FNB
Namibia Holdings

PEOPLE PARTNERSHIP PROFIT PLANET

INTEGRATED ANNUAL REPORT **2017**

VISION

A great Namibian business, creating a better world!

MISSION

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

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About this report

We, FNB Namibia Holdings Limited Group (group), are pleased to present our Integrated Annual Report. This is our principal communication to all stakeholders. 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 FNB 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 2016 to 30 June 2017. 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.

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 60 to 231, were prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Banking Institution Act, No 2 of 1998 (Bankings act) as amended and the Companies Act of Namibia, of 2004 (Companies Act), where appropriate. FNB 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 40 to 51.

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 unmodified audit opinion may be found on page 62.

Determining materiality

This integrated annual report aims to provide an accurate, accessible and balanced overview of the FNB 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 FNB group's ability to deliver on its strategy. The FNB group defines material issues as those which have the potential to substantially impact our ability to create and sustain value for our stakeholders.

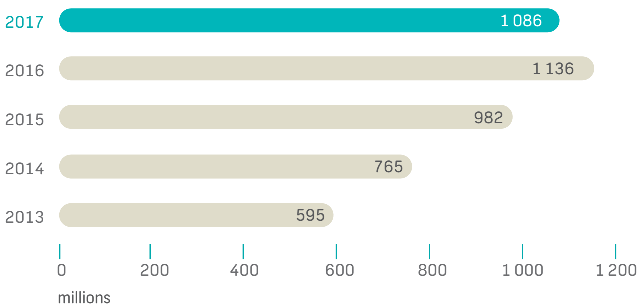
While the FNB group gives consideration to all items raised by stakeholders, it does not report on all of these in its integrated annual report. The integrated reporting team applied its judgement in determining the appropriate level of disclosure of material matters in the integrated annual report, 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 27 to 29 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

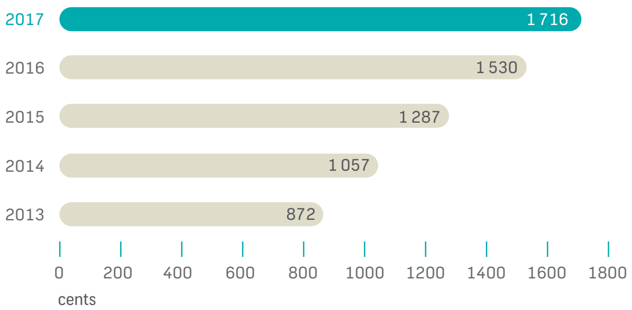
The board is ultimately responsible for ensuring the integrity of the integrated annual report, assisted by the audit and risk committee and further supported by FNB group executive committee and management, which convened internal teams with the relevant skills and experience to undertake the reporting process and provided management oversight. Internal parties have devoted significant thought to how best to communicate the FNB 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 15 August 2017.

Features of the group results

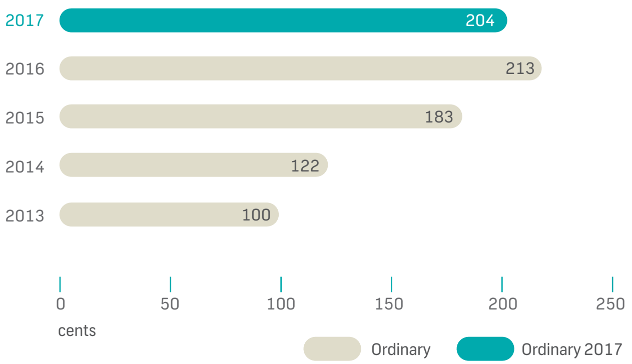
Headline earnings (N$ millions)



Net assets value per share (cents)



Dividends per ordinary share declared (cents)



