FNB
Namibia Holdings

UNAUDITED INTERIM GROUP RESULTS AND CASH DIVIDEND DECLARATION

for the six months ended
31 December 2017

FINANCIAL HIGHLIGHTS

HEADLINES EARNINGS
N$520 million

ADVANCES GROWTH
+5.8%

RETURN ON AVERAGE EQUITY
23.3%

INTERIM DIVIDEND PER SHARE
91 cents

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DIVIDEND DECLARATION

Notice is hereby given that an interim dividend (number 49) for the six months ended 31 December 2017 of 91 cents per ordinary share was declared on 30 January 2018.

The last day to trade shares on a cum dividend basis will be on 23 February 2018 and the first day to trade ex dividend will be 26 February 2018. The record date will be 2 March 2018 and the payment date 16 March 2018.

By order of the board

Nelago Ashipala, Company Secretary, 15 February 2018

OUR OPERATING ENVIRONMENT

Growth in the second half of 2017 followed a similar trend to the first half, with growth in key economic sectors contracting, rising unemployment, year-on-year reduction in the growth of private sector credit extended (PSCE), rising debt levels and negative investor confidence.

This slowdown was mainly on account of deeper than previously expected contractions in sectors such as construction, wholesale and retail trade, as well as slower growth rates for manufacturing, electricity and water and the public sector per the Bank of Namibia December 2017 Economic outlook update.

Growth in 2018 is expected to improve, supported by recoveries expected in uranium mining, wholesale and retail trade, manufacturing, and transport and communication sectors with risks posed by slow growth in some of Namibia's key trading partners.

As the conduit between the various stakeholders in the economy, the banking sector has not been spared the impacts of a tough macroeconomic environment.

OUR PERFORMANCE

Across the portfolio, the six months to December 2017 was characterised by a slowdown in topline growth, combined with a strong investment cycle. The operating franchises, however, continued to produce resilient operating performances despite the macroeconomic slowdown.

Advances grew at 5.8% (compared to industry PSCE growth reported for December of 5.1%) and the deposit raising franchises achieved a growth of 12%.

Profit before tax decreased by 11.9% to N$780.0 million (2016: N$885.7 million). Profit before tax was mainly impacted by the increase in impairments, an increase in the cost of funding and the integration of Pointbreak and EBank which were acquired in the last quarter of the previous financial year.

Normalised for Pointbreak and Ebank, profit before tax decreased by 9% to N$805.7 million.

Earnings per share decreased to 198 cents (2016: 226.3 cents). Return on average equity reduced from 25.6% (June 2017) to 23.3% for December 2017. Return on average assets was 2.8% (June 2017: 3.0%) and the cost to income ratio increased to 52.1% (June 2017: 48.9%).

STATEMENT OF COMPREHENSIVE INCOME

Interest income

Net interest income grew to N$906.2 million (2016: N$886.7 million). Margins remained under pressure with a 25bps reduction in the repo and prime rate during the period under review. Net interest margin declined as a result of interest expense increasing by 24%; mainly due to an increase in our deposit base and a change in mix tilted towards relatively more expensive deposit products including the increasing of issuances to the market in response to earlier liquidity constraints. Interest income grew by 12%, impacted by slower volume growth as PSCE continued to fall as the year progressed.

Impairment losses

The total impairment charge for the period under review was an acceptable N$76.1 million given the current economic climate, which equates to 0.26% of gross advances and coming from a very low base of 0.05% in 2016.

Portfolio impairments increased year-on-year by N$13.3 million which is in line with our strategy of maintaining an appropriate level of provisioning on the performing book through the credit cycles.

Non-performing loans have increased by 25% since June 2017, compared to a decrease of 3.9% experienced in the comparative period from June 2016 to December 2016.

Non-interest revenue

Non-interest revenue (NIR) increased by 12.8% to N$878.9 million (2016: N$778.9 million), with Ashburton and Pointbreak contributing N$37.4 million to NIR.

Banking NIR growth of 8% reflects a mixed picture in that the consumer segments showed good growth, however, the business and corporate consumer segment NIR was flat.

Overall fee and commission income benefited from strong volume growth of 8% with ongoing momentum across electronic channels, again demonstrating the success of the group's electronic migration strategy.

There was some negative impact from a reduction in cash-related NIR and the cost of the newly introduced rewards linked to the e-migration and cross- sell strategy. Manual branches volumes continue to decline, which sets us up to reduce legacy infrastructure costs.

Active accounts are up 6.3% resulting in the transactional volumes growth of 8%.

STATEMENT OF COMPREHENSIVE INCOME
continued

Operating expenses

Total cost growth in the existing operations excluding the acquired entities was 11%. Total costs increased with 20% on the back of the investment in the risk and compliance office and the consolidation of the investment and wealth entities.

Staff related costs are up by 15%, influenced by expansion of our risk and compliance team, an average non-managerial staff salary increase of 7.3% and continued conversion of staff from basic pay to Cost-to-Company. Managerial staff salary increases were inline with inflation. Including Pointbreak and EBank, which are not in the prior year, overall staff costs are up by 20.7%.

