
Income tax expense		
Current		
Local income tax current period	423 242	468 359
South African income tax current period	56	-
	423 298	468 359
Deferred		
Originating and reversing temporary differences	67 291	55 625
Total income tax expense	490 589	523 984
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Standard rate of tax	32.00 %	32.00 %
Non taxable income	(0.46)%	(0.66)%
Other	0.08 %	0.67 %
	31.62%	32.01%

Notes to the consolidated annual financial statements
for the year ended 30 June continued

8. Earnings and dividends per share

8.1 Headline earnings per share

Headline earnings per share and diluted headline earnings per share are determined by dividing headline earnings and dilutive headline earnings by the weighted average number of ordinary share outstanding during the period.

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and dilutive earnings by excluding seperately identifiable re-measurement items. Headline earnings and diluted headline earnings are presented after tax and non-controling interest.

N$'000	2018	2017
Headline earnings per share (N$'000)	397.9	416.2
Diluted headline earnings per share (N$'000)	396.4	411.6
Reconciliation between earnings and headline earnings		
Basic earnings (N$ 000)	1 039 960	1 093 495
Adjusted for:		
Gains and losses on sale of property and equipment (N$ 000)	(49 276)	(7 110)
Impairment of assets in terms of IAS 36 (N$ 000)	50 978	-
Tax effect (N$ 000)	(2 279)	-
Headline earnings	1 039 383	1 086 385
Dividends per share		
Interim (30 January 2018: 91 cents), (31 January 2017: 91 cents)	237 712	237 620
Final (15 August 2017: 113 cents), (5 August 2016: 122 cents)	295 330	318 615
	533 042	556 235

The final dividend of 113 cents (2017: 113 cents) was declared and authorised after the reporting period. The dividend has therefore not been recognised as a liability in the reporting period. It has been disclosed for information purposes only. (Refer to the directors report).

8.2 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of the group, obtained from profit and loss, by the weighted average number of ordinary shares in issue during the year.

N$'000	2018	2017
Basic earnings per share (cents)		
Earnings attributable to ordinary shareholders (N$'000)	1 039 960	1 093 495
Weighted average number of ordinary shares in issue	261 201 333	261 045 418
Basic earnings per share (cents)	398.1	418.9
Diluted earnings per share (cents)		
Earnings attributable to ordinary shareholders (N$'000)	1 039 960	1 093 495
Weighted average number of ordinary shares in issue	262 233 217	263 948 658
Diluted earnings per share (cents)	396.6	414.3

Diluted earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Notes to the consolidated annual financial statements
for the year ended 30 June continued

9. Categories of financial instruments

2018 *N$'000*	Note(s)	Financial assets at fair value through profit or loss	Loans and receivables	Available for sale financial assets	Held for trading	Financial liabilities at amortised cost	Equity and non financial assets and liabilities
Categories of financial instruments - 2018							
Assets							
Cash and cash equivalents	10	-	1 345 842	-	-	-	-
Due from banks and other financial institutions	10	-	2 781 551	-	-	-	-
Derivative financial instruments	10	-	-	-	93 520	-	-
Advances	13	419 769	28 112 064	-	-	-	-
Investment securities	12	375 184	-	4 866 658	24 302	-	-
Accounts receivable	15	-	8 156	-	-	-	-
Non-financial assets		-	-	-	-	-	1 383 379
Total assets		794 953	32 247 613	4 866 658	117 822	-	1 383 379
Equity and Liabilities							
Total equity		-	-	-	-		5 016 056
Liabilities							
Derivative financial instruments	11	-	-	-	109 755	-	-
Creditors and accruals	22	-	-	-	-	206 590	-
Deposits	23	-	-	-	-	31 546 201	-
Due to banks and other financial institutions	23	-	-	-	-	897 408	-
Other liabilities	25	32 805	-	-	-	220 447	-
Tier 2 liabilities	27	-	-	-	-	402 783	-
Non-financial liabilities		-	-	-	-	-	978 381
Total liabilities		32 805	-	-	109 755	33 273 429	978 381
Total equity and liabilities		32 805	-	-	109 755	33 273 429	5 994 437

2017 *N$'000*	Note(s)	Financial assets at fair value through profit or loss	Loans and receivables	Available for sale financial assets	Held for trading	Financial liabilities at amortised cost	Equity and non financial assets and liabilities
Categories of financial instruments - 2017							
Assets							
Cash and cash equivalents	10	-	1 466 113	-	-	-	-
Due from banks and other financial institutions	10	-	2 667 981	-	-	-	-
Derivative financial instruments		-	-	-	95 221	-	-
Advances	13	464 205	27 794 208	-	-	-	-
Investment securities	12	259 271	-	3 451 867	155 257	-	-
Account receivables		-	31 332	-	-	-	-
Non-financial assets		-	-	-	-	-	1 424 051
Total assets		723 476	31 959 634	3 451 867	250 478	-	1 424 051
Equity and Liabilities							
Total Equity		-	-	-	-	-	4 540 617
Liabilities							
Short trading positions	21	-	-	-	39 330	-	-
Derivative financial instruments	11	-	-	-	115 562	-	-
Creditors and accruals	22	-	-	-	-	175 037	-
Deposits	23	-	-	-	-	30 488 360	-
Due to banks and other financial institutions	23	-	-	-	-	1 192 537	-
Tier 2 liabilities	27	-	-	-	-	402 830	-
Non-financial liabilities		-	-	-	-	-	855 647
Total liabilities		-	-	-	154 892	32 258 764	855 647
Total equity and liabilities		-	-	-	154 892	32 258 764	5 396 264

Notes to the consolidated annual financial statements
for the year ended 30 June continued

10. Cash and cash equivalents

10.1 Cash and cash equivalents

N$'000	2018	2017
Coins and bank notes	430 894	623 114
Balances with other banks	19 761	63 261
Balances with central bank	895 187	779 738
	1 345 842	1 466 113
Mandatory reserve balances included above:	344 765	333 810

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is not available for use in the group's day to day operations. These deposits bear no interest.

10. 2 Due from banks and other financial institutions

	2018	2017
Due from banks and other financial institutions	2 781 551	2 667 981

11. 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 group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the group's own risks.

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 of interest rate swaps and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and to 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.

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, foreign currency, market share prices and credit rating. 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, over time.

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.

The group's detailed risk management strategy, including the use of hedging instruments in risk management, is set out in the Risk Report of the Annual Report.

Refer to note 35 for information on how the fair value of derivatives is determined.

	2018			
N$'000	Assets Notional	Fair value	Liabilities Notional	Fair value
Currency derivatives	795 994	90 246	831 124	92 487
Interest rate derivatives	746 738	3 274	1 836 396	17 268
Total held for trading	1 542 732	93 520	2 667 520	109 755

	2017			
	Assets Notional	Fair value	Liabilities Notional	Fair value
Currency derivatives	1 153 938	93 841	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

Notes to the consolidated annual financial statements
for the year ended 30 June continued

12. Investment securities

N$'000	2018	2017
At fair value through profit or loss - designated		
Money market funds	332 143	242 342
Preference shares	43 041	16 929
	375 184	259 271
At fair value through profit or loss - held for trading		
Other government and government guaranteed stock	22 879	45 548
Treasury bills	1 423	109 708
	24 302	155 256
Available-for-sale		
Other government and government guaranteed stock	1 080 733	1 042 444
Unlisted equity	9 576	9 576
Unit trusts	101 612	96 438
Treasury bills	3 674 737	2 303 410
	4 866 658	3 451 868
Valuation of investments		
Market value of listed investments	1 080 733	1 042 444
Directors valuation of unlisted investments	4 185 411	2 823 951
	5 266 144	3 866 395

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

Refer to note 35 on 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 included above is N$ 4 755 million (2017: N$ 3 346 million).

13. Advances

N$'000	2018	2017
Notional value of advances	28 900 547	28 527 363
Contractual interest suspended	(67 154)	(49 805)
Gross value of advances	28 833 393	28 477 558
Sector analysis		
Agriculture	993 005	847 175
Banks and financial services	608 287	611 245
Building and property development	2 580 146	2 291 866
Government and public authorities	1 682 955	2 115 475
Individuals	18 441 019	17 527 859
Manufacturing and commerce	2 524 365	2 769 790
Mining	318 902	660 022
Transport and communication	436 266	377 754
Other services	1 248 449	1 276 372
Gross value of advances	28 833 393	28 477 558
Impairment and fair value of credit of advances	(301 560)	(219 145)
Net advances	28 531 833	28 258 413
Geographic analysis (based on credit risk)		
Namibia	28 531 833	28 258 413
Category analysis		
Overdraft and cash management accounts	3 357 351	3 497 756
Card loans	400 709	322 777
Instalment sales and hire purchase agreements	3 072 819	3 212 558
Lease payments receivables	305 648	313 851
Home loans	13 116 923	12 578 763
Term loans	7 697 143	7 795 608
Investment bank term loans	419 769	484 036
Assets under agreement to resell	-	39 629
Other	463 031	232 580
Gross value of advances	28 833 393	28 477 558
Impairment and fair value of credit of advances	(301 560)	(219 145)
Net advances	28 531 833	28 258 413

Notes to the consolidated annual financial statements
for the year ended 30 June continued

13. Advances continued

N$'000	2018	2017
Portfolio analysis		
Designated at fair value through profit and loss	419 769	464 205
Loans and receivables	28 112 064	27 794 208
	28 531 833	28 258 413

Fair value of advances is disclosed in note 35

Analysis of instalment sales and lease payments receivable	Within 1 year	Between 1 and 5 years	> 5 years	Total
2018				
Lease payments receivable	156 143	189 189	-	345 332
Suspensive sale instalments receivable	1 428 979	2 186 286	1 286	3 616 551
Subtotal	1 585 122	2 375 475	1 286	3 961 883
Less: Unearned finance charges	(292 604)	(290 728)	(84)	(583 416)
Total	1 292 518	2 084 747	1 202	3 378 467

Analysis of instalment sales and lease payments receivable	Within 1 year	Between 1 and 5 years	> 5 years	Total
2017				
Lease payments receivable	254 089	105 816	-	359 905
Suspensive sale instalments receivable	2 064 451	1 753 087	-	3 817 538
Subtotal	2 318 540	1 858 903	-	4 177 443
Less: Unearned finance charges	(409 947)	(224 158)	-	(634 105)
Total	1 908 593	1 634 745	-	3 543 338

The group has 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.

Credit risk mitigation

Collateral is an important mitigant of credit risk. In accordance with the group credit risk management strategy the following principal 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 various deposits, investment policies, debtors and personal guarantees;
- Credit card exposures are generally unsecured; and
- Agricultural finance: Collateral consist of first and second covering bonds over the farms.

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, through physical inspection, as appropriate. For mortgage portfolios, collateral valuations are updated on an ongoing basis through physical valuation where necessary. However in the event of default more detailed review and valuation of collateral are performed, this therefore yields a more accurate financial effect.

The valuation at inception is based on physical inspection.

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

	2018		2017	
N$'000	Performing	Non performing	Performing	Non performing
Instalment sales and lease payments receivables	2 478	2 990	4 423	3 210
Home loans	14 914	13 568	32 885	10 679
Total	17 392	16 558	37 308	13 889

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 represents 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.

Notes to the consolidated annual financial statements
for the year ended 30 June continued

14. Impairment and fair value of credit of advances

2018

N$'000	Overdrafts and cash managed accounts	Card loans
Analysis of movement in impairment of advances per class of advance		
Opening balance	60 775	3 271
Amounts written off	(10 075)	(8 569)
Unwinding of discounted present valueon non-performing loans	(1 389)	-
Net new impairments created / (released)	19 628	8 271
Closing balance	68 939	2 973
Increase / decrease in provision	19 628	8 271
Recoveries of bad debts previously written off	(4 143)	(85)
Impairment loss recognised in profit or loss	15 485	8 186

2017

N$'000	Overdrafts and cash managed accounts	Card loans
Analysis of movement in impairment of advances per class of advance		
Opening balance	58 551	1 485
Amounts written off	(10 028)	(2 119)
Unwinding of discounted present value on non-performing loans	(612)	-
Net new impairments created / (released)	12 864	3 905
	60 775	3 271
Increase / (decrease) in provision	12 864	3 905
Recoveries of bad debts previously written off	(957)	(106)
Impairment loss recognised in profit or loss	11 907	3 799

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.

	Instalment sales and lease payments receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
	46 006	40 519	68 574	219 145	93 157	125 988
	(4 032)	(199)	(15 541)	(38 416)	(38 416)	-
	-	(8 435)	(3 941)	(13 765)	(13 765)	-
	19 377	13 909	73 411	134 596	132 063	2 533
	61 351	45 794	122 503	301 560	173 039	128 521
	19 377	13 909	73 411	134 596	132 063	2 533
	(982)	(269)	(856)	(6 335)	(6 335)	-
	18 395	13 640	72 555	128 261	125 728	2 533

	Instalment sales and lease payments receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
	43 968	35 637	53 473	193 114	67 208	125 906
	(3 422)	(23)	(1 876)	(17 468)	(17 468)	-
	-	(15 565)	(2 259)	(18 436)	(18 436)	-
	5 460	20 470	19 236	61 935	61 853	82
	46 006	40 519	68 574	219 145	93 157	125 988
	5 460	20 470	19 236	61 935	61 853	82
	(700)	(236)	(685)	(2 684)	(2 684)	-
	4 760	20 234	18 551	59 251	59 169	82

Notes to the consolidated annual financial statements
for the year ended 30 June continued

14. Impairment and fair value of credit of advances continued

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").

2018

N$'000	Total value net of interest in suspense	Security held and other recoveries	Specific impairments
Non-performing loans by sector			
Agriculture	21 732	17 298	4 434
Financial institutions	12 180	7 458	4 722
Building and property development	50 372	19 495	30 877
Individuals	334 217	235 814	98 403
Manufacturing and commerce	29 729	15 636	14 093
Mining	626	460	166
Transport and communication	19 461	7 655	11 806
Other	13 219	4 681	8 538
Total non-performing loans	481 536	308 497	173 039
Non-performing loans by category			
Card loans	4 106	-	4 106
Overdrafts and cash managed accounts	36 821	13 904	22 917
Instalment sales and hire purchase agreements	46 146	12 243	33 903
Lease payments receivable	744	428	316
Home loans	304 551	246 518	58 033
Term loans	89 168	35 404	53 764
Total non-performing loans	481 536	308 497	173 039
Non-performing loans by geographical area			
Namibia	481 536	308 497	173 039

2017

N$'000	Total value net of interest in suspense	Security held and other recoveries	Specific impairments
Non-performing loans by sector			
Agriculture	11 497	10 410	1 087
Financial institutions	674	277	397
Building and property development	46 969	41 442	5 527
Government	436	436	-
Individuals	231 733	163 788	67 945
Manufacturing and commerce	17 602	8 384	9 218
Mining	714	714	-
Transport and communication	9 334	5 600	3 734
Other	20 185	14 935	5 250
Total non-performing loans	339 144	245 986	93 157
Non-performing loans by category			
Card loans	2 844	2 570	274
Overdrafts and cash managed accounts	24 309	11 648	12 661
Instalment sales and hire purchase agreements	22 089	4 470	17 619
Lease payments receivable	3 111	2 198	913
Home loans	211 736	173 781	37 955
Term loans	75 055	51 319	23 736
Total non-performing loans	339 144	245 986	93 157
Non-performing loans by geographical area			
Namibia	339 144	245 986	93 157

Notes to the consolidated annual financial statements
for the year ended 30 June continued

15. Accounts receivable

N$'000	2018	2017
Items in transit	48 906	57 245
Deferred staff cost	104 749	83 644
Premium debtors	51	109
Prepayments	39 737	18 209
Properties in possession	32 316	2 822
Other accounts receivable	19 412	35 415
	245 171	197 444

Information about the credit quality of the above balances is set out in the risk management note 38.