N$ 1 113 million 2017
Profit for the year
N$ 1 218 million 2016

48.9% 2017
Cost to income ratio
43.7% 2016

3.0% 2017
Return on assets*
3.6% 2016

N$ 37 810 million 2017
Total assets
N$ 34 185 million 2016

416.2 cent 2017
Headline earnings per share
435.9 cent 2016

418.9 cents 2017
Basic earnings per share
459.7 cents 2016

4.3% 2017
Dividend yield – ordinary dividend
4.5% 2016

1 716 cents 2017
Net asset value per share
1 530 cents 2016

2.0 2017
Dividend cover (times)
based on dividends declared
2.0 2016

N$ 12 606 million 2017
Market capitalisation
N$ 12 721 million 2016

25.6% 2017
Return on equity
31.0% 2016

204 cents 2017
Dividends per share
213 cents 2016

8.9% 2017
Earnings yield
9.7% 2016

4 711 cents 2017
Closing share price – ordinary
4 754 cents 2016

11.2 2017
Price / Earnings ratio
10.9 2016

2.7 2017
Price to Book
3.2 2016

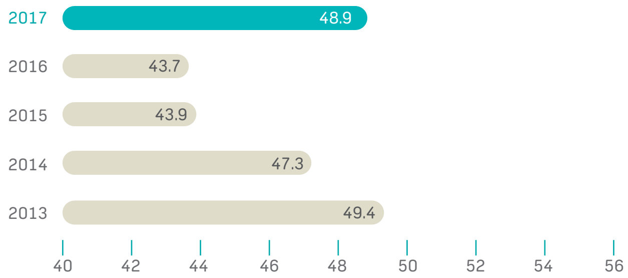
Capital adequacy

17.2% 2017
Banking group
17.8% 2016

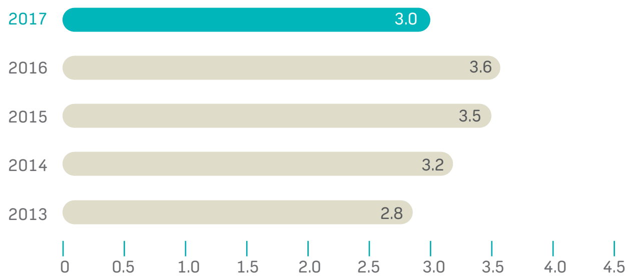
17.4% 2017
Consolidated group
18.5% 2016

50.0 2017
OUTsurance – solvency margin
39.5 2016

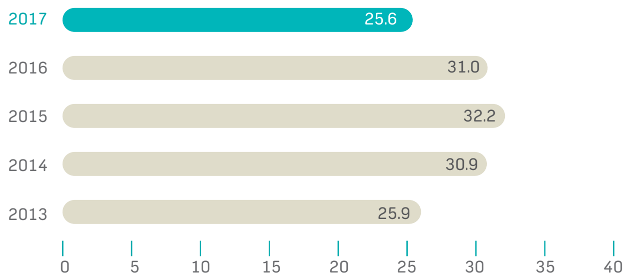
Cost to income ratio (%)



Return on average assets (%)*



Return on average equity (%)*



* Based on headline earnings

Understanding our group

5 year review

Statement of comprehensive income

N$ million	2017	2016	2015	2014	2013
Net interest income before impairment of advances	1 765	1 654	1 453	1 138	985
Impairments of advances	(59)	(48)	(50)	(18)	(23)
Net interest income after impairment of advances	1 706	1 606	1 403	1 120	962
Non-interest revenue	1 553	1 507	1 260	1 087	869
Net insurance income	79	86	72	55	48
Income from operations	3 338	3 199	2 735	2 262	1 879
Operating expenses	(1 663)	(1 417)	(1 222)	(1 070)	(944)
Net income from operations	1 675	1 782	1 513	1 192	935
Share of profit from associates	3	1	1	1	2
Income before tax	1 678	1 783	1 514	1 193	937
Indirect tax	(41)	(32)	(27)	(22)	(20)
Profit before tax	1 637	1 751	1 487	1 171	917
Direct tax	(524)	(533)	(488)	(386)	(309)
Profit for the year	1 113	1 218	999	785	608
Other comprehensive income for the year	(1)	14	(16)	(1)	(5)
Total comprehensive income for the year	1 112	1 204	983	784	603
Profit attributable to:					
Equity holders of the parent	1 093	1 198	982	774	597
Non-controlling interests	20	20	17	11	11
Total comprehensive income for the year attributable to:					
Equity holders of the parent	1 092	1 184	966	773	593
Non-controlling interests	20	20	17	11	10
	1 112	1 204	983	784	603
Reconciliation of earnings attributable to ordinary shareholders and headline earnings					
Earnings attributable to ordinary shareholders	1093	1 198	982	774	597
Headline earnings adjustments:	(7)	(62)		(9)	(2)
Headline earnings	1 086	1 136	982	765	595