IT costs increased by 20% with the investment in upgrade in bandwidth to ensure efficient service delivery, new data lines to support our expanding footprint of self-service channels and other regulatory projects.

As expected, depreciation increased by 30%, reflecting the impact of the continued investment in automated deposit terminals (ADTs) across the country and speedpoints. These machines are more expensive than ordinary ATM's because of their advanced technology but their integration supports our migration of clients to self-service channels.

Management has successfully implemented effective cost-saving measures for discretionary expenses, which have recorded declines.

We continue to invest in modernising our systems and delivery channels, with the long term view on sustainable growth.

STATEMENT OF FINANCIAL POSITION

Advances

Advances have grown to N$28.5 billion, constituting 73% of total assets. Growth in private sector credit extension has been on a downward trend for the entire period, falling to 5.1% in December 2017. Given that credit extension has been hard hit by the economy and regulatory changes, we are pleased to have grown advances by 5.8%. This shows our continued support of the economy.

Homeloans increased year on year by 6.3% to N$13 billion and constitute 45.1% (2016: 44.9%) of FNB's advances book. Our exposure to Homeloans is reflective of the Namibian banking industry where Homeloans tend to average 40% of credit extended in the local market. In line with our risk appetite we have selectively grown the Homeloans book in segments where we believe the risk is lower.

The increase in overdrafts and term loans at 12% and 9.8% reflects solid growth while applying sound lending principles.

Vehicle sales figures in 2017 reported the worst industry performance since 2012 and as a result the granting of installment credit reduced by 5.2%. The industry continues to see competitive interest rates and we remain committed to our philosophy of supporting sustainable growth.

Growth in the RMB and FNB Business advances was 8.4%, compared to corporate PSCE of 2.7% for December 2017 which speaks to our commitment to the corporate and business clients through tough conditions.

Non-performing loans increased to N$489 million from N$272 million as an increasing number of consumers experienced the effects of the downturn in the economy. The ratio of non-performing loans to gross advances ended the period at 1.7% up from a very low 1% in 2016. Although there has been a significant increase in the NPL ratio, it remains below the industry average ratio of 2.2%, and within our risk appetite.

Deposits and Funding

FNB Namibia remains the market leader as far as funding is concerned and the group will continue diversifying both source and term of funding in order to mitigate liquidity and concentration risks.

Funding the group's balance sheet has through deposits and institutional placements increased by 12% to N$31.1 billion (2016: N$27.7 billion) compared to industry growth of 10%. In line with this stated strategy to diversify funding sources the bank raised N$667 million through the issuance of senior notes and to further improve the liquidity profile there was an active drive to increase longer term deposits. Current and call accounts also increased by 4.8% and 19% respectively which is in direct proportion to the increase in the number of active accounts.

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

UPDATE ON INVESTMENT MANAGEMENT STRATEGY

Ashburton Investments was launched in July 2017 on the back of the acquisition of Pointbreak. The group has an organic strategy to grow its asset management, and wealth and investment management activities. The group's asset management business, Ashburton Investments comprises a wide range of funds including single manager, multi-manager, listed equity, specialist equity, fixed income, specialist credit and private equity.

Ashburton Investments grew AUM 10% to N$12.7 billion since June 2017.

SHORT TERM INSURANCE

OUTsurance Namibia generated earnings of N$23 million for the half year under review. The improvement in the cost-to-income ratio, supported with the improved claims ratio of 47.3%, were the major drivers behind the growth in earnings. The written premium declined by 12.9% due to pressure on new business volumes in light of increased competition and new market entrants and our continued focus on high quality business.

CAPITAL MANAGEMENT

FNB Namibia remains well capitalised with a total capital adequacy ratio of 17.3%, in-line with prior year results. This remains securely above both the regulatory requirement of 10% and the internal board approved target of 14.2%. Furthermore, it remains our philosophy to back economic risk with core equity. Our Tier 1 capital level increased to13.8% (from13.4%).

The group's capital strategy is anchored in the following principles, to back economic risk with core equity, to maintain limited excess and to consider capital requirements on a forward looking basis taking into account growth, expansion, regulatory changes and stress. This outlook informs the dividend strategy.

All non-banking subsidiaries also remain well capitalised for current needs and expected requirements.

DIVIDEND STRATEGY

Despite the difficult macroeconomic environment the group continued to deliver returns ahead of cost of capital and good operational performances from the franchises. This combined with a strong capital position and low growth in risk weighted assets (RWA) for the six months to December 2017 informed board's decision to maintain the dividend cover. The long term dividend cover policy remains unchanged at 1.8x to 3x. The long-term cover range is assessed on an annual basis as part of the year end results process.

EVENTS SUBSEQUENT TO THE REPORTING DATE

The directors are not aware of any material events, as defined in IAS 10, occurring between 31 December 2017 and the date of authorisation of the results announcement.

BOARD CHANGES

During the period under review, Mr. PT Nevonga and Mr. LJ Haynes resigned from the Board of FNB Namibia Holdings Ltd on 26 October 2017 and 27 October 2017 respectively.

GROUP PROSPECTS

The group continues to apply a methodical approach when allocating capital by maintaining the optimum balance between investing in growth (through expansion, technology and enhancing employee skillset), ensuring full compliance with capital adequacy, investing in quality risk management and maximizing shareholder return.