The carrying value of accounts receivable approximates their fair value.

Other accounts receivable have been reclassified in order to better reflect the nature. This reclassification is a realloaction between items within total accounts receivable and therefore had no impact on the overall balance.

16. Reinsurance assets

	2018	2017
Short-term reinsurance contracts	219	99

Information about the credit quality of the above balances is provided in the risk management note 38.

17. Investment in associates

The following table lists all of the associates in the group:

Name of company	Nature of associate	Place of business	% ownership interest	% voting rights	Carrying amount 2018	Carrying amount 2017
Namclear (Pty) Ltd	Interbank clearing house	Windhoek	25.00%	25.00%	8 608	7 569
Stimulus Investment Limited	Investment company	Windhoek	25.00%	25.00%	14 781	13 558
Stimulus Private Equity (Pty) Ltd	Asset management company	Windhoek	49.00%	49.00%	1 932	14 898
					25 321	36 025

	Country of incorporation	Method	% Ownership interest 2018	% Ownership interest 2017
Namclear (Pty) Ltd	Namibia	Equity	25%	25%
Stimulus Investment Limited	Namibia	Equity	25%	25%
Stimulus Private Equity (Pty) Ltd	Namibia	Equity	49%	49%

The country of incorporation is the same as the principal place of business for all associates. The percentage voting rights is equal to the percentage ownership for all associates.

Summarised financial information of material associates

N$'000	Revenue	Profit for the period	Total comprehensive income
Namclear (Pty) Ltd	26 348	5 588	5 588
Stimulus Investments Limited	36 537	4 908	4 908
Stimulus Private Equity (Pty) Ltd	10 100	3 220	3 220
	72 985	13 716	13 716

Notes to the consolidated annual financial statements
for the year ended 30 June continued

17. Investment in associates continued

Summarised consolidated statement of financial position

N$'000	Non current assets	Current assets	Non current liabilities	Current liabilities	Total net assets
Namclear (Pty) Ltd	45 314	29 817	30 169	9 282	35 680
Stimulus Investments Limited	574 196	107 462	596 485	26 022	59 150
Stimulus Private Equity (Pty) Ltd	34 864	2 088	28 983	4 026	3 943
Total net assets	654 374	139 367	655 637	39 330	98 773

Reconciliation of net assets to equity accounted investments in associates

N$'000	Total net assets	Interest in associate at % ownership	Investment in associate
Namclear (Pty) Ltd	35 680	8 608	8 608
Stimulus Investment Limited	59 150	14 781	14 781
Stimulus Private Equity (Pty) Ltd	3 943	1 932	1 932
Carrying value of investment in associates	98 773	25 321	25 321

Reconciliation of carrying value of investment in associates

N$'000	Investment at begining of 2017	Share of profit	Acquisition adjustment of associate	Investment at end of 2018
Namclear (Pty) Ltd	7 569	1 039	-	8 608
Stimulus Investment Limited	13 558	1 223	-	14 781
Stimulus Private Equity (Pty) Ltd	14 898	(1 160)	(11 798)	1 932
	36 025	1 102	(11 798)	25 321

Refer note 34 for details on loans to / (from) related parties.
Refer note 18 for details of the acquisition adjustment of associate.
Namclear (Pty) Ltd unauditedJune results.

18. Property and equipment

	2018			2017		
N$'000	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Freehold land and buildings	656 441	(36 619)	619 822	678 886	(35 725)	643 161
Leasehold property	68 809	(51 115)	17 694	66 306	(47 027)	19 278
Furniture and fixtures	249 373	(106 636)	142 737	239 507	(100 862)	138 645
Motor vehicles	9 579	(4 846)	4 733	10 228	(4 893)	5 335
Office equipment	114 114	(86 675)	27 439	119 975	(78 578)	41 397
IT equipment	243 219	(148 385)	94 834	241 110	(135 346)	105 474
Total	1 341 535	(434 276)	907 259	1 356 012	(402 722)	953 290

Notes to the consolidated annual financial statements
for the year ended 30 June continued

18. Property and equipment continued

Reconciliation of property and equipment - 2018

N$'000	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	643 161	11 335	(29 043)	(5 631)	619 822
Leasehold property	19 278	10 974	(238)	(12 321)	17 694
Furniture and fixtures	138 645	29 704	(3 615)	(21 997)	142 737
Motor vehicles	5 335	450	(494)	(557)	4 733
Office equipment	41 397	9 915	(4 719)	(19 154)	27 439
IT equipment	105 474	28 996	(1 534)	(38 102)	94 834
	953 290	91 374	(39 643)	(97 762)	907 259

Reconciliation of property and equipment - 2017

N$'000	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Total
Buildings	635 664	13 589	-	(772)	(5 320)	643 161
Leasehold property	12 096	13 872	713	(722)	(6 681)	19 278
Furniture and fixtures	131 625	26 587	306	(528)	(19 345)	138 645
Motor vehicles	3 842	1 887	575	(591)	(378)	5 335
Office equipment	59 722	-	-	(5 464)	(12 861)	41 397
IT equipment	82 048	50 612	3 758	(2 325)	(28 619)	105 474
	924 997	106 547	5 352	(10 402)	(73 497)	953 290

The useful life of each asset is assessed individually. The information on the benchmarks used when assessing the useful life of the individual assets refer to accounting policy 9.5:

19. Intangible assets

N$'000	2018 Cost / Valuation	2018 Accumulated amortisation	2018 Carrying value	2017 Cost / Valuation	2017 Accumulated amortisation	2017 Carrying value
Trademarks	201 526	(115 776)	85 750	201 526	(85 832)	115 694
Customer related intangibles	40 145	(4 015)	36 130	40 145	-	40 145
Software	78 213	(75 415)	2 798	78 213	(48 562)	2 798
Goodwill	63 199	(11 743)	51 456	45 344	-	45 344
Value of insurance broker business acquired	4 479	-	4 479	1 831	-	1 831
Total	387 562	(206 949)	180 613	367 059	(134 394)	232 665

Reconciliation of intangible assets - 2018

N$'000	Opening balance	Additions	Additions through business combinations	Amortisation	Impairment loss	Total
Trademarks	115 694	-	-	(16 261)	(13 683)	85 750
Customer related intangibles	40 145	-	-	(4 015)	-	36 130
Software	29 651	-	-	(1 292)	(25 561)	2 798
Goodwill	45 344	-	17 855	-	(11 743)	51 456
Value of insurance broker business acquired	1 831	2 648	-	-	-	4 479
	232 665	2 648	17 855	(21 568)	(50 987)	180 613

Reconciliation of intangible assets - 2017

N$'000	Opening balance	Additions	Additions through business combinations	Amortisation	Total
Trademarks	-	-	118 260	(2 566)	115 694
Customer related intangibles	-	-	40 145	-	40 145
Software	4	3 509	26 138	-	29 651
Goodwill	100	-	45 244	-	45 344
Value of insurance broker business acquired	-	-	1 831	-	1 831
	104	3 509	231 618	(2 566)	232 665

Notes to the consolidated annual financial statements
for the year ended 30 June continued

19. 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.The CGU's to which the goodwill balance as at 30 June 2018 and 30 June 2017 relates to is FNB Namibia Unit Trust Company Ltd and the Pointbreak Group of companies.

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, returns on structured investments expense inflation rates, tax rates and new business growth.

Subsequent to the measurement period an adjustment of N$ 11.7m was identified affecting the valuation of assets acquired. This amount was subsequently expensed.

	Discount rate		Growth rate	
	2018	2017	2018	2017
FNB Namibia Unit Trust Limited	14%	14%	6%	6%
Pointbreak group of companies	15%	14%	7 - 26%	6%

20. Deferred tax

Deferred tax liability

N$'000	2018	2017
Deferred income tax liability	(323 672)	(257 240)
Opening balance	(257 240)	(190 209)
- Charge to profit and loss	(65 980)	(55 625)
- Deferred tax on amounts charged directly to other comprehensive income	1 142	125
- Acquistion of subsidiaries	-	(12 846)
- Other	(1 594)	1 315
Net balance for the year for entities with deferred income tax liabilities	(323 672)	(257 240)
Deferred tax asset		
Opening balance	34 634	2 868
- Charge to profit or loss	(24)	-
- Acquisition of subsidary	-	31 360
- Other	(2 263)	406
Net balance for the year for entities with deferred income tax assets	32 347	34 634
Total net deferred tax liability	(291 325)	(222 606)

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

Notes to the consolidated annual financial statements
for the year ended 30 June continued

20. Deferred tax continued

Reconciliation of deferred tax asset / (liability)

Deferred income tax assets and liabilities and deferred tax charge / (credit) in the comprehensive income are attributable to the following items:

	2018	2017
N$'000	Closing balance	Closing balance
Deferred income tax (liability) / assets		
Accruals	(202 098)	(137 850)
Deferred staff costs	(13 581)	(13 944)
Fair value adjustments of financial instruments	(1 826)	(7 869)
Instalment credit agreements	(107 153)	(107 265)
Post-employmnet benefit liabilities	12 752	12 472
Property and equipment	(84 688)	(74 920)
Provision for loan impairment	44 661	44 053
Other	28 260	28 083
Net deferred income tax (liability) / assets	(323 672)	(257 240)
Deferred income tax assets		
Property and equipment	(20)	(20)
Other	32 367	34 654
Total net deferred income tax assets	32 347	34 634
Charge through profit and loss	67 291	55 625
Deferred income tax on other comprehensive income	1 142	319
	68 433	55 944

21. Short trading positions

	2018	2017
Government and government guaranteed stock	-	39 330

22. Creditors and accruals

N$'000	2018	2017
Items in transit	85 154	171 629
Audit fees	5 272	4 231
Accrued expense	28 478	21 794
Accounts payable and accrued liabilities	259 210	255 161
Creditors and accruals	378 114	452 815

The carrying value of creditors and accruals approximates fair value.

Accounts payable and accrued liabilities have been reclassified in order to better reflect their nature. This reclassification is a realloaction between items within total accounts receivable and therefore had no impact on the overall balance.

23. Deposits and current accounts

Category analysis

N$'000	2018	2017
Deposits from customers		
Current accounts*	10 017 857	9 910 658
Call deposits	5 690 059	5 142 281
Savings accounts*	230 756	176 031
Fixed and notice deposits	8 251 072	7 044 531
Negotiable certificate of deposit	6 086 548	6 944 752
Fixed and floating rate notes	1 269 909	1 270 107
Total deposits	31 546 201	30 488 360
*Some transmission accounts within deposits have been reclassified in prior year to better reflect their nature. The reclassification is within deposits and therefore had no impact on the overall balance.		
The fair values of deposits and current accounts are disclosed in note 35.		
Due to banks and other financial institutions		
To banks and other financial institutions		
- In the normal course of business	897 408	1 192 537

Notes to the consolidated annual financial statements
for the year ended 30 June continued

24. Employee liabilities

N$'000	2018	2017
Liability for short-term employee liabilities	161 877	152 119
Share-based payment liability	47 010	21 703
Defined contribution post-employment benefit liabilities	38 450	37 518
Closing balance	247 337	211 340

* Refer to note 30 (remuneration schemes) for more detail on the cash settled share-based payment schemes.

Defined contribution 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 group's share of 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.

The independent actuarial valuations are done on an annual basis.

	2018			2017		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value of unfunded liabilities	32 505	5 945	38 450	32 313	5 205	37 518

The amounts recognised in the statement of comprehensive income are as follows:

	2018			2017		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Current service cost	192	467	659	215	422	637
Past service cost	-	-	-	-	-	-
Interest cost	3 047	498	3 545	4 055	518	4 573
Total included in staff costs	3 239	965	4 204	4 270	940	5 210
Recognised in other comprehensive income						
Actuarial (gains) and losses recognised	17	(225)	(208)	9 758	705	10 463
Total incluced in staff costs	17	(225)	(208)	9 758	705	10 463

Movement in post-employment liabilities

	2018			2017		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value at the beginning of the year	32 313	5 205	37 518	39 729	5 021	44 750
Current service cost	192	467	659	215	422	637
Interest cost	3 047	498	3 545	4 055	518	4 573
Benefits paid	(3 064)	-	(3 064)	(1 938)	(51)	(1 979)
Actuarial (gains) losses from changes in financial assumptions	17	(225)	(208)	(9 758)	(705)	(10 463)
Present value at the end of the year	32 505	5 945	38 450	32 313	5 205	37 518

Notes to the consolidated annual financial statements
for the year ended 30 June continued

24. Employee liabilities continued

The principal actuarial assumptions used for accounting purposes were:

	2018		2017	
	Medical	Severance Pay	Medical	Severance Pay
Discount rate (%)	9.54 %	9.58 %	9.70 %	9.69 %
Medical aid inflation (%)	7.86 %	-	8.30 %	-
Salary inflation (%)	-	7.88 %	-	8.26 %
Employees covered	100	2 285	100	2 180

Defined contribution pension fund

N$'000	2018	2017
Employer contribution to pension fund	77 401	68 470
Employer contribution to pension fund - executive director	631	573
Total employer contributions to pension fund	78 032	69 043
Employees contribution to pension fund	32 961	29 030
Total contributions	110 993	98 073
Number of employees covered	2 321	2 197

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 2017 and indicated that the fund was in a sound financial position.

25. Other liabilities

N$'000	2018	2017
Other funding liabilities	220 448	-
Preference shares	32 805	-
Total	253 253	-

Funding of N$ 219 million was raised from an international bilateral development finance institution for Sustainable Use of Natural Resources and Energy Financing. The loan is repayable over 14 equal semi- annual installments, the first installment is due 1 December 2020. Interest is paid quarterly in arrears at 3 month JIBAR floating rate.