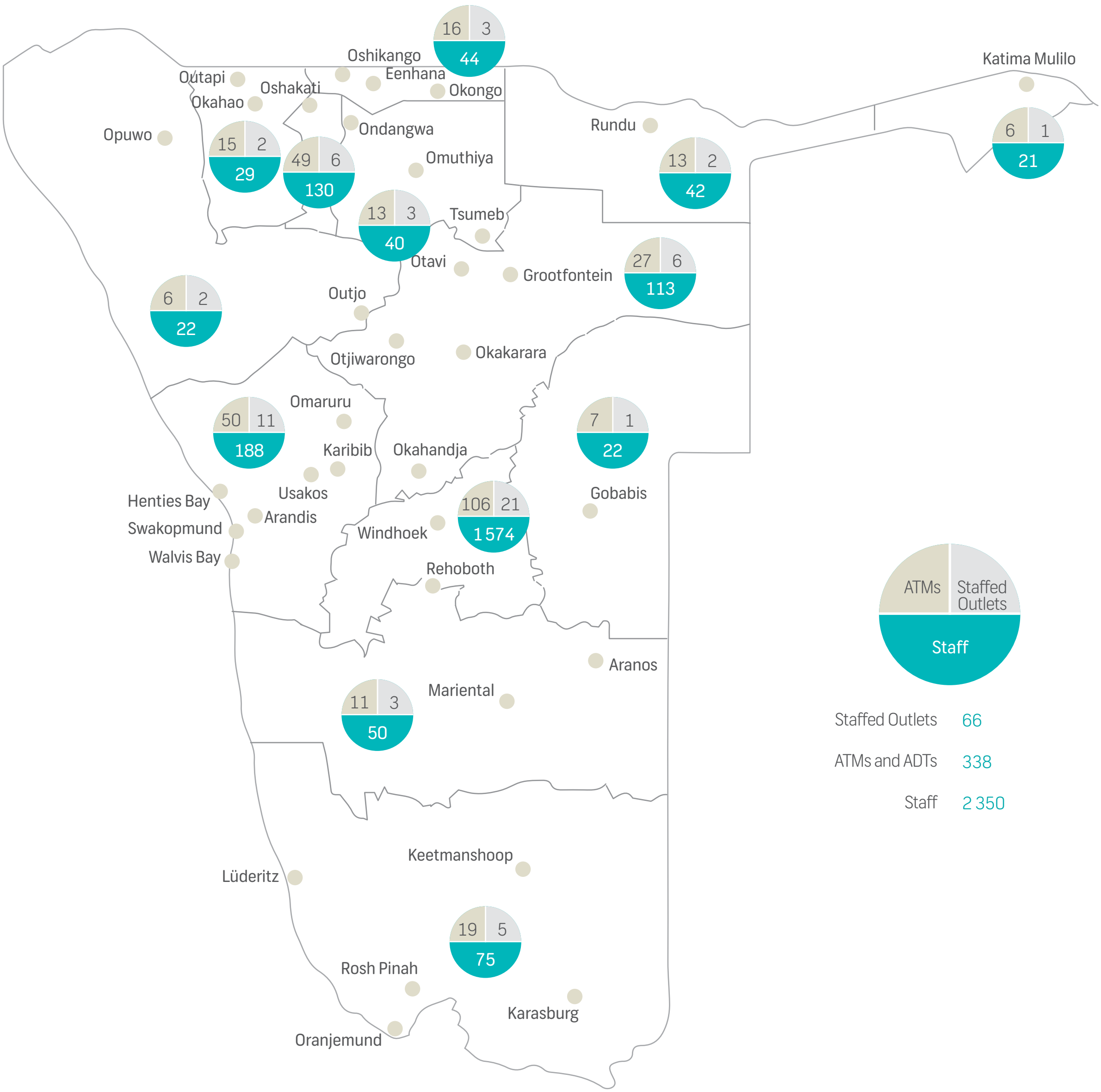
Statement of financial position

N$ million	2017	2016	2015	2014	2013
Assets					
Cash and cash equivalents	1 466	2 120	795	868	690
Due from banks and other financial institutions	2 668	1 772	1 585	1 766	1 889
Derivatives financial instruments	95	209	159	92	94
Advances	28 259	25 776	22 833	19 991	16 965
Investment securities	3 866	3 237	3 366	2 833	2 273
Other assets	1 456	1 071	1 046	706	588
Total assets	37 810	34 185	29 784	26 256	22 499
Equity and liabilities					
Liabilities					
Deposits	30 488	27 794	23 952	21 522	18 836
Due to banks and other financial institutions	1 193	801	1 020	813	319
Derivative financial instruments	116	219	172	109	129
Other liabilities	1 472	1 330	1 251	1 035	926
Total liabilities	33 269	30 144	26 395	23 479	20 210
Equity					
Equity attributable to equity holders of the parent	4 479	3 990	3 349	2 746	2 261
Non-controlling interests	62	51	40	31	28
Total equity	4 541	4 041	3 389	2 777	2 289
Total equity and liabilities	37 810	34 185	29 784	26 256	22 499

Ratios and selected financial information

	2017	2016	2015	2014	2013
Ratios:					
Return on assets (headline earnings on average assets) (%)	3.0	3.6	3.5	3.2	2.8
Return on equity (headline earnings on average equity) (%)	25.6	31.0	32.2	30.9	25.9
Cost to income ratio (%)	48.9	43.7	43.9	47.3	49.4
Critical mass (%)	4.4	4.1	4.3	4.1	4.2
Share statistics:					
Closing share price - ordinary (cents)	4 711	4 754	3 278	2 316	1 925