Despite the economic conditions experienced by all, the group has managed to weather the storm with renewed stability in performance and steady balance sheet growth. FNB Namibia remains the market leader in innovation and expansion and that has undoubtedly contributed to the satisfactory performance of the group throughout this period of unprecedented decline in the business climate.

The strengthening of the Namibian dollar, increases in commodity prices, better rainfall and increases in liquidity due to the loan from the African Development Bank as well as foreign direct investment; provide a positive outlook for our economy going in the year 2018. FNB Namibia enters 2018 with renewed optimism and we have strategically positioned ourselves to be significant contributors to the success of the Namibian economy.

> Condensed consolidated statement of comprehensive income

N$'000	Notes	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	Audited year ended 30 June 2017
Interest and similar income	2	1 790 883	1 598 765	3 285 633
Interest expense and similar charges	2	(884 694)	(712 067)	(1 521 032)
Net interest income before impairment of advances		906 189	886 698	1 764 601
Impairment of advances		(76 126)	(13 394)	(59 251)
Net interest income after impairment of advances		830 063	873 304	1 705 350
Non-interest revenue	3	878 943	778 877	1 553 954
Net insurance premium income		89 278	102 511	182 902
Net claims and benefits paid		(45 335)	(59 445)	(103 678)
Income from operations		1 752 949	1 695 247	3 338 528
Operating expenses	4	(953 962)	(791 861)	(1 663 061)
Net income from operations		798 987	903 386	1 675 467
Share of profit from associates after tax		562	1 380	2 515
Income before tax		799 549	904 766	1 677 982
Indirect tax		(19 511)	(19 104)	(40 767)
Profit before tax		780 038	885 662	1 637 215
Direct tax		(254 528)	(286 364)	(523 984)
Profit for the period		525 510	599 298	1 113 231
Other comprehensive income for the period				
Items that will not be reclassified to profit or loss				
Remeasurements on net defined benefit post-employment plan				5 288
Gains/ losses arising during the period				7 776
Deferred income tax				(2 488)
Items that may be reclassified subsequently to profit or loss				
Available-for-sale financial assets		10 057	(31 326)	(5 958)
Gains/ losses arising during the period		14 291	(40 081)	(8 762)
Deferred income tax		(4 234)	8 755	2 804
Total comprehensive income for the period		535 567	567 972	1 112 561
Profit for the period attributable to:				
Equity holders of the parent		517 473	590 518	1 093 495
Non-controlling interests		8 037	8 780	19 736
Profit for the period		525 510	599 298	1 113 231
Total comprehensive income for the period attributable to:				
Equity holders of the parent		527 530	559 192	1 092 825
Non-controlling interests		8 037	8 780	19 736
Total comprehensive income for the period		535 567	567 972	1 112 561
Earnings per share (cents)				
Basic		198.1	226.3	418.9
Diluted		197.1	226.3	414.3

> Condensed consolidated statement of financial position

N$'000	Notes	Unaudited as at 31 December 2017	Unaudited as at 31 December 2016	Audited as at 30 June 2017
Assets				
Cash and cash equivalents		2 350 745	1 874 416	1 466 113
Due from banks and other financial institutions		1 454 575	720 329	2 667 981
Derivative financial instruments		111 219	144 647	95 221
Investment securities		5 010 847	3 825 900	3 866 395
Advances	6	28 552 376	26 994 793	28 258 413
Accounts receivable		272 971	146 914	197 444
Current tax asset		1 862	661	1 226
Reinsurance assets			1 025	99
Investments in associates		36 587	6 433	36 025
Property and equipment		976 386	951 706	953 290
Intangible assets		220 765	103	232 665
Deferred income tax asset		36 372	3 093	34 634
Total assets		39 024 705	34 670 022	37 809 506
Equity and liabilities				
Liabilities				
Short trading positions		16 238	43 906	39 330
Derivative financial instruments		117 394	160 463	115 562
Creditors, accruals and provisions		339 391	258 664	452 815
Current tax liability		307 625	337 540	56 233
Deposits	7.1	31 119 536	27 699 689	30 488 360
Due to banks and other financial institutions	7.2	1 258 244	1 117 884	1 192 537
Employee liabilities		198 780	162 628	211 340
Other liabilities		219 000		
Policyholders liabilities		46 568	58 192	52 642
Tier 2 liabilities		402 944	392 723	402 830
Deferred income tax liability		265 582	186 487	257 240
Total liabilities		34 291 302	30 418 176	33 268 889
Capital and reserves attributable to ordinary equity holders of parent		4 673 468	4 201 104	4 478 919
Non-controlling interests		59 935	50 742	61 698
Total equity		4 733 403	4 251 846	4 540 617
Total equity and liabilities		39 024 705	34 670 022	37 809 506