26. Policyholder liabilities

N$'000	2018	2017
Short-term insurance contracts		
Claims outstanding		
Claims reported and loss adjustment expenses	9 513	9 949
Claims incurred but not reported	8 779	8 810
Insurance contract cash bonuses	10 288	11 564
Unearned premiums	21 339	22 989
Gross	49 919	53 312
Claims reported and loss adjustment expenses	(719)	(670)
Recoverable from reinsurance	(719)	(670)
Claims outstanding		
Claims reported and loss adjustment expenses	8 794	9 279
Claims incurred but not reported	8 779	8 810
Insurance contract cash bonuses	10 288	11 564
Unearned premiums	21 339	22 989
	49 200	52 642

Notes to the consolidated annual financial statements
for the year ended 30 June continued

27. Tier 2 liabilities

Subordinated debt instruments	Interest rate	Final maturity date	Note	2018	2017
FNB J27 floating rate notes	Three-month JIBAR + 2.50%	29 March 2027	i.	300 000	300 000
FNB J22 floating rate notes	10.36%	29 March 2027	ii.	100 000	100 000
Accrued interest				2 783	2 830
Total				402 783	402 830

(i) The FNB J27 floating rate notes may be redeemed in full at the option of the group on 29 March 2027. Interest is paid quarterly in arrears on 29 March, 29 June, 29 September and 29 December of each year.

(ii) The FNB X27 fixed rate notes may be redeemed in full at the option of the group on 29 March 2027. Interest is paid semi-annually in arrear on 29 March and 29 September of each year

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

The notes listed above qualify as Tier 2 capital for First National Bank of Namibia Limited.

Refer to note 35, fair value of financial instruments for the methodologies used to determine the fair value of tier two liabilities.

28. Share capital

N$'000	2018	2017
Authorised		
990 000 000 (2017: 990 000 000) ordinary shares of par value of N$0.005 per share	4 950	4 950
10 000 000 (2017: 10 000 000)cumulative convertible preference shares with a par value of N$0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2017: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
- Shares held by FNB Namibia share trusts	(19)	(12)
Share premium	30 631	74 507
	31 950	75 833

A detailed reconciliation of the movements in the share capital and premium balances is set out in the statement of changes in equity.

29. General risk reserves

N$'000	2018	2017
First National Bank of Namibia Limited - Credit risk reserve	163 140	160 054

A detailed reconciliation of the movements in the respective reserve balances is set out in the statement of changes in equity.
Credit risk reserves in compliance with Bank of Namibia requirements.

Notes to the consolidated annual financial statements
for the year ended 30 June continued

30. Remuneration schemes

N$'000	2018	2017
The statement of comprehensive income charge for share-based payments is as follows:		
FirstRand Namibia share options	3 882	4 781
FirstRand conditional share plan	37 460	15 478
Charge against staff costs	41 342	20 259

Share option schemes

FirstRand Namibia Ltd (formerly 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.

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 targerts

The FirstRand Limited group remuneration committee sets the corporate performance targets (CPT'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

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 yearend 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.

2017 (vests in 2020) - FirstRand Limited must achieve growth in normalised earnings per share, adjusted for CPI, which equals or exceeds the South African Real Gross Domestic Product ("GDP") growth, on a cumulative basis, over the performance period from the base year-end, being 30 June 2017, to the year-end immediately preceding the vesting date. Real GDP is advised by the FirstRand Limited Group Treasury macro strategy unit and the company delivers ROE of at least 18% over the performance period.

Notes to the consolidated annual financial statements
for the year ended 30 June continued

30. Remuneration schemes continued

	FirstRand Namibia share incentive scheme		FirstRand Ltd conditional share plan	
	2018	2017	2018	2017
Weighted average share price (N$)	721 - 2 452	721 - 2 452	-	-
Expected volatility (%)	402-16	402-16	25	25
Expected option life (years)	5	5	3	3
Expected risk free rate (%)	5.81 - 7.69	5.81 - 7.69	6.99 - 7.61	6.92 - 7.46
Share option schemes				
Number of options in force at the beginning of the year ('000)	5 183	6 908	1 120	683
Granted at prices ranging between (cents)	721 - 2 452	721 - 2 452	-	-
Number of options granted during the year ('000)	-	-	637	597
Granted at prices ranging between (cents)				
Number of options exercised/released during the year ('000)	(2 442)	(1 519)	(75)	(100)
Market value range at the date of exercise/release (cents)	4 498 - 4 711	4 711 - 4 850	5 373 - 5 500	4 725 - 5 124
Number of options cancelled/lapsed during the year ('000)	(644)	-	(31)	(69)
Granted at prices ranging between (cents)	721 - 2 452	-	-	-
Number of options in force at the end of the year ('000)	2 097	5 183	1 651	1 120
Granted at prices ranging between (cents)	721 - 2 452	721 - 2 452	-	-

(First date able to release)	FirstRand Namibia share incentive scheme	
N$'000	2018	2017
Financial year 2018	-	3 058
Financial year 2019	898	1 063
Financial year 2020	1 199	1 062
Total	2 097	5 183

31. Cash flow information

N$'000	2018	2017
Reconciliation of operating profit before tax to cash flow from operating activities		
Profit before tax	1 551 297	1 637 215
Share of profit from associates after tax	(1 102)	(2 515)
Amortisation and impairment of intangible assets	72 575	2 566
Depreciation of property, plant and equipment	97 762	73 496
Share-based payment expenses	41 342	20 259
Impairment of impairment of advances	128 261	59 251
Provision for post-employment benefit obligations	4 168	5 210
Creation and revaluation of derivative financial instruments	(4 106)	10 377
Policyholders fund and insurance fund transfers	(1 651)	(14 298)
Transfer to provision for unintimated claims	(41)	(40)
Non cash flow movements in interest accrual on financial liabilities	(2 783)	(2 830)
Unwinding of discounted present value on non-performing loans	(13 765)	(18 436)
Unwinding of discounted present value on off-market loans	(2 203)	(2 897)
Net release of deferred fee and expenses	(13 780)	(15 912)
Off-market staff loans amortisation	2 203	2 897
Profit on sale of property and quipment	(49 276)	(7 110)
Indirect tax	45 841	40 766
Cash flows from operating activities	1 854 740	1 787 999
Cash receipts from customers		
Interest and similar income	3 553 650	3 248 388
Other non-interest income	1 740 339	1 555 911
Net insurance premium received	183 364	168 604
	5 477 353	4 972 903

Notes to the consolidated annual financial statements
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31. Cash flow information continued

N$'000	2018	2017
Cash paid to customer, suppliers and employees		
Interest expense and similar charges	(1 765 428)	(1 523 863)
Net claims and benefits paid	(96 192)	(102 326)
Total other operating expenses	(1 760 993)	(1 558 715)
	(3 622 613)	(3 184 904)
Increase in income earning assets		
Due from banks and other financial institutions	(113 570)	(892 697)
Advances	(371 932)	(2 420 596)
Investment securities	(1 399 743)	(561 241)
Accounts receivable and similar accounts	(49 722)	(42 642)
Reinsurance assets	(120)	(499)
	(1 935 087)	(3 917 675)
Increase in deposits and other liabilities		
Deposits	1 057 840	2 535 711
Due to banks and other financial institutions	(295 129)	388 609
Accounts payable and similar accounts	(98 390)	23 718
	664 321	2 948 038
Income tax paid		
Amounts payable at beginning of the year	(79 690)	(85 451)
Indirect tax	(45 841)	(40 767)
Current tax charge	(423 298)	(468 359)
Amounts payable at end of the year	217 415	79 690
	(331 414)	(514 887)

32. Contingent liabilities and capital commitments

Contingencies

N$'000	2018	2017
Guarantees *	1 713 936	1 310 407
Letters of credit	123 171	34 927
Total contingencies	1 837 107	1 345 339
Irrevocable unutilised facilities	5 167 183	4 946 466
Total contingencies and commitments	7 004 290	6 291 800

* 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.

Commitments:

Commitments in respect of capital expenditure and long-term investments approved by directors:

	2018	2017
Property and equipment	3 168	7 396

Group leasing arrangements:

	2018			2017		
N$'000	Next year	2nd to 5th year	After 5th year	Next year	2nd to 5th year	After 5th year
Office premises	42 522	50 249	-	38 985	60 970	1 267

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% (2017: 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 on further leasing.

Notes to the consolidated annual financial statements
for the year ended 30 June continued

33. Collateral

Collateral taken possession of and recognised on the statement of financial position in accounts receivable note:

N$'000	2018	2017
Property	32 316	2 822
Total	32 316	2 822

Collateral pledged

The group has pledged assets as security for the following liabilities:

Short trading position	-	39 330
Due to banks and other financial institutions	-	509 674
	-	549 004

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 FirstRand 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 pledge 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:

Due by banks and other financial institutions (note 10)	-	53 990
Investment securities (note 12)	-	520 070
	-	574 060

34. Related parties

FirstRand Namibia Limited is listed on the Namibian Stock Exchange and is 58.4% (2017: 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.

Details of balances with relevant related parties appear below:

N$'000	2018	2017
Related party balances		
Deposits		
FirstRand SA group companies	2 210 785	680 452
Associates	17 422	8 811
Advances		
FirstRand SA group companies	2 195 395	2 305 799
Associates	13 399	17 665
Derivative assets		
FirstRand SA group companies	15 390	3 582
Derivative liabilities		
FirstRand SA group companies	(93 287)	(106 598)
Related party transactions		
Interest paid to (received from) related parties		
FirstRand SA group companies	(68 259)	(45 457)
Associates	640	343
FirstRand SA group companies	25 959	43 485
Non-interest expenditure		
FirstRand SA group companies	277 393	250 199
Associates	14 292	12 879

Notes to the consolidated annual financial statements
for the year ended 30 June continued

34. Related parties continued

Details of transactions with relevant related parties appear below:

Transactions with key management personnel:

N$'000	2018	2017
Advances	18 201	20 255
Current and credit card accounts	252	371
Instalment finance	3 490	3 513
Investment products	5 992	7 956
Balance 30 June	27 935	32 095
No impairment has been recognised for loans granted to key management (2017: nil)		
Mortgage loans are repayable monthly over 20 years.		
Shares and share options held		
Directors' holdings in shares is disclosed in note 6.		
Aggregate details		
Share options held FNB Namibia	322	813
Key management compensation (Group exco)		
Cash package	27 347	19 447
Retirement contributions	3 812	3 033
Performance related benefits	14 810	11 829
	45 969	34 309
Share-based payment	9 149	7 420

A listing of the board of directors of the group is detailed on page 36 of the annual report.

Post-employment benefit plans

Refer to note 24 on detailed disclosure of the movement on the post-employment benefit liability.

Details of subsidiaries

Significant subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding %	
					2018	2017
All subsidiaries are unlisted. The year end of all the subsidiaries is 30 June.						
Banking operations:						
First National Bank of Namibia Ltd	Commercial bank	01 June 2003	Namibia	1,200 of N$1 each	**100**	100
Swabou Investments (Pty) Ltd	Home loan investment company	01 July 2003	Namibia	2 of N$0.05 each	**100**	100
FNB Consumer Limited (Formerly Ebank Ltd)	Financial services	30 March 2017	Namibia	1 624 183 of N$1 each	**100**	100
Insurance operations:						
OUTsurance Insurance Company of Namibia Ltd	Short-term finance	01 July 2003	Namibia	4 000 000 of N$1 each	**51**	51
Other:						
FNB Fiduciary (Namibia) (Pty) Ltd (Formerly: FNB Trust Services Namibia (Pty) Ltd	Estate and trust services	01 October 1996	Namibia	200 of N$1 each	**100**	100
FNB Insurance Brokers (Namibia) (Pty) Ltd	Short-term insurance broker	01 July 2011	Namibia	100 of N$1 each	**100**	100
Asburton Unit Trust Management Company Limited (Formerly: FNB Namibia Unit Trusts Ltd	Unit trusts management company	01 January 2006	Namibia	4,000,000 of N$1 each	**100**	100
Talas Properties (Windhoek) (Pty) Ltd	Property company	31 March 1998	Namibia	100 of N$1 each	**100**	100
RMB Investments (Pty) Ltd	Financial advisory services	14 November 2013	Namibia	100 of N$1 each	**100**	100
Ashburton Investments Namibia Holdings (Pty) Ltd	Investment company	01 February 2017	Namibia	100 of N$1 each	**100**	100
Ashburton Fund Managers Namibia (Pty) Ltd	Investment company	01 February 2017	Namibia	100 of N$1 each	**100**	100
Pointbreak Trusts and Estates	Financial and investment services	30 March 2017	Namibia	100 of N$1 each	**100**	100
Pointbreak Wealth Management (Pty) Ltd	Financial and investment services	30 March 2017	Namibia	17000 of N$1 each	**100**	100
Pointbreak Equity (Pty) Ltd	Financial and investment services	30 March 2017	Namibia	100 of N$1 each	**100**	100
Pointbreak Investment Management (Pty) Ltd	Financial and investment services	30 March 2017	South Africa	100 of N$1 each	**100**	100
Pointbreak Unit Trust Management Company (Pty) Ltd	Unit trust management company	30 March 2017	Namibia	2 000 000 of N$1 each	**100**	100
Pointbreak Property Unit Trust Management Company Ltd	Property unit trust management company	30 March 1998	Namibia	2 000 000 of N$1 each	**100**	100

Notes to the consolidated annual financial statements
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34. Related parties continued

Acquisition of subsidiaries - 2017

EBank and Pointbreak group of companies
On 30 March 2017 the group acquired 100% of the ordinary shares of Pointbreak Equity (Pty) Ltd, Pointbreak Unit Trust Management Company Ltd, Pointbreak Property Unit trust Management Company Ltd, Pointbreak wealth Management (Pty) Ltd, Pointbreak Trust & Estates (Pty) Ltd, Pointbreak Investment Management (Pty) Ltd and Ebank Ltd.

Ebank is a commercial bank incorporated in the Republic of Namibia. the Pointbreak group of companies is providers of investment and wealth management services in Namibia and South Africa. As a result of the acquisition the group is well placed to further its financial services in Namibia. The group has not recognised a deferred taxation asset for the unutilised tax losses amounting to N$ 93 million of EBank at acquisition.

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

N$'000	Subsidiaries
Consideration	
Cash	328 390
Acquisition related costs	
Acquisition related costs including professional fees	2 130
Identifiable assets acquired and liabilites assumed	
Financial assets	221 921
Intangibles	32 827
Identifiable trademark	112 660
Deferred taxation asset	35 840
Identifiable customer related intangible asset	40 145
Other assets	27 542
Associates	28 456
Financial liabilities	(158 852)
Deferred taxation liabilities	(14 906)
Other liabilities	(42 487)
Goodwill	45 244
Consideration	328 390

Acquisition of subsidiaries - 2017 continued

- The goodwill recognized as a result of these transactions represents the synergies envisaged;
- The entire consideration of N$ 328 million was settled in cash. The net cash flow at acquisition was N$ 258 million after taking into condideration cash and cash equivalents of N$ 70.9 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 unutilized tax loss will be recoverd and have therefore not adjusted the purchase price recorded;
- The revenue and loss after for the twelve month period for the newly acquired subsidiaries was N$ 114 million and N$ 30 million; and
- The gross financial assets was N$ 222.8 million at acquisition. The carrying amount of the financial assets equal their fair value and the total financial assets are expected to be recoverd.