Price / Earnings ratio	11.2	10.9	8.7	7.8	8.3
Earnings yield (%)	8.9	9.7	11.5	12.9	12.0
Price to Book	2.7	3.2	2.6	2.2	2.2
Basic earnings per share (cents)	418.9	459.7	377.5	297.7	230.7
Headline earnings per share (cents)	416.2	435.9	377.6	294.7	229.9
Net asset value per share (cents)	1 716	1 530	1 287	1 057	872
Market capitalisation	12 606	12 721	8 772	6 197	5 151
Dividend information:					
Dividends per share - ordinary dividend declared (cents) *	204	213	183	122	100
* based on current year profits					
Dividends per share - ordinary dividend paid (cents) **	213	203	138	109	87
** based on dividends paid within financial year					
Dividend yield - ordinary dividend (%)	4.3	4.5	5.6	4.7	5.2
Dividend cover (times) based on total dividends	2.0	2.0	2.0	2.4	2.3
Capital adequacy					
Banking group (%)	17.2	17.8	17.4	17.1	16.2
Consolidated group (%)	17.4	18.5	17.8	17.3	16.5
OUTsurance - solvency margin	50.0	39.5	39.1	37	42.9
Number of staff	2 350	2 411	2 164	1 940	1 883

Where we serve Namibia: Regionally



Staffed Outlets	66
ATMs and ADTs	338
Staff	2 350

How our clients transact

	Volumes million		
	2017	2016	% up/(down)
Branches	7	8	(10%)
ATM's and ADTs	30	28	9%
Speedpoints	12	10	16%
Online banking	14	13	11%
Cellphone	16	14	12%
Ewallets	9	7	38%

Our business model

Sources of Capital

Financial
Shareholder contributions and funding from investors and clients are managed optimally in order to ensure a sustainable business.