> Condensed consolidated statement of changes in equity

N$'000	Attributable to equity holders of the parent [1]			Non-controlling interests		
	Unaudited		Audited	Unaudited		Audited
	Six months ended 31 December		Year ended 30 June	Six months ended 31 December		Year ended 30 June
	2017	2016	**2017**	**2017**	2016	**2017**
Balance at beginning of the period	4 478 919	3 989 699	3 989 699	61 698	50 782	50 782
Total comprehensive income for the period	527 530	559 192	1 092 825	8 037	8 780	19 736
Share based payments	1 796	12 245	4 781			
Dividends paid	(295 330)	(318 815)	(556 235)	(9 800)	(8 820)	(8 820)
Consolidation of share trusts	(39 447)	(41 217)	(52 151)			
Balance at end of the period	4 673 468	4 201 104	4 478 919	59 935	50 742	61 698

[1] *Includes general risk reserve*

> Condensed consolidated statement of cash flows

N$'000	Unaudited		Audited
	Six months ended 31 December		Year ended 30 June
	2017	2016	**2017**
Net cash generated from operations	1 101 889	195 304	818 362
Tax paid	(24 509)	(23 509)	(514 887)
Net cash flow from operating activities	**1 077 380**	**171 795**	**303 475**
Net cash flow from investing activities	(68 967)	(60 632)	(420 932)
Net cash flow from financing activities	(123 781)	(356 608)	(607 206)
Net increase in cash and cash equivalents	**884 632**	**(245 445)**	**(724 663)**
Cash and cash equivalents at beginning of the period [1]	1 466 113	2 119 861	2 119 861
Cash and cash equivalents acquired through the acquisition of subsidiaries			70 915
Cash and cash equivalents at end of the period	**2 350 745**	**1 874 416**	**1 466 113**

[1] *Includes mandatory reserve deposits with central bank*

Condensed notes to the consolidated financial results

for the reporting period ended

1. Basis of preparation

The group prepares its condensed consolidated interim financial statements in accordance with:

- International Financial Reporting Standard, IAS 34 Interim Financial Reporting and;
- The Namibian Companies Act.

The condensed consolidated interim results for the six months ended 31 December 2017 have not been audited or independently reviewed by the group's external auditors.

Accounting Policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2017. The condensed consolidated interim financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

Amendments to IAS 7 and IAS 12 became effective in the current year. These amendments have not had an impact on the group's reported earnings, financial position or reserves, or a material impact on the accounting policies.

The amendments to IAS 7 introduces additional disclosures in the statement of cash flows that will enable the users of the financial statements to evaluate changes in liabilities arising from financing activities. This amendment has been applied retrospectively and comparative information has been presented in line with the amended disclosure requirements. The amendment to IAS 12 relates to the recognition of deferred tax asset for unrealised losses on debt instruments that are measured at fair value for accounting purposes but considered at cost for tax purposes. The group is accounting for deferred tax of these assets in line with the amendments and the adoption of these amendments had no impact on the group.

No other new or amended IFRS standards became effective for the six months ended 31 December 2017 that impacted the group's reported earnings, financial position or reserves, or the accounting policies.

2. Analysis of interest income and interest expense

N$'000	Six month ended December 2017	Six month ended December 2016	Year ended June 2017
Interest and similar income			
- Advances	1 522 247	1 412 466	2 893 676
- Cash and cash equivalents	51 464	40 583	88 353
- Investment securities	207 372	131 952	282 015
- Unwinding of discounted present value on non performing loans	9 620	9 413	18 436
- Unwinding of discounted present value on off-market advances	1 317	1 479	2 897
- On impaired advances	(9 302)	(8 122)	(19 867)
- Net release of deferred fee and expenses	6 001	10 345	15 913
- Other	2 164	649	4 210
	1 790 883	1 598 765	3 285 633
Interest expense and similar charges			
- Deposits from banks and financial institutions	(17 858)	(26 056)	(69 832)
- Current accounts	(66 909)	(50 147)	(108 226)
- Savings deposits	(3 388)	(6 886)	(13 354)
- Call deposits	(142 405)	(123 410)	(251 219)
- Term deposits	(273 830)	(191 799)	(421 073)
- Negotiable certificates of deposit	(297 380)	(286 677)	(563 400)
- Tier 2 liabilities	(19 830)	(17 582)	(33 964)
- Fixed and floating rate notes	(62 959)	(8 855)	(59 964)
- Other	(135)	(655)	
	(884 694)	(712 067)	(1 521 032)

3. Non-interest revenue

N$'000	Six month ended December 2017	Six month ended December 2016	Year ended June 2017
Fee and commission income:			
- Card commissions	80 676	78 675	146 147
- Cash deposit fees	58 758	58 130	109 544
- Commissions: bills, drafts and cheques	33 011	16 685	40 030
- Bank charges	599 595	547 227	1 080 187
- Fiduciary service fees	25 130	4 636	8 333
- Banking fee and commission income	797 170	705 354	1 384 241
- Brokerage income	37 257	30 093	65 750
- Unit trust and related fees	13 686	12 772	38 594
- Reinsurance commission received by insurance companies		1 296	1 312
- Non banking fee and commission income	50 943	44 161	105 656
Fee and commission income	848 113	749 515	1 489 897
Fee and commission expenses:			
- Transaction processing fees	(47 339)	(42 530)	(85 276)
- Cash sorting handling and transportation charges	(12 166)	(7 189)	(15 674)
- Card and cheque book related	(1 994)	(1 912)	(4 883)
- Insurance operations		(6 103)	(4 371)
- ATM commissions paid	(3 385)	(4 130)	(7 470)
- Other	(4 844)	(2 117)	(4 164)
Fee and commission expenses	(69 728)	(63 981)	(121 838)
Net fee and commission income	778 385	685 534	1 368 059

Non banking fee and commission income 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.