Non-controlling interests

OUTsurance Insurance Company of Namibia Ltd is the subsidiary which has non-controling interests in the group. The voting rights of the non-controling interest is limited to their ownership percentage.

It is the group's investment strategy to limit the non-controlling interests in its subsidiary holdings. The group generally holds 100% interests in its key subsidiaries.

	Non-controlling interest	
N$'000	2018	2017
Interest owned by non-controlling interest	49%	49%
Voting rights owned by non-controlling interest	49%	49%
Profit or loss attributable to non-controlling interests	20 748	19 736
Accumulated balance of non-controlling interests	72 645	61 698
Dividends paid to non-controlling interests	9 800	8 820
The following balances have been included in the consolidated statement of financial position and statement of comprehensive income in respect of OUTsurance Insurance Company of Namibia Ltd :		
Total Assets	191 153	170 554
Total Liabilities	69 804	69 792
Net interest income	8 116	4 522
Non interest revenue	88 864	97 185
Profit before tax	61 314	55 737
Total comprehensive income	42 343	39 276

Notes to the consolidated annual financial statements
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35. Fair value measurements

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 nonfinancial assets 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.

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.

Financial instruments not measured at fair value

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 36.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

Non financial instruments

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.

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, optionpricing models, and discounted cash flow techniques.

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.

Notes to the consolidated annual financial statements
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35. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
- Investment banking book*	Level 3	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	Credit inputs
			Investment securities and other investments		
- Equities/ bonds listed in an inactive market	Level 2	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, these are classified as Level 2 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.	Market interest rates and curves	Not applicable
- Unlisted bonds	Level 2 and Level 3	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	Growth rates and P/E ratios
- Negotiable certificates of deposit	Level 2	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	Not applicable
- Treasury Bills	Level 2	JSE debt market	The BESA bond pricing model uses the JSE debt market mark to market bond yield.	Market interest rates and curves	Not applicable

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
Deposits					
- Call and non-term deposits	Level 2	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	Not applicable
- Deposits that represent collateral on credit linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. 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	Credit inputs on related advance
- Other deposits	Level 2 and Level 3	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	Credit inputs
Other liabilities and Tier 2 liabilities	Level 2 and Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and Level 3	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	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 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 assets or liabilities measured at fair value on a non-recurring basis in the current and prior year.

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for the year ended 30 June continued

35. Fair value measurements continued

Fair value hierarchy and measurements

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the group which are recognised at fair value:

2018

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	5 213 527	52 617	5 266 144
Advances	-	-	419 769	419 769
Derivative financial instruments	-	93 520	-	93 520
Total financial assets	-	5 307 047	472 386	5 779 433
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	109 755	-	109 755
Other liabilities	-	-	32 805	32 805
	-	109 755	32 805	142 560

2017

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities	-	3 856 819	9 576	3 866 395
Advances	-	-	464 205	464 205
Investment securities	-	95 221	-	95 221
Total financial assets	-	3 952 040	473 781	4 425 821
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	115 562	-	115 562
Short trading position	39 330	-	-	39 330
	39 330	115 562	-	154 892

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

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 componentsdditional text:

(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 the derivative note above.

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.

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$519 625 (2017:N$510 626) and using more negative reasonable possible assumptions to N$425 147 (2017:N$417 785). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

Changes in level 3 instruments with recurring fair value measurements

N$'000	Fair value on June 2017	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2018
Advances	464 205	45 656	-	(90 092)	419 769
Investment securities	9 576	9 833	-	33 208	52 617
Total financial assets at fair value	473 781	55 489	-	(56 884)	472 386

N$'000	Fair value on June 2017	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2018
Other liabilities	-	1 346	-	31 459	32 805

Notes to the consolidated annual financial statements
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35. Fair value measurements continued

	Fair value on June 2016	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2017
Advances	491 903	53 914	-	(81 612)	464 205
Investment securities	9 576	-	-	-	9 576
Total financial assets at fair value	501 479	53 914	-	(81 612)	473 781

Unrealised gains or losses on level 3 instruments with recurring fair value measurements.

The valuation model for level 3 assets or liabilities typically relies 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.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 revenue.

	2018		2017	
N$'000	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income
Advances	45 656	-	53 914	-
Investment securities	9 833	-	-	-
	55 489	-	53 914	-

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

	2018			2017		
N$'000	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3
Assets						
Advances	28 112 064	3 829 674	24 261 963	27 794 206	3 815 096	24 169 363

N$'000	2018		2017	
	Carrying value	Fair value hierarchy level 2	Carrying value	Fair value hierarchy level 2
Liabilities				
Total deposits at amortised cost	31 546 201	31 526 598	30 488 360	30 518 238
Tier 2 liabilities	402 783	446 334	402 830	441 837
Other liabilities	220 447	219 243	-	-
	32 169 431	32 192 175	30 891 190	30 960 075

Day one profit or loss

Day 1 profit or loss arises on the initial recognition of a financial instrument when the fair value of an instrument is determined using a valuation technique that makes use of inputs that are not observable in an active market. In terms of IAS 39 if the fair value determined in accordance with such a valuation technique differs from the transaction price the initial recognition should take place at the transaction price as the transaction price is considered the best evidence of fair value at initial recognition. The day 1 profits or losses arising as a result of the difference between the two values should only be recognised over the life of the instrument as a result of changes that would also be considered by market participants. The balance is related to advances designated at fair value through profit or loss.

The following table represents the aggregate difference between transaction price and fair value based on a valuation technique yet to be recognised in profit or loss:

N$'000	2018	2017
Unrecognised profit at the beginning of the year	-	1 202
Recognised in profit or loss during the year	-	(1 202)
Unrecognised profit at the end of the year	-	-

Notes to the consolidated annual financial statements
for the year ended 30 June continued

36. Financial instruments 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 carrying value of the advance designated as fair value trough profit or loss.

N$'000	2018	2017
	Carrying value	
Included in advances	419 769	464 205

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.

There 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.

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 busines 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.

37. Structured entities

Consolidated structured entities

The group assesses whether it has control over structured entities in terms of IFRS 10. Where the group has control over a structured entity it is consolidated in terms of IFRS 10.

Interest in unconsolidated structured entities

The group has financial interests in other structured entities that expose the group to the variable income of those entities without resulting in control. Below are set out the nature of those relationships and the impact that those relationships have had on the financial position and performance of the group.

Fund management

The group manages a number of unit trust funds, ranging from income funds to equity funds, which are managed by third party assets managers. Unit trusts are regulated by the Namibia Financial Institution Supervisory Board and the Unit Trust Control Act of 1981. The group's interest is generally restricted to fund service and admistration fees. The group may hold direct interests in a number of the funds; however the magnitude of such interest varies with sufficient regularity. The group earns service and admistration fees from its admistration of the funds, as well as unrealised gains and losses as a result of revaluations of the units held directly in the funds.

N$'000	2018	2017
Investments and other securities		
Unit trust investments	433 754	355 709
Maximum exposure to loss	433 754	355 709

Fund management

The following table sets out the market value of assets for which the group provides investment management services, but does not recognise the asset on its statement of financial position:

N$'000	2018	2017
Assets under management		
- Traditional products	10 421 237	87 11 643
- Alternative products	3 453 562	3 105 024
Total	13 874 799	11 816 667

Traditional products usually comprise investments in assets such as equity shares, bonds and cash, primarily listed instruments. Alternative products managed by the group includ credit funds, private equity funds and structured products.

Notes to the consolidated annual financial statements
for the year ended 30 June continued

38. Risk management

The risk report of the group appears on page 74 to 95 of this annual report. The report describes the various risks the group is exposed to, as well as the methodology and instruments to mitigate these risks. The report includes the disclosures required by IFRS 7 related to the management of credit market, liquidity and interest rate risks. Capital management is dealt with in the Capital Management report. Risk control policies and exposures limits for key risk areas of the group are approved by the board, while operational policies and control procedures are approved by the relevant risk committees. The main financial risk that the business is exposed to are detailed in this note.

Maximum exposure to credit risk

N$'000	2018	2017
Total exposure (items where credit risk exposure exist)		
Cash and cash equivalents		
Balances with other banks	19 761	63 261
Balances with central bank	895 187	779 738
Total cash and cash equivalents	914 948	842 999
Due from banks and other financial institutions	2 781 551	2 667 981
Advances		
Overdraft and cash managed accounts	3 278 824	3 436 982
Card loans	398 666	319 506
Instalment sales and hire purchase agreements	3 011 125	3 166 552
Lease payments receivables	305 648	313 849
Home loans	13 060 490	12 538 245
Term loans	7 594 280	7 727 034
Advances under agreement to resell	-	39 629
Investment bank term loans	419 769	484 036
Other	463 031	232 580
Total advances	28 531 833	28 258 413
Derivative financial instruments	93 520	95 221
Debt investment securities		
Listed investment securities	1 080 733	1 087 992
Unlisted investment securities	4 175 835	2 413 118
Total debt investment securities	5 256 568	3 501 110
Accounts receivables	196 265	140 199
Reinsurance assets	219	99
Guarantees	1 713 936	1 310 407
Letters of credit	123 171	34 927
Irrevocable commitments	5 167 183	4 946 466
Total	44 779 194	41 797 822

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 28 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*
FR27-91	3.73%	AAA to BB-
Above FR91		Below BB-

* Indicative mapping to international rating scale of Fitch and Standard and Poor's.

Credit quality

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

Notes to the consolidated annual financial statements
for the year ended 30 June continued

38. Risk management continued

	2018							
N$'000	Total neither past due nor impaired	Card loans	Overdraft and cash managed accounts	Instalment sales	Home loans	Term loans	Investment bank term loans	Other
FR 28 - 91	27 256 466	391 795	3 280 728	3 260 008	12 012 865	7 425 270	419 769	463 031
Above FR 92	340 795	4 808	39 802	43 564	184 942	67 679	-	-
Total	27 597 261	396 603	3 320 530	3 303 572	12 197 807	7 492 949	419 769	463 031

	2017							
N$'000	Total neither past due nor impaired	Card loans	Overdraft and cash managed accounts	Instalment sales	Home loans	Term loans	Investment bank term loans	Other
FR 28 - 91	26 620 764	314 153	3 427 834	3 429 409	11 145 205	7 589 949	484 036	232 580
Above FR 92	451 116	5 780	45 613	26 535	256 604	74 553	-	-
Total	27 071 880	319 933	3 473 447	3 455 944	11 401 809	7 664 502	484 036	232 580

Credit quality of financial assets other than advances neither past due nor impaired International scale mapping (National Equivalent):

N$'000	2018 Investment securities	Derivative financial instruments	Cash and cash equivalents	Due from banks and other financial institutions	Accounts receivable	Total
AAA to BB- (A to BBB)	5 266 144	93 520	1 345 842	2 781 551	8 156	9 495 213

N$'000	2017 Investment securities	Derivative financial instruments	Cash and cash equivalents	Due from banks and other financial institutions	Accounts receivable	Total
AAA to BB- (A to BBB)	3 866 395	95 221	1 466 113	2 667 981	31 332	8 127 042

Notes to the consolidated annual financial statements
for the year ended 30 June continued

38. Risk management continued

N$'000	2018				
	Neither past due nor impaired	Past due but not impaired		Impaired	Total
Age analysis		One instalment	Two instalments		
Advances					
Card loans	396 603	-	-	4 106	400 709
Home loans	12 197 807	518 242	96 332	304 551	13 116 932
Instalment sales and lease payments receivables	3 306 572	20 310	4 695	46 890	3 378 467
Investment bank term loans	419 769	-	-	-	419 769
Overdraft and cash managed accounts	3 320 530	-	-	36 821	3 357 351
Term loans	7 492 949	95 723	19 304	89 167	7 697 143
Other	463 031	-	-	-	463 031
	27 597 261	634 275	120 331	481 535	28 833 402
Percentage of total book (%)	95.71	2.20	0.42	1.67	100
Accounts receivable					
Items in transit	48 906	-	-	-	48 906
Deferred staff cost	104 749	-	-	-	104 749
Other accounts receivable	91 516	-	-	-	91 516
	245 171	-	-	-	245 171
Reinsurance assets	219	-	-	-	219
Total	27 842 651	634 275	120 331	481 535	29 078 792

N$'000	2017				
	Neither past	Past due but not impaired			
Age analysis	due nor impaired	One instalment	Two instalments	Impaired	Total
Advances					
Card loans	319 933	-	-	2 844	322 777
Home loans	11 401 809	903 137	62 081	211 736	12 578 763
Instalment sales and lease payments receivables	3 455 944	42 717	2 548	25 200	3 526 409
Investment bank term loans	484 036	-	-	-	484 036
Overdraft and cash managed accounts	3 473 447	-	-	24 309	3 497 756
Advances under agreement to resell	39 629	-	-	-	39 629
Term loans	7 664 502	47 648	8 403	75 055	7 795 608
Other	232 580	-	-	-	232 580
	27 071 880	993 502	73 032	339 144	28 477 558
Percentage of total book (%)	95.06	3.49	0.26	1.19	100
Accounts receivable					
Items in transit	57 245	-	-	-	57 245
Deferred staff cost	83 644	-	-	-	83 644
Other accounts receivable	56 555	-	-	-	56 555
	197 444	-	-	-	197 444
Reinsurance assets	99	-	-	-	99
Total	27 269 423	993 502	73 032	339 144	28 675 101

The above assets are managed with reference to the days in arrears and include assets where monthly payments are due as residential mortgages, instalment 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.