Our Brands
Offering clients the opportunity to be part of leading brands, offering innovative financial solutions.

Human
"The best people working for the best employer". Provide for an engaged workforce motivated by high internal moral, optimising business opportunities.

Infrastructure
Prioritising capital investment to ensure we deliver financial services through convenient physical outlets as well as secure electronic delivery platforms.

Social
Building enduring, mutually beneficial partnerships with our communities, customers, suppliers, the government and regulators.

Natural
We strive to ensure that our activities leave a lasting, positive impact on our natural environment.

Assets managed and income generated

N$3 004 million
Lending activities
We issue loans to our clients based on affordability. These products form the bulk of our assets and are used to generate interest income.

N$282 million
Investments
Fair value and interest income is generated from our liquid asset portfolio. These assets help us comply with regulatory requirements.

N$1 556 million
Infrastructure
We continuously invest in innovative and convenient means for our clients to transact through various channels. As a result, fee and commission income is earned.

N$183 million
Short term insurance operations
Finally, premium income is earned from the short term insurance that is provided by OUTsurance.

Income after tax
N$1 113 million

Impairments, costs and taxes incurred

N$59 million
Provisions against loans issued
We recognise that client's ability to repay debt can change and thus we provide for anticipated defaults.

N$1 521 million
Funding costs
As we provide loans, we also receive funding from our retail and corporate clients. Those clients are in turn rewarded through interest earned on their deposits.

N$763 million
Operations
We incur various costs in order to maintain our infrastructure (buildings, IT, etc). This is necessary to safeguard the interests of our clients and to manage risk.

N$104 million
Insurance claims
On occasion, an OUTsurance client may suffer losses from an unforeseen event. Consequently we settle the related claims.

N$900 million
Employees cost
Our employees are significant contributors to the success of our business and we reward them accordingly with market related remuneration.

N$565 million
Taxes
FNB has a responsibility to not only pay taxes but also to collect taxes on behalf of government.

Value added statement

Our brand mantra "how can we help you?" is central to our business operational model. This model is driven by our over 2300 dedicated employees, we focus on hiring the "best people for the best employer". Payments to employees increased by 21% in the period under review.

The effect on the economy being two-fold in terms of taxes collected for the government and employees are then able to empower other suppliers in their wider communities, generating further tax revenue for government.

In the same period, payments to shareholders increased by 5%, putting real wealth in the hands of our investors, during this economic down turn. Our wealth generation was not limited to monetary gains, with our multiple electronic platforms reducing the need for branch transactions, saving our customers time and energy. Satisfied customers bring return business which enables us to continue our cycle of wealth creation.

The business cycle directly affects contributions to The FNB Namibia Holdings Foundation Trust, with 1% of the profit after tax being channelled to the trust.

It is Important to maintain our operations, and investment in infrastructure is important, the figure is down from prior year, which included the introduction of our eco friendly building, but is still significant and essential for our continued operations. The investment paid out to external suppliers further helps the economy grow.

The value FNB added by our operations

N$ million	2017	2016
Income earned by providing financial services	3 286	2 870
Cost of services	(1 580)	(1 264)
Value added by financial services	1 706	1 606
Non operating and other income and expenditure	945	981
Value added by operations	2 651	2 587

How we shared the value created

- **To employees:** salaries and other benefits
- **To providers of capital:** dividends to shareholders
- **To government:** tax paid
- **To expansion and growth:** depreciation, deferred tax and retained income

2017	2016
34% (900)	29% (744)
21% (556)	20% (529)
19% (509)	19% (478)
26% (686)	32% (836)