3. Non-interest revenue continued

N$'000	Six month ended December 2017	Six month ended December 2016	Year ended June 2017
Fair value income:			
- Foreign exchange	44 721	45 325	78 945
- Designated at fair value through profit or loss	26 050	27 789	53 914
- Other	2 357	1 385	7 843
Fair value income	73 128	74 499	140 705
Gains less losses from investing activities			
- Gains on investment securities designated at fair value through profit or loss	8 113	3 587	6 328
- Dividends received (unlisted investments)	7 314	8 923	17 829
- Share of profit from associates after tax	562	1 380	2 515
Gross gains less losses from investing activities	15 989	13 890	26 672
Less: Share of profit from associates after tax (disclosed separately on face of the statement of comprehensive income)	(562)	(1 380)	(2 515)
Gains less losses from investing activities	15 427	12 510	24 157
Other non-interest income			
- Gains and losses on sale of property and equipment	(3 380)	(28)	7 110
- Rental income	3 621	2 760	5 716
- Other income	11 762	3 602	8 207
Other non-interest revenue	12 003	6 334	21 033
Total non-interest revenue	878 943	778 877	1 553 954

4. Operating expenses

N$'000	Six month ended December 2017	Six month ended December 2016	Year ended June 2017
Auditors' remuneration			
- Audit fees	4 419	3 798	7 960
- Fees for other services			949
Auditors' remuneration	**4 419**	**3 798**	**8 909**
Operating lease charges			
- Property	23 837	21 138	43 054
- Equipment	10 322	10 537	20 231
Operating lease charges	**34 159**	**31 675**	**63 285**
Staff costs			
- Salaries, wages and allowances	410 104	342 236	708 489
- Off-market staff loans amortisation	1 317	1 479	2 897
- Defined contribution schemes: pension	39 319	34 164	69 043
- Defined contribution schemes: medical	44 341	40 283	84 072
- Post retirement medical expense	1 347	1 857	4 270
- Severance pay: death in service	109	110	940
- Social security levies	1 046	1 083	2 125
- Skills development levies	4 971	4 362	8 763
- Share-based payments	25 863	12 245	20 259
Total staff costs	**528 417**	**437 819**	**900 858**
Other operating costs			
- Amortisation of intangible assets	9 984		2 566
- Depreciation	47 787	33 923	73 497
- Insurance	4 393	3 934	8 984
- Advertising and marketing	30 182	30 786	60 664
- Property and maintenance related expenses	39 042	35 985	76 956
- Legal and other related expenses	6 603	5 186	10 666
- Postage	2 411	1 949	4 329
- Stationery and printing	6 739	8 063	13 843
- Telecommunications	11 590	11 869	22 034
- Travel and accommodation	9 504	10 824	17 980
- Computer and processing related costs	153 285	110 868	257 567
- Other operating expenditure	56 592	55 514	117 979
- Total directors' remuneration	4 298	3 479	9 614
- Professional fees	4 557	6 189	11 200
- Transaction costs in respect of business combinations			2 130
Other operating costs	**386 967**	**318 569**	**690 009**
Total operating expenses	**953 962**	**791 861**	**1 663 061**

Condensed notes to the consolidated financial results
for the reporting period ended (continued)

5. Earnings per share

5.1 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 separately identifiable re-measurement items. Headline earnings and diluted headline earnings are presented after tax and non-controling interest.

	Six month ended December 2017	Six month ended December 2016	Year ended June 2017
Headline earnings (N$'000)	519 771	590 537	1 086 385
Weighted average number of ordinary shares in issue	261 178 117	260 941 749	261 045 418
Headline earnings per share (cents)	199.0	226.3	416.2
Headline earnings (N$'000)	519 771	590 537	1 086 385
Dilutive weighted average number of ordinary shares in issue	262 498 571	260 941 749	263 948 658
Diluted headline earnings per share (cents)	198.0	226.3	411.6
Earnings attributable to equity holders of the parent	517 473	590 518	1 093 495
Gains and losses on sale of property and equipment *	2 298	19	(7 110)
Headline earnings	519 771	590 537	1 086 385

* *Net of tax and non-controlling interests*

5.2 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 period.

	Six month ended December 2017	Six month ended December 2016	Year ended June 2017
Earnings attributable to ordinary shareholders (N$'000)	517 473	590 518	1 093 495
Weighted average number of ordinary shares in issue	261 178 117	260 941 749	261 045 418
Basic earnings per share (cents)	198.1	226.3	418.9
Diluted earnings attributable to ordinary shareholders (N$'000)	517 473	590 518	1 093 495
Diluted weighted average number of ordinary shares in issue	262 498 571	260 941 749	263 948 658
Diluted earnings per share (cents)	197.1	226.3	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.