Notes to the consolidated annual financial statements
for the year ended 30 June continued

38. Risk management continued

Liquidity cash flow analysis (undiscounted cash flow)

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

	2018			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	Over 12 months	Total
Liabilities				
Deposits	24 386 864	5 438 500	4 555 939	34 381 303
Due to banks and other financial institutions	994 009	55 273	521 718	1 571 000
Derivative financial instruments	109 755	-	-	109 755
Creditors and accruals	206 590	-	-	206 590
Other liabilities	4 578	13 484	342 331	360 393
Tier 2 liabilities	7 381	32 504	708 831	748 716
Financial liabilities	25 709 177	5 539 761	6 128 819	37 377 757
Off statement of financial position				
Financial and other guarantees	1 713 936	-	-	1 713 936
Undrawn facilities	5 167 183	-	-	5 167 183

	2017			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	Over 12 months	Total
Liabilities				
Deposits	21 869 230	6 083 761	3 528 656	31 481 647
Due to banks and other financial institutions	630 866	32 504	745 716	1 409 086
Derivative financial instruments	115 562	-	-	115 562
Short trading position	39 330	-	-	39 330
Creditors and accruals	175 037	-	-	175 037
Tier 2 liabilities	7 381	32 504	748 716	788 601
Financial liabilities	22 837 406	6 148 769	5 023 088	34 009 263
Off statement of financial position				
Financial and other guarantees	1 345 334	-	-	1 345 334
Undrawn facilities	4 946 466	-	-	4 946 466

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

	2018			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	Over 12 months	Carrying amount
Assets				
Cash and cash equivalents	1 345 842	-	-	1 345 842
Due from banks and other financial institutions	2 781 551	-	-	2 781 551
Derivative financial instruments	93 520	-	-	93 520
Advances	4 732 753	3 010 539	20 788 541	28 531 833
Investment securities	1 662 139	2 037 215	1 566 790	5 266 144
Accounts receivables	8 156	-	-	8 156
Financial assets	10 623 961	5 047 754	22 355 331	38 027 046
Non-financial assets	-	-	-	1 383 379
Total assets	-	-	-	39 410 425
Liabilities				
Deposits	22 904 065	5 038 975	3 603 161	31 546 201
Due to banks and other financial institutions	413 342	39 229	444 837	897 408
Derivative financial instruments	109 755	-	-	109 755
Creditors and accruals	206 590	-	-	206 590
Other liabilities	1 447	-	251 805	253 252
Tier 2 liabilities	2 783	-	400 000	402 783
Financial liabilities	23 637 982	5 078 204	4 699 803	33 415 989
Non-financial liabilities	-	-	-	978 381
Total liabilities	-	-	-	34 394 370
Total equity	-	-	-	5 016 055
Total equity and liabilities	-	-	-	39 410 425
Net liquidity gap	(1 3014 021)	(30 450)	17 655 528	
Cumulative liquidity gap	(1 3014 021)	(1 3044 471)	4 611 057	

Notes to the consolidated annual financial statements
for the year ended 30 June continued

38. Risk management continued

	2017			
	Term to maturity			
N$'000	Call - 3 months	4 - 12 months	Over 12 months	Carrying amount
Assets				
Cash and cash equivalents	1 466 113	-	-	1 466 113
Due from banks and other financial institutions	2 667 981	-	-	2 667 981
Derivative financial instruments	95 221	-	-	95 221
Advances	5 102 333	2 625 229	20 530 851	28 258 413
Investment securities	926 847	1 531 095	1 408 453	3 866 395
Accounts receivables	31 332	-	-	31 332
Financial assets	10 289 827	4 156 324	21 939 304	36 385 455
Non-financial assets	-	-	-	1 421 051
Total assets	-	-	-	37 806 506
Liabilities				
Deposits	21 362 213	5 856 198	3 269 949	30 488 360
Due to banks and other financial institutions	679 978	35 047	477 512	1 192 537
Derivative financial instruments	115 562	-	-	115 562
Short trading position	39 330	-	-	39 330
Creditors and accruals	175 037	-	-	175 037
Tier 2 liabilities	2 830	-	400 000	402 830
Financial liabilities	22 374 950	5 891 245	4 147 461	32 413 656
Non-financial liabilities	-	-	-	855 233
Total liabilities	-	-	-	33 268 889
Total equity	-	-	-	4 540 617
Total equity and liabilities	-	-	-	37 809 506
Net liquidity gap	(1 2085 123)	(1 734 921)	17 791 843	
Cumulative liquidity gap	(1 2085 123)	(1 3820 044)	3 971 799	

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.

Repricing profile

	2018				
N$'000	<3 months	>3 but = 12 months	> 12 months	Non rate sensitive	Carrying amount
Total assets	35 334 001	1 115 291	403 348	2 557 785	39 410 425
Total equity and liabilities	28 837 924	3 928 561	639 325	6 004 605	39 410 425
Net repricing gap	6 496 067	(2 813 270)	(235 977)	(3 446 820)	-
Cumulative repricing gap	6 496 067	3 682 797	3 446 820	-	-

	2017				
N$'000	<3 months	>3 but = 12 months	> 12 months	Non rate sensitive	Carrying amount
Total assets	33 251 374	1 143 828	620 983	2 793 321	37 809 506
Total equity and liabilities	27 436 743	4 120 980	711 013	5 540 770	37 809 506
Net repricing gap	5 814 631	(2 977 152)	(90 030)	(2 747 449)	-
Cumulative repricing gap	5 814 631	2 837 479	2 747 449	-	-

Notes to the consolidated annual financial statements
for the year ended 30 June continued

38. Risk management continued

Foreign currency risk

The group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the groups assets and liabilities at carrying amounts, categorised by currency, as at the statement of financial position date.

	2018				
N$'000	NAD	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	1 345 793	18	29	2	1 345 842
Due from banks and other financial institutions	2 370 434	283 488	116 924	10 705	2 781 551
Derivative financial instruments	81 267	949	11 303	1	93 520
Advances	28 028 967	502 866	-	-	28 531 833
Investment securities	5 266 144	-	-	-	5 266 144
Accounts receivables	8 156	-	-	-	8 156
Financial assets	37 100 761	787 321	128 256	10 708	38 027 046
Non-financial assets	1 383 379				1 383 379
Total assets	38 484 140	787 321	128 256	10 708	39 410 425
Liabilities					
Deposits	31 546 201	-	-	-	31 546 201
Due to banks and other financial institutions	394 493	502 915	-	-	897 408
Derivative financial instruments	94 032	7 231	8 374	118	109 755
Creditors and accruals	206 590	-	-	-	206 590
Other liabilities	253 253	-	-	-	253 253
Tier two liabilities	402 783	-	-	-	402 783
Financial liabilities	32 897 352	510 146	8 374	118	33 415 990
Non-financial liabilities	978 379	-	-	-	978 379
Total liabilities	33 875 731	-	-	-	34 394 369
Total equity	5 016 055	-	-	-	5 016 055
Total equity and liabilities	38 891 787	510 146	8 374	118	39 410 425

N$'000	2017 NAD	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	1 466 083	9	20	1	1 466 113
Due from banks and other financial institutions	2 391 320	228 727	34 097	13 837	2 667 981
Derivative financial instruments	90 264	4 844	85	28	95 221
Advances	27 709 361	549 052	-	-	28 258 413
Investment securities	3 866 395	-	-	-	3 866 395
Accounts receivables	31 332	-	-	-	31 332
Financial assets	35 554 755	782 632	34 202	13 866	36 385 455
Non-financial assets	1 424 051	-	-	-	1 424 051
Total assets	36 978 806	782 632	34 202	13 866	37 809 506
Liabilities					
Deposits	30 488 360	-	-	-	30 488 360
Due to banks and other financial institutions	643 485	549 052	-	-	1 192 537
Derivative financial instruments	109 502	5 415	109	536	115 562
Short trading position	39 330	-	-	-	39 330
Creditors and accruals	175 037	-	-	-	175 037
Tier two liabilities	402 830	-	-	-	402 830
Financial liabilities	31 858 544	554 467	109	536	32 413 656
Non-financial liabilities	855 233	-	-	-	855 233
Total liabilities	32 713 777	-	-	-	33 268 889
Total equity	4 540 617	-	-	-	4 540 617
Total equity and liabilities	37 254 394	554 467	109	536	37 809 506

Notes to the consolidated annual financial statements
for the year ended 30 June continued

38. Risk management continued

Average balances and effective interest rates

	2018			2017		
	Average balance	Average rate	Interest income/ expense	Average balance	Average rate	Interest income/ expense
N$'000	N$	%	N$	N$	%	N$
Assets						
Cash and cash equivalents, balance with banks	1 638 933	7.4	121 643	1 414 457	6.2	88 353
Advances	28 168 801	10.9	3 056 873	26 823 659	10.9	2 915 265
Investment securities	5 402 508	7.4	401 187	3 589 123	7.9	282 015
Interest-earning assets	35 210 242	10.2	3 579 703	31 827 239	10.3	3 285 633
Non-interest-earning assets	3 660 147	-	-	3 041 171	-	-
Total assets	38 870 389	9.2	3 579 703	34 868 410	9.4	3 285 633
Liabilities						
Deposits, balance due to banks	32 701 009	5.2	1 713 292	29 283 387	5.1	1 487 068
Tier 2 liabilities	405 402	9.6	39 075	396 950	8.6	33 964
Other liabilities	91 336	11.3	10 278	-	-	-
Interest-earning liabilities	33 197 747	5.3	1 762 645	29 680 337	5.1	1 521 032
Non-interest-earning bearing liabilities	1 158 413	-	-	1 005 603	-	-
Total liabilities	34 356 159	5.1	1 762 645	30 685 940	4.9	1 521 032
Total equity	4 514 230	-	-	4 182 470	-	-
Total equility and liabilities	38 870 389	4.1	1 762 645	34 868 410	4.3	1 521 032

Sensitivity analysis

Banking market risk

Net interest income sensitivity

Assuming no management intervention, a parallel 200 (2017: 200) basis point increase in all yield curves would increase the forecast net interest income for the next year by N$ 223.4 million (2017: N$ 245.4 million), while a parallel decrease in all yield curves would decrease the forecast income by N$ 230.9 million (2017: N$ 252.9 million).

Foreign currency risk sensitivity analysis

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

Equity price risk sensitivity

The table below illustrates the market sensitivity for all non-trading equity investments assuming a 10% shift in the fair value, the analysis is before tax.

	2018		2017	
N$'000	10% reduction in fair value	10% increase in fair value	10% reduction in fair value	10% increase in fair value
Impact on equity (available-for-sale-reserve)	958	(958)	958	(958)

Notes to the consolidated annual financial statements
for the year ended 30 June continued

39. Segment information

39.1 Reportable segments

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The table below sets out the group's various operating segments and the details of the various products and services provided by each of the reportable segments.

Primary segments (business)	Brands	Description	Product and services
Banking operations	First National Bank	Corporate and retail banking	Comprehensive banking packages for individuals and business
	WesBank	Motor vehicle and instalment finance	
	RMB	Investment banking	
Short-term insurance	OUTsurance	Short-term insurance	Short-term insurance

Major customers

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.

The segmental analysis is based on the management accounts for the respective segments. The management accounts are prepared in terms of IFRS measurement and recognition principles.

In order to ensure that the total segment results, assets and liabilities agree to the amounts reported for the group in terms of IFRS, the operations that don't qualify as separate segments are reported in the other column. All consolidation adjustments have also been recorded in this column.

Geographical segments

The group operates within the borders of Namibia, and no material segment operations are outside Namibia.

Statement of comprehensive income
for the year ended 30 June

	Group		Banking operations		Short-term insurance		Other	
N$'000	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income - external	1 820 756	1 764 601	1 813 600	1 759 392	7 150	-	6	5 209
Net interest income - internal	-	-	4 662	127	966	4 521	(5 628)	(4 648)
Impairment and fair value of credit of advances	(128 261)	(59 251)	(128 261)	(59 251)	-	-	-	-
Net interest income after impairment of advances	1 692 495	1 705 350	1 690 001	1 700 268	8 116	4 521	(5 622)	561
Non-interest income	1 795 926	1 553 954	1 646 284	1 444 949	9 869	16 649	139 773	92 356
Net insurance premium income	185 015	182 902	-	-	185 015	182 902	-	-
Net claims and benefits paid	(96 151)	(103 678)	-	-	(96 151)	(103 678)	-	-
Income from operations	3 577 285	3 338 528	3 336 284	3 145 217	106 849	100 394	134 150	92 917
Operating expenses	(1 981 249)	(1 663 061)	(1 809 669)	(1 553 988)	(45 518)	(44 734)	(126 062)	(64 403)
Net income from operations	1 596 036	1 675 467	1 526 615	1 591 228	61 331	55 660	8 089	28 514
Share of profit from associates	1 102	2 515	1 039	2 515	-	-	63	-
Income before tax	1 597 138	1 677 982	1 527 655	1 593 743	61 331	55 660	8 152	28 514
Indirect tax	(45 841)	(40 767)	(45 113)	(40 015)	-	-	(728)	(742)
Profit before tax	1 551 297	1 637 215	1 482 542	1 553 727	61 331	55 660	7 424	27 762
Income tax expense	(490 589)	(523 984)	(460 308)	(494 100)	(18 971)	(16 552)	(11 309)	(13 332)
Profit for the year	1 060 708	1 113 231	1 022 234	1 059 627	42 360	39 108	(3 885)	14 430

Notes to the consolidated annual financial statements
for the year ended 30 June continued

39. Segment information continued

Statement of financial position
as at 30 June

	Group		Banking operations		Short-term insurance		Other	
N$'000	2018	2017	2018	2017	2018	2017	2018	2017
Assets								
Cash and cash equivalents	1 345 842	1 466 113	1 326 075	1 414 296	84 510	66 736	(64 743)	(14 919)
Due from banks and other financial institutions	2 781 551	2 667 981	2 782 220	2 667 981	-	-	(669)	-
Derivative financial instruments	93 520	95 221	93 520	95 221	-	-	-	-
Advances	28 531 833	28 258 413	28 644 016	28 325 993	-	-	(112 183)	(67 580)
Investment securities	5 266 145	3 866 395	5 080 115	3 717 573	101 612	96 438	84 418	52 380
Investments in associates	25 321	36 025	8 608	7 569	-	-	16 713	28 456
Other assets	1 366 213	1 419 358	1 245 031	1 273 890	5 032	4 863	116 150	140 605
Total assets	39 410 425	37 809 506	39 179 585	37 502 527	191 153	168 037	39 687	138 942
Equity and liabilities								
Liabilities								
Deposits	31 546 201	30 488 360	31 661 720	30 551 208	-	-	(115 519)	(62 848)
Due to banks and other financial institutions	897 408	1 192 537	897 408	1 192 537	-	-	-	-
Derivative financial instruments	109 755	115 562	109 754	115 562	-	-	-	-
Other liabilities	253 253	-	220 447	-	-	-	32 806	-
Tier 2 liabilities	402 783	402 830	402 783	402 830	-	-	-	-
Other liabilities	1 184 970	1 069 600	1 088 200	937 342	68 804	67 743	27 966	64 515
Total liabilities	34 394 369	33 268 889	34 380 312	33 199 479	68 805	67 743	(54 747)	1 667
Equity								
Capital and reserves attributable to ordinary equity holders								
Ordinary shares	1 319	1 326	1	1	4 000	4 000	(2 682)	(2 675)
Share premium	30 631	74 507	1 142 791	1 142 791	213	213	1 112 373)	(1 068 498)
Reserves	4 911 461	4 403 086	3 656 480	3 160 256	118 136	96 081	1 136 845	1 146 749
Capital and reserves attributable to ordinary equity holders	4 943 411	4 478 919	4 799 272	4 303 048	122 349	100 294	21 790	75 576
Non-controlling interests	72 645	61 697	-	-	-	-	72 645	61 698
Total equity	5 016 056	4 540 617	4 799 272	4 303 048	122 349	100 294	94 435	137 274

40. Standards and interpretations issued but not yet effective

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; • The 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 FirstRand group currently only has cash-settled share-based payment schemes. The group is currently in line with the first two amendments as the group is accounting for these items in line with the clarifications. The third amendment will be considered when such transactions take place and will be applied prospectively to any modifications made on or after the adoption date.	*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 recognise those impacts temporarily. The adjustment only applies to financial assets that are designated as relating to contracts in scope of IFRS 4 and measured at FVTPL in accordance with IFRS 9, but would have been measured in their entirety as at FVTPL under IAS 39; and • 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 FirstRand 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 and the amendment will have no impact on the group.	*Annual periods commencing on or after 1 January 2018*

Adoption of new accounting standards

IFRS 9: *Financial Instruments* (IFRS 9) was issued by the International Accounting Standards Board (IASB) in July 2014 and replaced IAS 39: *Financial Instruments, Recognition and Measurement* (IAS 39). IFRS 9 became effective for the group from 1 July 2018 (date of initial adoption).