6. Advances

N$'000	December 2017	December 2016	June 2017
Notional value of advances	28 880 636	27 223 500	28 527 363
Contractual interest suspended	(58 030)	(38 262)	(49 805)
Gross advances	28 822 606	27 185 238	28 477 558
Category analysis			
Overdrafts and cash management accounts	3 224 383	2 875 644	3 497 756
Card loans	354 413	266 319	322 777
Instalment sales and hire purchase agreements	3 184 947	3 358 320	3 212 558
Lease payments receivable	298 504	351 223	313 851
Home loans	13 004 595	12 232 989	12 578 763
Term loans	8 086 462	7 368 004	7 795 608
Investment bank term loans	447 309	478 732	484 036
Assets under agreement to resell	15 511	43 796	39 629
Other	206 482	210 211	232 580
Gross advances	28 822 606	27 185 238	28 477 558
Impairment of advances	(270 230)	(190 445)	(219 145)
Net advances	28 552 376	26 994 793	28 258 413

7. Deposits

7.1 Deposits and current accounts

N$'000	December 2017	December 2016	June 2017
Category analysis			
- Current accounts	8 952 950	8 541 293	9 506 126
- Call deposits	6 897 210	5 773 164	5 142 281
- Savings accounts	225 771	202 098	580 563
- Fixed and notice deposits	7 794 097	5 955 831	7 044 531
- Fixed and floating rate notes	1 273 283	548 853	1 270 107
- Negotiable certificates of deposit	5 976 225	6 678 450	6 944 752
Total deposits and current accounts	31 119 536	27 699 689	30 488 360

** Some transmission accounts within deposits have been restated in prior year to better reflect the nature.*

7.2 Due to banks and other financial institutions

To banks and financial institutions			
- In the normal course of business	1 258 244	1 117 884	1 192 537

8. Related parties

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

Detailed balances with relevant related parties appears below:

	December	December	June
	2017	2016	**2017**
Deposits			
FirstRand group companies	821 262	1 766 452	680 452
Associate	12 510	18 699	8 811
Advances			
FirstRand group companies	138 923	732 880	2 305 799
Associate	15 367	20 472	17 665
Derivative assets			
FirstRand group companies	25 372	21 043	3 582
Derivative liabilities			
FirstRand group companies	(91 047)	(120 460)	(106 598)

8. Related parties continued

Related party transactions:

	December 2017	December 2016	June 2017
(Interest paid) to received from related parties:			
FirstRand group companies	(14 459)	(19 850)	(45 457)
Associate	384	669	343
FirstRand group companies	27 469	19 928	43 485
Non-interest expenditure			
FirstRand group companies	135 315	(109 569)	250 199
Associate	6 669	(6 554)	12 879

9. Fair value measurements

9.1 Valuation methodology

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

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

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

9. Fair value measurements continued

9.1 Valuation methodology continued

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets 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 JSE Debt market, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under point 9.3 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

9. Fair value measurements continued

9.2 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.

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

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.

9.3 Fair value hierarchy and measurements

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as Level 2 and Level 3 in the fair value hierarchy:

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs
Loans and advances to customers					
- 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
- Other loans and advances	Level 2 and Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs

9. Fair value measurements continued

9.3 Fair value hierarchy and measurements (continued)

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable 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	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
- Unlisted equities	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 bond pricing model	The JSE Debt market bond pricing model uses the JSE Debt market to market bond yield.	Market interest rates and curves	Not applicable

9. Fair value measurements continued

9.3 Fair value hierarchy and measurements (continued)

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs
Derivative financial instruments					
- Option contracts	Level 2 and Level 3	Option pricing model	The Black Scholes model is used.	Strike price of the option; market related discount rate; forward rate and cap and floor volatility.	Not applicable
- Swaps	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and curves	Not applicable
- Forward rate agreements	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and curves	Not applicable
- Forward contracts	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable
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

9. Fair value measurements continued

9.3 Fair value hierarchy and measurements (continued)

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs
Deposits					
- 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

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs
Other liabilities and Tier 2 liabilities	Level 2	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 nonrecurring basis in the current and prior period.

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

9. Fair value measurements continued

9.3 Fair value hierarchy and measurements (continued)

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:

N$'000 December 2017	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities		5 001 271	9 576	5 010 847
Advances			447 309	447 309
Derivative financial instruments		111 219		111 219
Total financial assets		5 112 490	456 885	5 569 375
Liabilities				
Recurring fair value measurements				
Derivative financial instruments		117 394		117 394
Short trading position	16 238			16 238
Total financial liabilities	16 238	117 394		133 632

N$'000 December 2016	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities		3 248 490	9 576	3 258 066
Advances			478 732	478 732
Derivative financial instruments		107 263		107 263
Total financial assets		3 355 753	488 308	3 844 061
Liabilities				
Recurring fair value measurements				
Derivative financial instruments		123 079		123 079
Short trading position	43 906			43 906
Total financial liabilities	43 906	123 079		166 984

9. Fair value measurements continued

9.3 Fair value hierarchy and measurements (continued)

N$'000 June 2017	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
Derivative financial instruments		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
Total financial liabilities	39 330	115 562		154 892

During the reporting period ending 31 December 2017 (31 December 2016), there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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 income. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$ 492 040 (2016: N$ 526 605) and using more negative reasonable possible assumptions to N$ 402 578 (2016: N$ 430 859). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

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

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

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

9. Fair value measurements continued

9.3 Fair value hierarchy and measurements (continued)

Changes in level 3 fair value instruments

	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 December 2017
Assets					
Advances	478 732	26 050		(57 473)	447 309
Investment securities	9 576				9 576
Total financial assets at fair value	488 308	26 050		(57 473)	456 885

	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 December 2016
Assets					
Advances	491 903	27 789		(40 960)	478 732
Investment securities	9 576				9 576
Total financial assets at fair value	501 479	27 789		(40 960)	488 308

	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
Assets					
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

9. Fair value measurements continued

9.3 Fair value hierarchy and measurements (continued)

The table below presents the total gains (losses) relating to financial instrument classified in Level 3 that are still held on:

	December 2017		December 2016		June 2017	
	Advances	Investment securities	Advances	Investment securities	Advances	Investment securities
Assets						
Gains or losses recognised in profit and loss	26 050		27 789		53 914	
Total	26 050		27 789		53 914	

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position.

For all other instruments the carrying value is equal to or a reasonable approximation of the fair value.

	December 2017		December 2016		June 2017	
N$'000	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Assets						
Cash and cash equivalents	2 350 745	2 350 745	1 874 416	1 874 416	1 466 113	1 466 113
Due from banks and other financial institutions	1 454 575	1 454 575	720 329	720 329	2 667 981	2 667 981
Advances	28 552 376	28 746 045	26 994 793	24 902 196	27 794 206	27 984 459
Accounts receivable	46 735	46 735	31 342	31 342	31 332	31 332
Total	32 404 431	32 598 100	29 620 881	27 528 284	31 959 632	32 149 885
Liabilities						
Deposits	31 119 536	31 016 633	27 699 689	27 737 155	30 488 360	30 518 238
Due to banks and other financial institutions	1 258 244	1 258 244	1 117 884	1 117 884	1 192 537	1 192 537
Creditors and accruals	77 650	77 650	30 795	30 795	175 037	175 037
Tier two liabilities	402 944	450 888	392 723	392 405	402 830	441 837
Total	32 858 375	32 803 415	29 241 091	29 278 239	32 258 764	32 327 649

9. Fair value measurements continued

9.3 Fair value hierarchy and measurements (continued)

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

N$'000	**December 2017**	December 2016	**June 2017**
Unrecognised profit at the beginning of the period		1 202	1 202
Recognised in profit or loss during the period		(1 856)	(1 202)
Unrecognised profit at the end of the period		(654)	

10. Contingent liabilities and capital commitments

N$'000	Six months ended 31 December 2017	Six months ended 31 December 2016	Year ended 30 June 2017
Contingent liabilities	6 942 360	6 774 784	6 291 800
Capital commitments	12 308	14 373	7 396

11. Condensed consolidated segment information

N$'000	Six months ended 31 December 2017	Six months ended 31 December 2016	Year ended 30 June 2017
Income from operations:			
Banking operations [1]	1 629 655	1 612 129	1 592 228
Short-term insurance	57 346	44 054	55 660
Other [2]	65 948	39 064	27 579
	1 752 949	1 695 247	1 675 467
Profit for the period:			
Banking operations [1]	499 075	572 867	1 059 627
Short-term insurance	23 773	17 964	39 108
Other [2]	2 663	8 467	14 496
	525 511	599 298	1 113 231
Total assets:			
Banking operations [1]	39 000 674	34 645 420	37 502 527
Short-term insurance	165 335	157 225	168 037
Other [2]	105 165	(132 623)	138 942
	39 271 174	34 670 022	37 809 506
Total liabilities:			
Banking operations [1]	34 209 188	30 474 499	33 199 479
Short-term insurance	72 305	78 494	67 743
Other [2]	9 809	(134 817)	1 667
	34 291 302	30 418 176	33 268 889

[1] *banking operations include FNB Consumer, FNB Business, RMB Corporate and WesBank*

[2] *other segment includes FNB Holdings, FNB Insurance Brokers, FNB Trust services, FNB Unit Trusts, Talas Properties, Ashburton Fund Managers, Pointbreak Group Companies and consolidation entries.*

> IFRS 9 Update

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

The group has developed and/or amended the 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 and a simplified approach for less material balances. The ECL will be based on a probability-weighted average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario weighted by the probability of likelihood of occurrence. Appropriate ECL models have been developed, including accompanying PD, LGD and EAD models.

All required models are being developed within the group, and will be validated independently both internally (ERM) and externally by the group's external auditors. These are accompanied by the appropriate policy frameworks, which have incorporated minimum required standards and industry best practice.

Where possible, existing methodology used in the regulatory models has been adopted for the development of IFRS 9 models, e.g. portfolio segmentation and correlation. In addition, where similar models exist for the calculation of regulatory capital, these models have been leveraged for IFRS 9, e.g. through-the-cycle PDs have been adjusted to point-in-time PDs using forward-looking macroeconomic information.