Key impacts of IFRS 9

Item	Requirement	Impact on the group
ECL impairment	IFRS 9 introduced an expected credit loss model for the recognition of impairment on financial assets, which includes the incorporation of forward-looking information and no longer requires a credit event to occur before credit losses are recognised. This applies to financial assets classified at amortised cost and fair value through other comprehensive income, lease receivables, trade receivables, loan commitments and financial guarantee contracts. The level of expected credit losses to be raised is determined in relation to the credit risk of the asset at reporting date in relation to its credit risk at origination. Where the credit risk has not increased significantly since origination, impairment is calculated based on 12-month expected credit losses. If this is not the case, impairment is based on lifetime expected credit losses.	The revised impairment requirements will result in higher overall impairments due to the earlier recognition of expected credit losses incorporating forward-looking information and inclusion of off-balance sheet exposures. Refer to page 220 for more detailed information.
Classification and measurement	IFRS 9 introduced a principle-based approach for classifying financial instruments, which is based on the entity's business model (i.e. how an entity manages its financial assets in order to generate cash flows) and nature of its cash flows. Financial assets whose business model is achieved by collecting contractual cash flows are classified at amortised cost. Financial assets with a mixed business model (i.e. held to collect contractual cash flows which are solely payments of principal and interest and through sale) are classified at fair value through other comprehensive income. All other financial assets under a different business model are classified at fair value through profit or loss. The classification of financial liabilities remains relatively unchanged, with the exception that for financial liabilities designated at fair value, any changes in the fair value of the liability due to the entity's own credit risk should be recognised in other comprehensive income.	Based on the business model assessments performed, the following financial assets were reclassified: • certain investment securities held in the group's liquid asset portfolio will be reclassified from available-for-sale to amortised cost because they are held to collect contractual cash flows and those contractual cash flows are solely for the repayment of principal and interest; • certain advances in the RMB Investment Banking Division will be reclassified from fair value through profit or loss (FVTPL) to amortised cost; and • the above-mentioned reclassifications from FVTPL to amortised cost will impact the revenue recognition of origination fees that are an integral part of generating an involvement with the resulting advance.

Item	Requirement	Impact on the group
Hedge accounting	IFRS 9 more closely aligns hedge accounting with the entity's risk management and permits the use of internally produced risk management information as a basis for hedge accounting, thereby widening the scope for items that can be hedge accounted.	The revised hedge accounting requirements will be applied by the group prospectively and as such did not have an impact on the amounts recognised in the annual financial statements as at 1 July 2018. However, hedge documentation was updated to comply with the requirements of IFRS 9.

Unpacking the impact of IFRS 9

Total impairments by stage
• Growth in stage 1 impacted by the change from 3 – 6 month to 12 month emergence period and inclusion of off-balance sheet exposures; • Growth in stage 2 impacted by significant increase in credit risk (SICR) definition; and • Stage 3 growth is impacted by ISP, amended staging, curing and write off requirements.
Total impairments by franchise
• Limited impact on RMB Investment Banking Division due to current fair value methodology being closely aligned to ECL; and • FNB and WesBank impacted by extended emergence period and inclusion of off-balance sheet facilities.
Total impairments drivers
• Biggest single driver is the change from 3 – 6 month to 12 month emergence period and inclusion of off- balance sheet exposures; and • Other includes the impact of the revised accounting for modifications, where a modification loss is recognised based on the amended contractual terms.
Growth in NPL
• The largest driver of change in NPLs is the gross-up of ISP into advances; and • Implementation of stringent curing definitions across portfolios has increased the size of the NPL book.

Advances:

Advances are impacted by two factors on transition to IFRS 9: reclassification and interest in suspense.

Reclassification

The business model assessments resulted in some advances being re-classified from designated at fair value through profit or loss into amortised cost. This also resulted in a remeasurement of the advance by capitalising any fees integral to the loan previously expensed to the advance.

Interest in suspense

Interest in suspense (ISP) was not capitalised to advances recognised under IAS 39 because, in line with IAS 18, interest income was only recognised to the extent that it was probable that economic benefits associated with the transaction would flow to the entity. Interest suspended was therefore managed off-balance sheet. IFRS 15 scopes out revenue recognised in line with IFRS 9. Under IFRS 9, interest revenue is calculated by applying the effective interest rate to the amortised cost of the financial asset, which equates to the inverse of the impairment coverage ratio. The difference between the contractual interest and the interest recognised in line with IFRS 9 is therefore suspended. This suspended interest is capitalised to the advance. However, as it cannot be recognised as interest revenue, it is also recognised against the expected credit loss allowance, reflecting the fact that it is unrecoverable and therefore impaired. To the extent that the impairment coverage ratio under IAS 39 is identical to that under IFRS 9, the impact of ISP on transition to IFRS 9 is a gross-up of the advance and the loss allowance by the amount of the suspended interest, with no impact on retained earnings. Where the coverage ratios under the two standards differ, the difference in the coverage ratios is reflected in retained earnings, with an increase in retained earnings reflecting lower coverage under IFRS 9, and a decrease reflecting higher coverage.

Expected Credit Loss (ECL) allowance:
The increase in the ECL allowance is due to two main factors, the impact of ISP as explained above and the increase in the impairment allowance due primarily to the increase in the emergence period, application of the significant increase in credit risk definition, incorporation of forward-looking macroeconomic information and the inclusion of off-balance sheet exposures in the ECL.

Not all of the ECL impact will affect retained earnings. As explained above, the impact of ISP does not impact retained earnings to the extent that coverage ratios are consistent between IFRS 9 and IAS 39. In addition, classification and measurement changes did not impact ECL but impacted gross advances and retained earnings. Other items that impacted retained earnings include equity accounted earnings from investments in associates due to the impact of IFRS 9 in the associates, ECL on investment securities and non-advances with credit risk such as accounts receivable and the impact of deferral of revenue due to the implementation of IFRS 15. The total impact on equity, net of tax, will be in the region of 2.9%.

Impact on reserves:
In addition to the above changes to retained earnings, the following has also impacted reserves:

Investment securities
Debt investment securities comprising government bonds were classified as available-for-sale under IAS 39. These securities are short dated and held under a business model to collect contractual cash flows until maturity. These contractual cash flows are solely payments of principal and interest and these debt investment securities have therefore been classified at amortised cost under IFRS 9 and accordingly, an ECL provision has been raised against these securities, referenced to the sovereign credit rating where these relate to government bonds. The estimated impairment will be in the region of 0.02% of equity on 1 July 2018. As a result of the reclassification, the available-for-sale reserve was released, resulting in an adjustment to the carrying amount of the investment securities and the non-distributable reserves.

ECL has been raised on non-advances with credit risk such as accounts receivable, which were not previously provided for under IFRS 9. In addition, the impact of IFRS 9 adoption by associates of the group resulted in an adjustment in the group's equity accounted earnings from associates.

Capital

The group actively manages its capital base commensurate with its strategy, risk appetite and risk profile. Capital planning is undertaken on a forward-looking basis, and the level and composition of capital is determined taking into account businesses' organic growth plans, corporate transactions and stress testing scenario outcomes. In addition, the group considers external issues that could impact capital levels, which include regulatory, accounting and tax changes, macroeconomic conditions and outlook. The group continues to actively manage its capital levels and composition.

Effective 1 July 2018, the group capital position is not impacted materially by the change relating to impairment allowances, due to the day 1 impact of IFRS 9. A debit to the group's GRR and a corresponding credit to the group's retained earnings has been recognised. The GRR has historically been maintained by means of an appropriation of retained earnings to a non-distributable reserve, being the GRR, by the group's banking operations as a result of country regulators requiring a higher credit impairment provision than that as determined in accordance with IAS 39. Given that IFRS 9 typically results in an impairment provision that is more closely aligned to the provision required by regulators, a transfer from the GRR back to retained earnings is required on transition to IFRS 9. This transfer has no significant impact on the group's net asset value, total reserves or capital ratios.

Tax impact
The group has elected to apply tax legislation to the impairment allowances as follow which we believe does not deviate from the current practice, however industry is still consulting with regulators:

- Stage 1 - 25% (general provision);
- Stage 2 - 25% (general provision)); and
- Stage 3 - 100% (specific).

This will result in a reduced deferred tax liability balance.

Macroeconomic approach

The FirstRand Macro Forum is responsible for the oversight of macroeconomic inputs that are used to inform the ECL provision, risk appetite, earnings volatility and internal capital adequacy assessment process (ICAAP) in the group. This forum is independent of the credit and modelling functions and operates under the direction of the Asset and Liability Committee (ALCO), with ultimate oversight by the FirstRand Namibia Risk, Capital and Compliance Committee (FRCC).

The macroeconomic scenarios are defined by the Macro Forum in Group Treasury and include the following potential outcomes relative to the core view assumptions:

1. Downside global macro environment
2. Downside domestic macro environment
3. Upside global macro environment
4. Upside domestic macro environment
5. Stress macro environment

Once the scenarios are defined, they are presented and debated. After taking all applicable inputs into account, the final scenarios are signed off by the FirstRand Macro Forum. A similar process as for the core view is then followed to construct forecasts for the various scenarios. These forecasts are then debated with key stakeholders and signed off by the Macro Forum before going through the same governance processes as the core view forecasts.

A probability assessment of the different scenarios is conducted. After the FRCC sign off on the different scenarios and associated forecasts, a number of economists within and outside of the FirstRand Group are requested to assign a probability to each of these scenarios. Based on this process the Macro Forum will attribute a probability to each scenario. Large discrepancies between the forum’s assessment and that of the external economists are noted and explained.

To arrive at the macroeconomic forecast, a bottom-up and top-down forecast process is followed. The bottom up forecast process is conducted by teams of economists both locally and within the various subsidiaries in which FirstRand operates. These economists assess the micro and macroeconomic developments to formulate and adjust a macroeconomic forecast. The top-down forecast process is conducted in FirstRand Group Treasury and the macro team in country. This process uses a macro econometric model consisting of a number of macro econometric equations that define the macroeconomic relationships in the region and Namibia. The top-down and bottom-up forecasts are discussed and debated at the monthly Macro Forum and a final set of forecasts is agreed upon. Forecast differences between the top-down and bottom-up processes are discussed and reasons for the differences identified. The outcome of this process is then presented as the FirstRand house view.

The macroeconomic team within Group Treasury is responsible for the development and monthly updating of a database that contains the historical and forecast values of the macro variables that are included in the house view forecast process. These are updated on a quarterly basis.

Incorporation into ECL calculation

ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. Creation of macroeconomic scenarios and determination of associated probabilities is a subjective process, with final ECL results dependent on assumptions applied during this process.

Notes to the consolidated annual financial statements
for the year ended 30 June continued

40. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 15	**Revenue from Contracts with customers** IFRS 15 replaces several existing revenue standards and interpretations and introduces a new five-step principle model that an entity must apply to determine the measurement and timing of revenue recognition. The core principle of the new standard is that an entity will recognise revenue to depict the transfer of control of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods and services. Under the new model, revenue is recognised based on when the entity satisfies its performance obligations. IFRS 15 will be effective for the group from 1 July 2018. The group's main source of revenue is out of scope of IFRS 15 and as a result, IFRS 15 is not expected to have a significant impact on the group. The group has identified and reviewed the contracts with customers that are within the scope of this standard. The outcome of the reviews has resulted in the identification of additional performance obligations for certain products and as a result thereof a deferral of revenue relating to those products. The group is in the process of assessing the impact on the annual financial statements but no significant impact is expected.	*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 represents those transactions. IFRS 16 will be effective for the group from 1 July 2019. The biggest impact of the standard will be on lessee accounting because of the requirement for lessees to recognise an asset and corresponding liability in respect of operating leases. Under the current standard on leases, operating lease payments were expensed by the lessee when incurred, with no recognition on the statement of financial position. IFRS 16 requires that at the commencement date of the lease (regardless of whether it is finance or operating lease), a lessee shall recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payment. The exceptions available for lessees are leases of a short term (less than 12 months) or low-value assets. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17; however, there are also enhanced disclosure requirements for lessors. The group is in the process of assessing the impact on the annual financial statements but no significant impact is expected.	*Annual periods commencing on or after 1 January 2019*

Standard	Impact assessment	Effective date
IFRS 17	**Insurance Contracts** IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities as well as the release of profits on these contracts to the income statement. IFRS 17 will be effective for the group from 1 July 2021. The recognition of insurance revenue will be consistent with that of IFRS 15. Insurance revenue is derived by the movement in the liability for the remaining insurance coverage period. 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. Subsequently, the liability will comprise two components, namely, the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses incurred but not yet paid). To prepare for implementation, the group has constituted a steering committee which will be supported by several working groups. The working groups will be responsible for the implementation of the different elements of the new standard and work has commenced. The impact of IFRS 17 will only be reliably determinable once the implementation project has progressed further.	*Annual periods commencing on or after 1 January 2021*
IAS 28	**Long-term Interests in Associates (Amendments to IAS 28)** The amendments clarify that an entity should apply IFRS 9, including impairment requirements, to long-term interests in associates and joint ventures that in substance form part of the net investment in the associate or joint venture. The group is in the process of assessing the impact of this amendment on the annual financial statements as part of the overall adoption of IFRS 9. 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 2019*

Notes to the consolidated annual financial statements
for the year ended 30 June continued

40. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IAS 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 annual financial statements but it is not expected to have a significant impact.	*Annual periods commencing on or after 1 January 2018*
IFRS 23	**Uncertainty over Income Tax Treatments** This interpretation is to be applied to the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. When considering that the filing deadlines for tax returns and financial statement may be months apart, IFRIC 23 may require more rigour when finalising the judgements about the amounts to be included in the tax return before the financial statements are finalised. The group is in the process of assessing the impact on the annual financial statements but it is not expected to have a significant impact.	*Annual periods commencing on or after 1 January 2019*
Annual Improvements	**Improvements to IFRS** The IASB issued the *Annual Improvements to IFRS Standards 2014-2016 Cycle.* These annual improvements include amendments to IAS 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 2018 (IAS 12 and IAS 28)*

07 FIRSTRAND NAMIBIA LIMITED:

company annual financial statements

FirstRand Namibia Limited
Company statement of comprehensive income
for the year ended 30 June

N$'000	Note	2018	2017
Interest and similar income	2	**858**	1 286
Net interest income		**858**	1 286
Non-interest revenue			
- gains less losses from investing activities	3	**546 704**	791 999
Income from operations		**547 562**	793 286
Operating expenses	4	**(1 851)**	(2 373)
Income before tax		**545 711**	790 914
Indirect tax	5	**(198)**	(227)
Profit before tax		**545 513**	790 687
Income tax expense	5	**(208)**	(320)
Profit for the year		**545 305**	790 367
Other comprehensive income for the year			
Total comprehensive income for the year		**545 305**	790 367
Profit for the year attributable to:			
Equity holders of the parent		**545 305**	790 367
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**545 305**	790 367

FirstRand Namibia Limited

Company statement of financial position

as at 30 June

N$'000	Note	2018	2017
Assets			
Accounts receivable		**-**	4 910
Loan to group companies	7	**99 552**	95 300
Investment securities	8	**9 576**	9 576
Investments in subsidiaries	9	**1 347 974**	1 347 974
Total assets		**1 457 102**	1 457 760
Equity and liabilities			
Liabilities			
Creditors and accruals		**740**	887
Tax liability		**119**	45
Total liabilities		**859**	932
Equity			
Ordinary shares	10	**1 338**	1 338
Share premium	10	**280 810**	280 810
Reserves		**1 174 095**	1 174 680
Capital and reserves attributable to ordinary equity holders		**1 456 243**	1 456 828
Total equity and liabilities		**1 457 102**	1 457 760

FirstRand Namibia Limited
Company statement of changes in equity
for the year ended 30 June

N$'000	Share capital	Share premium	Share capital and share premium	Retained earnings	Total ordinary shareholders' funds
Balance at 30 June 2016	1 338	280 810	282 148	954 287	1 236 435
Total comprehensive income for the year				790 367	790 367
Ordinary dividends				(569 974)	(569 974)
Balance at 30 June 2017	1 338	280 810	282 148	1 174 680	1 456 828
Total comprehensive income for the year				545 305	545 305
Ordinary dividends				(545 890)	(545 890)
Balance at 30 June 2018	1 338	280 810	282 148	1 174 095	1 456 243

FirstRand Namibia Limited

Company statement of cash flows

for the year ended 30 June

N$'000	Note	2018	2017
Cash flows from operating activities			
Cash generated from operations		**545 711**	790 883
Working capital changes			
- Increase/decrease in accounts receivable		**4 910**	6 954
- Increase/decrease in accounts payable		**(147)**	(768)
Net cash generated from operations		**550 474**	797 069
Indirect tax paid	5	**(198)**	(227)
Income tax paid		**(134)**	(299)
Net cash flow from operating activities		**550 142**	796 545
Cash flows from investing activities			
Net increase in loan to group company		**(4 252)**	(83 482)
(Purchase) / sale of investment securities		**-**	19 237
(Purchase) / sale of subsidiaries		**-**	(162 325)
Net cash flow from investing activities		**(4 252)**	(226 571)
Cash flows from financing activities			
Dividends paid		**(545 890)**	(569 974)
Net cash flow from financing activities		**(545 890)**	(569 974)

FirstRand Namibia Limited
Company statement of cash flows
for the year ended 30 June *continued*

N$'000	Note	2018	2017
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year		**-**	-
*** Reconciliation of income before tax to cash generated by operations**			
Income before tax		**545 711**	790 914
Adjusted for:			
- Revaluation of investment securities		**-**	(31)
		545 711	790 883
****Income tax paid**			
Amounts payable/ (receivable) at beginning of the year		**(45)**	(24)
Current tax per comprehensive income		**(208)**	(320)
Amounts payable at end of the year		**119**	45
Total income tax paid		**(134)**	(299)

N$'000	2018	2017
1. Accounting policies		
The financial statements of FirstRand Namibia Limited are prepared according to the same accounting principles used in preparing the consolidated financial statements of FirstRand Namibia group. For detailed accounting policies refer to pages 101 to 128 of this annual report.		
2. Analysis of interest income and expenses	Amortised cost	
Interest received: loan account with group company	**652**	972
Unwinding of discounted present value on accounts receivable	**206**	288
Interest on investments	**-**	27
	858	1 286
3. Non-interest revenue		
Gains less losses from investing activities		
• Dividends received from subsidiaries and unlisted investments		
- Subsidiaries	**539 687**	787 030
- Unit trust investments	**-**	1 058
- Equities	**7 017**	3 880
• Revaluation of investment securities through profit or loss	**-**	31
Gross gains less losses from investing activities	**546 704**	791 999
4. Operating expenses		
Auditors' remuneration		
- Audit fees	**1 230**	1 257
Professional fees	**450**	1 008
Other operating costs		
- Other operating expenses	**171**	107
Total operating expenses	**1 851**	2 373

FirstRand Namibia Limited
Notes to the company annual financial statements
for the year ended 30 June continued

N$'000	2018	2017
5. Tax		
Indirect tax		
Value added tax	**198**	227
Total indirect tax	**198**	227
Direct tax		
Namibian normal tax		
- Current year	**208**	320
	208	320

The company provided for tax at 32% (2017: 32%) of the taxable income (interest income). The effective tax rate is 0.04% (2017: 0.04%).

6. Dividends		
Final dividend (15 August 2017: 113 cents), (5 August 2016: 122 cents)	**302 380**	326 464
Interim dividend (30 January 2018: 91 cents), (31 January 2017: 91 cents)	**243 510**	243 510
	545 890	569 974

Final dividend of 113 cents (2017: 113 cents) per share was declared subsequent to year-end.

N$'000		2018	2017

7. Loan to / (from) group companies

2018	Balance at 1 July	Decrease / increase during the year	Balance at 30 June
Balances with Talas Properties (Windhoek) (Pty) Ltd	**6 550**	**10 029**	**16 579**
Balances with FNB Namibia Incentive share trust	**88 750**	**(5 777)**	**82 973**
	95 300	**4 252**	**99 552**

2017	Balance at 1 July	Decrease / increase during the year	Balance at 30 June
Balances with Talas Properties (Windhoek) (Pty) Ltd	11 818	(5 268)	6 550
Balances with FNB Namibia Incentive share trust	-	88 750	88 750
	11 818	83 482	95 300

Refer to note 2 for the interest received

8. Investment securities

	2018	2017
Unlisted		
Equity investment	**9 576**	9 576
Total	**9 576**	9 576

FirstRand Namibia Limited
Notes to the company annual financial statements
for the year ended 30 June continued

8.1 Fair value hierarchy disclosure

The company shows an investment in equities and this is measured at fair value and analysed below by valuation technique. The classification of instruments is based on the lowest level input that is significant to fair value measurement in its entirety. A description of the nature of the techniques used to calculate valuations and definitions of Levels is set out in note 35 of the group financial statements.

N$'000	2018			
	Level 1	Level 2	Level 3	Total carrying amount
Available-for-sale financial assets				
Investment securities	-	-	9 576	9 576
	-	-	9 576	9 576

	2017			
	Level 1	Level 2	Level 3	Total carrying amount
Available-for-sale financial assets				
Investment securities	-	-	9 576	9 576
Changes in level 3 fair value instruments	-	-	9 576	9 575

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.

8.1 Fair value hierarchy disclosure

2018	Fair value on 1 July	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on 30 June
Assets					
Investment securities	**9 576**	**-**	**-**		**9 576**
Total financial assets at fair value	**9 576**	**-**	**-**	**-**	**9 576**
2017					
Assets					
Investment securities	9 576	-	-	-	9 576
Total financial assets at fair value	9 576	-	-	-	9 576

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$10 534 and using more negative reasonable possible assumptions to N$8 618. These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

FirstRand Namibia Limited
Notes to the company annual financial statements
for the year ended 30 June continued

9. Investments in subsidiaries

N$'000			2018	2017
Unlisted investments				
Carrying value at beginning of the year			**1 347 974**	1 185 649
Acquisitions of the Pointbreak group of companies during the period			**-**	162 325
Carrying value at end of the year			**1 347 974**	1 347 974
The list of subsidiaries are:	Ownership %	Voting rights %		
First National Bank of Namibia Ltd	100	100	**1 142 792**	1 142 792
RMB Investments (Pty) Ltd	100	100	**-**	-
FNB Fiduciary (Namibia) (Pty) Ltd (FNB Trust Services)	100	100	**-**	-
Talas Properties (Windhoek) (Pty) Ltd	100	100	**2 967**	2 967
OUTsurance Insurance Company of Namibia Ltd	51	51	**6 511**	6 511
FNB Insurance Brokers (Namibia) (Pty) Ltd	100	100	**27 904**	27 904
Ashburton Unit Trust Management Company Limited (FNB Namibia Unit Trust)	100	100	**5 475**	5 475
Ashburton Fund Managers Namibia (Pty) Ltd	100	100	**250**	250
Pointbreak Trusts and Estates (Pty) Ltd	100	100	**(728)**	(728)
Pointbreak Wealth Management (Pty) Ltd	100	100	**1 549**	1 549
Pointbreak Equity (Pty) Ltd	100	100	**161 253**	161 253
Pointbreak Investment Management (Pty) Ltd	100	100	**-**	-
Pointbreak Unit Trust Management Company Ltd	100	100	**-**	-
Pointbreak Property Unit Trust Management Company Ltd	100	100	**-**	-
			1 347 974	1 347 974

The following trusts are controlled by FirstRand Namibia Limited:

- FNB Namibia Incentive share trust
- FNB Namibia Staff assistance trust

The carrying amount of these investments is N$ nil.

Refer to note 34 in the group financial statements for full details of investments in subsidiaries.
Refer to note 34 in the group financial statements for full related party transactions and balances.

N$'000	2018	2017
10. Share capital		
Authorised		
990 000 000 (2017: 990 000 000) ordinary shares with a par value of N$0.005 per share	**4 950**	4 950
10 000 000 (2017: 10 000 000) cumulative convertible redeemable preference shares with a par value of N$0.005 per share	**50**	50
	5 000	5 000
Issued		
267 593 250 (2017: 267 593 250) ordinary shares with a par value of N$0.005 per share	**1 338**	1 338
2 (2017: 2) cumulative convertible redeemable preference shares with a par value of N$0.005 per share		
	1 338	1 338
Share premium	**280 810**	280 810

Term of preference shares: redeemable at 31 days notice by either party. The dividend rights in terms of the agreement with the shareholder are based on the actual profits made, per agreed adjustments, of a portion of the short-term insurance business.

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

All issued shares are fully paid up.

11. Liquidity, credit and market risk information

The assets and liabilities of the company consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk for IFRS 7 purposes.

Accounts receivable and creditors and accruals are repayable on demand or short notice and within Namibia.

12. Related party transactions

During the year and the prior year, the company entered into transactions with its subsidiaries, disclosed in detail in the relevant notes of the company financial statements.

Refer to note 34 in the group financial statements for full related party transactions and balances.

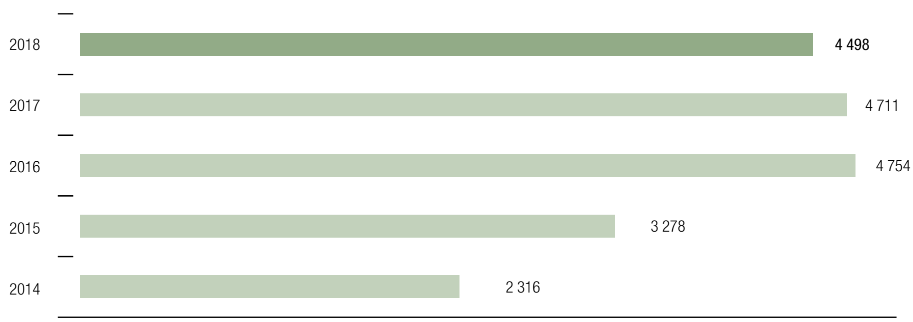
08

SHAREHOLDERS' INFORMATION

SHAREHOLDERS DIARY

Financial Year End	30 June 2018
Declaration Date	07 August 2018
SENS Announcement Date	6 September 2018
LDR/ Record Date	21 September 2018
Trade cum div (last day to trade)	14 September 2018
Trade ex div (first day to trade)	17 September 2018
Payment Date	05 October 2018
Annual General Meeting	24 October 2018

CLOSING SHARE PRICE - ORDINARY



STOCK EXCHANGE PERFORMANCE

	2018	2017
Share price (cents)		
- high for the year	4 711	4 850
- low for the year	4 498	4 711
- closing price per share	4 498	4 711
Number of shares traded (000's)	5 674	2 760
Value of shares traded (N$ '000's)	263 732	131 996
Number of shares traded as percentage of issued shares (%)	2.12	1.03
Average price (cents)	4 648	4 782

SIMPLIFIED GROUP STRUCTURE AND CORPORATE INFORMATION

General public	FirstRand EMA Holdings (Pty) Ltd	GIPF
26.8%	58.4%	14.8%

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NAMIBIA

Banking		Investments Management		Other Activities		Insurance	
100%	First National Bank of Namibia Ltd	**100%**	Ashburton Fund Managers Namibia (Pty) Ltd	**100%**	FNB Fiduciary Namibia (Pty) Ltd	**51%**	OUTsurance Insurance Company of Namibia Limited
100%	Swabou Investments (Pty) Ltd	**100%**	Ashburton Unit Trust Management Company Limited	**100%**	FNB Nominees (Namibia) (Pty) Ltd		
100%	FNB Consumer Limited	**100%**	Pointbreak Equity (Pty) Ltd	**100%**	FNB Insurance Brokers (Namibia) (Pty) Ltd		
25%	Namclear (Pty) Ltd	**100%**	Pointbreak Investment Management (Pty) Ltd	**100%**	Talas Properties (Windhoek) (Pty) Ltd		
		100%	Pointbreak Property Unit Trust Management Company Limited	**100%**	Pointbreak Trust and Estates (Pty) Ltd		
		100%	Pointbreak Unit Trust Management Company Limited				
		100%	Pointbreak Wealth Management (Pty) Ltd				

Analysis of ordinary shareholders

Share analysis - ordinary shares	Number of shareholders	%	Number of shares	%
Range of shareholders				
1 - 999	1 231	42.7%	452 255	0.2%
1 000 - 1 999	455	15.8%	591 489	0.2%
2 000 - 2 999	221	7.7%	535 896	0.2%
3 000 - 3 999	116	4.0%	396 470	0.1%
4 000 - 4 999	80	2.8%	350 159	0.1%
5 000 - 9 999	245	8.5%	1 655 266	0.6%
over 10 000	538	18.6%	263 611 715	98.5%
	2 886	100%	267 593 250	100.00%
Shareholder type				
Corporate bodies	27	0.9%	164 836 840	61.6%
Nominee companies	308	10.7%	78 304 670	29.3%
Private individuals	2 514	87.1%	16 282 589	6.1%
Trusts	37	1.3%	8 169 151	3.1%
	2 886	100%	267 593 250	100.00%
Geographic ownership				
Namibian including unknown	2 760	95.6%	103 914 922	38.8%
Other Africa	112	3.9%	157 046 963	58.7%
International	14	0.5%	6 631 365	2.5%
Total	2 886	100%	267 593 250	100.00%
Major shareholders				
Firstrand EMA Holdings (Pty) Ltd,			156 271 536	58.4%
Government Institutions Pension Fund			39 639 153	14.8%
FNB Employee Share Incentive Trust			5 845 313	2.2%
Old Mutual Life Assurance Company (Namibia) Ltd			5 759 086	2.2%
Sovereign Capital (Proprietary) Limited			5 116 287	1.9%
Allan Gray Namibia Balanced Fund			3 387 357	1.3%
The Africa Emerging Markets Fund			3 100 188	1.2%
Chappa'AI Investments Forty Two (Pty) Ltd,			3 018 199	1.1%
SQM Frontier Africa Master Fund Ltd			2 767 295	1.0%
Sanlam Life Namibia Limited			1 852 796	0.7%
Retirement Fund for Local Authorities and Utility Services in Namibia			1 756 295	0.7%

FirstRand EMA Holdings (Pty) Limited and Government Institutions Pension Fund are the only shareholders who beneficially hold more than 5% of the issued ordinary shares in the Company.