Existing governance frameworks will be 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 forward-looking macroeconomic information which is incorporated into the ECL models.

Impact assessments have been performed and the group continues to refine the calculations. Some models are still in development whilst others are still subject to validation.

> Salient features of the group results

	Six months ended 31 December		Year ended 30 June
	2017	2016	**2017**
Financial statistics			
Headline earnings per share (cents)	199.0	226.3	416.2
Diluted headline earnings per share (cents)	198.0	226.3	411.6
Ordinary dividends per share (cents) - (declared for the period)	91.0	91.0	204.0
Number of shares in issue ('000) - ordinary*	261 215	261 124	261 038
Weighted number of shares in issue ('1000) - ordinary*	261 178	260 942	261 045
* *after consolidation of share trusts*			
Net asset value per share (cents)	1 789	1 610	1 716
Closing share price (cents)	4 663	4 782	4 711
Market capitalisation (millions)	12 478	12 796	12 606
Price earnings ratio	11.7	10.6	11.2
Price to book ratio	2.6	3.0	2.7
Selected ratios			
Return on average shareholders' equity (%)	23.3	30.3	25.6
Normalised return on average shareholders' equity (%)	24.3	30.3	25.6
Return on average assets (%)	2.8	3.5	3.0
Cost to income ratio (%)	52.1	46.3	48.9
Normalised cost to income ratio (%)	50.2	46.3	48.9

> Capital adequacy
Banking Operations

N$'000	Six months ended 31 December 2017	2016	Year ended 30 June 2017
Risk weighted assets			
Credit risk	22 819 644	21 102 116	23 429 606
Market risk	51 408	99 638	87 200
Operational risk	4 080 791	3 679 131	3 912 647
Total risk weighted assets	26 951 843	24 880 885	27 429 452
Regulatory capital			
Share capital and share premium	1 142 791	1 142 791	1 142 792
Retained profits	2 731 870	2 326 197	3 010 780
Capital impairment: intangible assets	(150 923)	(121 413)	(130 350)
Total tier 1	3 723 739	3 347 576	4 023 222
Eligible subordinated debt	400 000	390 000	400 000
General risk reserve, including portfolio impairment	285 246	263 776	286 043
Current board approved profits	243 787	282 506	
Total tier 2	929 033	936 282	686 043
Total tier 1 and tier 2 capital	4 652 772	4 283 858	4 709 265
Banking group			
Capital adequacy ratios			
Tier 1	13.8%	13.4%	14.7%
Tier 2	3.5%	3.8%	2.5%
Total	17.3%	17.2%	17.2%
Tier 1 leverage ratio	9.6%	9.6%	10.7%

> Capital adequacy
Regulated consolidated group

N$'000	Six months ended 31 December 2017	Six months ended 31 December 2016	Year ended 30 June 2017
Risk weighted assets			
Credit risk	22 965 899	21 269 271	23 518 179
Market risk	51 408	99 638	87 200
Operational risk	4 133 748	3 719 200	3 953 464
Total risk weighted assets	27 151 055	25 088 109	27 558 844
Regulatory capital			
Share capital and share premium	282 149	282 149	310 643
Retained profits	3 819 329	3 301 868	4 004 370
Capital impairments*	(205 028)	(20 049)	(146 645)
Total tier 1	3 896 450	3 563 968	4 168 368
Eligible subordinated debt	400 000	390 000	400 000
General risk reserve, including portfolio impairment	285 246	263 776	286 043
Current board approved profits	243 787	282 506	
Capital impairments*	(19 945)	(19 945)	(56 838)
Total tier 2	909 088	916 337	629 205
Total tier 1 and tier 2 capital	4 805 538	4 480 305	4 797 573
Consolidated group			
Capital adequacy ratios			
Tier 1	14.4%	14.2%	15.1%
Tier 2	3.3%	3.7%	2.3%
Total	17.7%	17.9%	17.4%
Tier 1 leverage ratio	10.5%	10.2%	11.4%

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

FNB NAMIBIA HOLDINGS LIMITED
(Incorporated in the Republic of Namibia)
(Registration number: 88/024)
ISIN: NA0003475176
Share Code (NSX): FNB
("FNB Namibia Holdings" or "the Company")

Directors:

I I Zaamwani-Kamwi (Chairperson), S H Moir [2] (Deputy chairperson), O L P Capelao (Chief financial officer), J G Daun, C L R Haikali, J R Khethe [1], Adv. G S Hinda, E S Motala [1], J H Hausiku, S J van Zyl (Chief executive) [1] *South African,* [2] *South African with Namibian Permanent Residence*

Registered office:

@Parkside, 130 Independence, P O Box 195, Windhoek, Namibia, Registration No. 88/024, ISIN Code: NA0003475176, NSX Share Code: FNB

Transfer secretary:

Transfer Secretaries (Pty) Ltd, 4 Robert Mugabe Avenue, P O Box 2401, Windhoek, Namibia, Registration No. 93/713

Sponsor:

IJG Securities (Pty) Ltd, First Floor Heritage Square, 100 Robert Mugabe Avenue, P O Box 186, Windhoek, Namibia, Registration No. 95/505

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