CORPORATE INFORMATION

REGISTERED OFFICE
FirstRand Namibia Ltd
(previously FNB Namibia Holdings Ltd)
Registration number: 88/024
@Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111
www.fnbnamibia.com.na

CHIEF EXECUTIVE OFFICER
Sarel van Zyl
5th Floor, @Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

TRANSFER SECRETARIES
Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
P O Box 2401, Windhoek, Namibia
E-mail: ts@nsx.com.na
Tel: +264 (61) 227 647

EXTERNAL AUDITORS
Deloitte & Touche Namibia
Jan Jonker Road, Maerua Mall Complex
Windhoek, Namibia
PO Box 47, Windhoek, Namibia
Tel: +264 (61) 285 5000
www.deloitte.com/na

CHIEF FINANCIAL OFFICER
Oscar Capelao
5th Floor, @Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

SPONSOR
IJG Securities (Pty) Ltd
Member of the NSX
100 Robert Mugabe Avenue
P O Box 186, Windhoek, Namibia
Registration No. 95/505
E-mail: lyndon@ijg.net
Tel: +264 (61) 383 500

GROUP COMPANY SECRETARY
Nelago Ashipala
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P O Box 195, Windhoek, Namibia
Tel: +264 (61) 299 2111

Notice of annual general meeting

FirstRand Namibia Ltd
(previously FNB Namibia Holdings Limited)
(Incorporated in the Republic of Namibia)
(Registration number: 88/024)
ISIN: NA0003475176
Share Code (NSX): FNB
("FirstRand Namibia Ltd" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to all holders of ordinary shares in the company (shareholders) that the thirty first (31st) Annual General Meeting of the shareholders of the company will be held in the Etosha Boardroom, FirstRand Namibia Ltd (previously FNB Namibia Holdings Ltd), 5th Floor, @Parkside, 130 Independence Avenue, c/o Fidel Castro, Windhoek, on 24th October 2018 at 13:30 for the following business:

Salient dates

Record date to be eligible to receive the notice of annual general meeting	Monday	1 October 2018
Last day to trade to be eligible to attend and vote at the annual general meeting	Friday	21 September 2018
Record date to be eligible to attend and vote at the annual general meeting	Friday	28 September 2018
Proxies due (for administrative purposes)	Monday	15 October 2018
Annual general meeting	Wednesday	24 October 2018

1. Ordinary resolution number 1:
   RESOLVED THAT the minutes of the previous annual general meeting be and hereby are approved.

2. Ordinary resolution number 2:
   RESOLVED THAT the annual financial statements for the year ended 30 June 2018 be adopted.

3. Ordinary resolution number 3:
   RESOLVED THAT the final dividend declared on 7 August 2018 of 113 cents per ordinary share be and hereby is approved.

4. Ordinary resolution number 4: Re-election of directors by way of separate resolutions
   To re-elect directors of the company who retire in terms of the Company's Articles of Association and who, being eligible, offers themselves for re-election. Biographical information of the directors to be re-elected is set out on pages 36 to 39 of the annual report.

   4.1 Jantje Gesche Daun (Independent Non-Executive Director)
   4.2 Justus Hamusira Hausiku (Independent Non-Executive Director)
   4.3 Gerson Samuel Hinda (Independent Non-Executive Director)
   4.4 Inge Ingenesia Zaamwani-Kamwi (Independent Non-Executive Director)

5. Ordinary resolution number 5: Election of directors by way of separate resolutions
   To elect the following directors of the company who were appointed by the board of directors effective 20 March 2018 and 29 June 2018 respectively and are now recommended by the board for election by shareholders. Biographical information of the directors to be elected is set out on pages 36 to 39 of the annual report.

   5.1 Robert James Childerstone Hamer (Non-Executive Director)
   5.2 Gert Christoffel Petrus Kruger (Non-Executive Director)

6. Ordinary resolution number 6: Re-election of Director
To re-elect the following director in terms of clause 21.3 of the Article of Association of the company

6.1 Stuart Hilton Moir (Independent non-executive director)

In terms of clause 21.3 of the Articles of Association, the office of a director may be vacated at the close of the Annual General Meeting of the Company relating to the financial year of the Company in which the director reaches the age of 70 (seventy) years, but is subject to the discretion and review by the Board.

Mr. Moir reached the age of 70 years during the period under review. The Board has considered and has unanimously approved the extension of his tenure as a director. Accordingly, being eligible for re-election and having been recommended by the Board, Mr. Moir offers himself for re-election.

7. Ordinary resolution number 7:
RESOLVED THAT all the ordinary shares required for the purpose of carrying out the terms of the FNB Employee Share Incentive Scheme ("the scheme") be and are hereby specifically placed under the control of the trustees of the scheme, who are hereby authorised and shall have the power to allot and issue those shares as they become required for the purposes of carrying out and giving effect to the terms of the scheme.

8. Ordinary resolution number 8:
RESOLVED THAT all the authorised but unissued shares in the capital of the company be and are hereby placed under the control of the directors who are hereby authorised to allot or issue shares on such terms and conditions as they deem fit, subject to the provisions of the Banking Institutions Act 2 of 1998, Companies Act 28 of 2004 ("the Act"), the Articles of Association of the Company and the Listings Requirements of the Namibia Stock Exchange ("NSX"), which provide, inter alia, that:

- such issue of shares shall not in the aggregate exceed 10% of the company's shares in issue; and
- the resolution for the issue of shares must be approved by a 75% majority of votes cast in favour of such resolution

9. Ordinary resolution number 9:
RESOLVED THAT Deloitte & Touche be reappointed as auditors of the company and authorise the directors to determine the remuneration of the auditors.

10. Ordinary resolution number 10:
RESOLVED THAT the annual fees of the non-executive directors, as reflected below be approved for the 2018/2019 financial year:

	No of Meetings per Annum	Proposed 2018/19 Annual fee	Calculated Fee per Meeting
FirstRand Namibia Ltd Board (previously FNB Namibia Holdings Ltd)			
Member	4	62,210.40	15,552.60
Deputy-Chairperson	4	93,315.60	23,328.90
Chairperson	4	108,868.20	31,105.20
Audit committee			
Member	4	79,984.80	19,996.20
Chairperson	4	217,736.40	54,434.10
Risk Capital and Compliance Committee			
Member	4	66,654.00	16,663.50
Chairperson	4	99,981.00	24,995.25
Remuneration Committee			
Member	2	27,994.68	13,997.34
Chairperson	2	41,992.02	20,996.01
Directors' Affairs and Governance Committee			
Member	3	39,992.40	13,330.80
Chairperson	3	69,986.70	23,328.90
Senior Credit Risk Committee			
Member	30	266,616.00	8,887.20
First National Bank of Namibia Board			
Member	4	124,420.80	31,105.20
Deputy-Chairperson	4	186,631.20	46,657.80
Chairperson	4	248,841.60	62,210.40

11. Ordinary resolution number 11:
RESOLVED THAT the existing remuneration policy remain in force, no changes are proposed to the current policy and shareholders ratify the current Remuneration Policy which was approved by shareholders at the 26 October 2017 Annual general Meeting.

12. Ordinary resolution number 12:
RESOLVED THAT the following directors be re-appointed as members of the Audit Committee

12.1 Stuart Hilton Moir (Chairperson)
12.2 Jantje Gesche Daun
12.3 Christiaan Lilongeni Ranga Haikali

13. Ordinary resolution number 13:
    RESOLVED THAT the election of audit committee member by way of separate resolution:

    13.1 Robert James Childerstone Hamer

14. Ordinary resolution number 14:
    RESOLVED THAT any one of the directors and/ or the Group Company Secretary of the Company, be and is hereby authorised to do all such things, sign all such documents, procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to all of the resolutions proposed and passed at the annual general meeting of the company as set out in this notice.

Voting:
All holders of FirstRand Namibia Ltd shares will be entitled to attend and vote at the annual general meeting. Shareholders wishing to attend the meeting should ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their name. On a show of hands, every holder of FirstRand Namibia Ltd shares who is present in person, or in the case of a company, the representative appointed in terms of section 196 of the Companies Act, shall have one vote.

On a poll, the holders of ordinary shares present in person or by proxy will each be entitled to one vote for every ordinary share held.

Proof of identification required:
Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents and passports.

Proxies:
Each member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and, on a poll, to vote in his/her stead. The form of proxy for the annual general meeting, which sets out the relevant instructions for its completion, accompanies this notice. In order to be effective, duly completed forms of proxy must be received at the office of the transfer secretaries of the Company by no later than 15:00 on Monday, 15 October 2018.

By order of the board FirstRand Namibia Limited

Nelago Ashipala
Group Company Secretary
6 September 2018

Registered office
Firstrand Namibia Ltd
(Previously FNB Namibia Holdings Ltd)
@Parkside
130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia

Transfer Secretaries
4 Robert Mugabe Avenue, Windhoek
P O Box 2401, Windhoek, Namibia

Form of proxy

I/We . . . .(name in full)

being the holder(s) of .. . . ordinary shares in the Company do hereby appoint:

1. . . . . or failing him/her

2. . . . . or failing him/her

3. the chairperson of the annual general meeting,

as my/our proxy to act for me/us at the annual general meeting (as the case may be) which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolution in respect of the shares in the issued capital of the Company registered in my/our name/s in accordance with the following instructions (see note):

Ordinary Resolutions	For*	Against*	Abstain*
1. **Ordinary resolution 1:** Approval of minutes of previous annual general meeting.			
2. **Ordinary resolution 2:** Adoption of annual financial statements for 30 June 2018.			
3. **Ordinary resolution 3:** Approval of final dividend declared			
4. **Ordinary resolution 4:** Re-election of directors by way of separate resolutions:			
4.1 **Jantje Gesche Daun** (Independent Non-Executive Director)			
4.2 **Justus Hamusira Hausiku** (Independent Non-Executive Director)			
4.3 **Gerson Samuel Hinda** (Independent Non-Executive Director)			
4.4 **Inge Ingenesia Zaamwani-Kamwi** (Independent Non-Executive Director)			
5. **Ordinary resolution number 5** - Election of directors by way of separate resolution:			
5.1 **Robert James Childerstone Hamer** (Non-Executive Director)			
5.2 **Gert Christoffel Petrus Kruger** (Non-Executive Director)			
6. **Ordinary resolution number 6:** Re-election of Director who has reached age 70 years			
6.1 **Stuart Hilton Moir** (Independent Non-Executive Director and Deputy-Chairperson)			
7. **Ordinary resolution 7:** Control of FNB Employee Share Incentive Scheme ordinary shares			
8. **Ordinary resolution 8:** Control of unissued shares			
9. **Ordinary resolution 9:** Re-appointment of external auditors and authority to determine their remuneration			
10. **Ordinary resolution 10:** Approval of Non-Executive Director remuneration			
11. **Ordinary resolution 11:** Ratification of the existing Remuneration Policy			
12. **Ordinary resolution 12:** Re-appointment of Audit Committee members			
12.1 **Mr. Stuart Hilton Moir** (Chairperson)			
12.2 **Ms. Jantje Gesche Daun**			
12.3 **Mr. Christiaan Lilongeni Ranga Haikali**			
13. **Ordinary resolution number 13:** Election of audit committee member by way of separate resolution:			
13.1 **Mr. Robert James Childerstone Hamer**			
14. **Ordinary resolution 14:** Authority to sign documents			

* *Insert an X in the appropriate spaces above to indicate how you wish your votes to be cast. However, if you wish to cast your votes in respect of less than all of the shares that you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote.*

Signed at . . . . this . . . . day of . . . . 2018 . . . .

Assisted by me (where applicable) . . . . Signature

Each member is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.

NOTES:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the annual general meeting", but any such deletion must be initialed by the member. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.

3. Forms of proxy must be received at the Company's transfer secretaries, Transfer Secretaries (Proprietary) Limited, 4 Robert Mugabe Avenue (entrance on Berg Street), Windhoek, (PO Box 2401) Windhoek, Namibia by no later than 15:00 on Monday, 15 October 2018. Alternatively, forms of proxy may be sent to the Company's transfer secretaries by way of e-mail to ts@nsx.com.na, provided that such e-mails are received by the transfer secretaries by no later than 15:00 on Monday, 15 October 2018.

4. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the annual general meeting.

6. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

8. The chairperson of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairperson is satisfied as to the manner in which the member wishes to vote.

9. Where there are joint holders of ordinary shares:

   i. any one holder may sign the form of proxy;
   ii the vote of the senior (for that purpose seniority will be determined by the order in which the names of the member appear in FirstRand Namibia Ltd's register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.

FirstRand Namibia Ltd
(Previously FNB Namibia Holdings Limited) "the Company"
Incorporated in the Republic of Namibia
Registration number: 88/024
Share code (NSX): FNB
ISIN: NA 0003475176

Designing	Imagine Design
Printing	John Meinert Printing

www.fnbnamibia.com.na

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NAMIBIA