Value added statement

Non - Operational Value Added

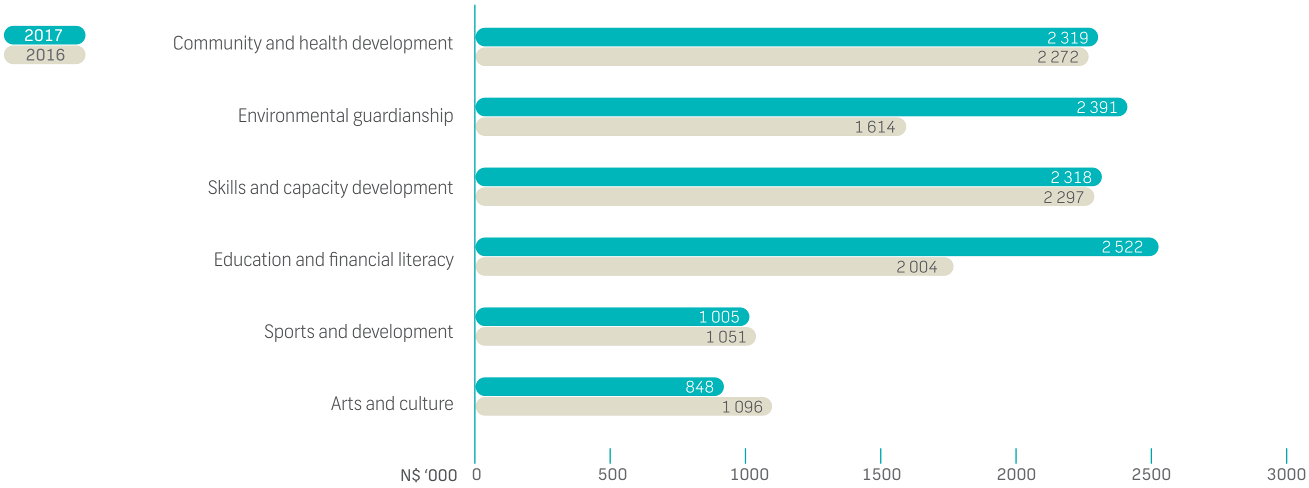
The Foundation

Our vision of 'being a great Namibian business, creating a better world', is not limited to capital and monetary gains. Through the application of our P4 strategy, which references our people, our planet, partnerships and profit for all stakeholders, we focus on people and planet through donations made to the FNB Namibia Holdings Foundation Trust.

We commit 1% of NPAT annually, this year that amounts to N$ 11.13 million to be utilised in the 2018 financial year. Spending in the period under review increased by 10% from prior year.

The foundation is crucial to our P4 strategy and we will continue to assist many fellow Namibians for many more years, in order to achieve our dream of a happy, healthy, well-educated and nourished nation.

Focus areas



Sustainability report

Since the inception of the group in 1907, we have been a part of a success story which continues to evolve; and everyday there are new challenges and new ideas that lead to more success stories for the group.

As we continue to operate in this challenging economic environment we need to differentiate our business from our competitors and also ensure that our stakeholders understand what we stand for as a business - which is to optimise capital to ensure a sustainable business. The reality is that the group is a people group, and in the words of Simon Sinek "business is about people and if you do not understand people, you do not understand business", while the main reason of our existence is to meet the shareholder value proposition of generating good returns; we should be mindful that it is not the only reason we exist as a business. We are also committed to a social value proposition, which includes four elements namely; inclusive growth that brings all Namibians into the financial arena responsibly, a sense of belonging for all of our people in each of our brands in the group, a commitment to ethically do the right things only and treat our customers fairly, while ensuring meaningful corporate social investment through the FNB Namibia Holdings Foundation Trust.

We remain committed to being a business that employs the right people and values its customers. In as much as there are 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.

1. Social capital

Our vision of 'being a great Namibian business, creating a better world', is made real daily through the strategic application of our P4 strategy which references our people, our planet, partnerships and profit for all stakeholders.

The FNB Namibia Holdings Foundation Trust 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.

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

We will continue to assist many fellow Namibians for many more years, in order to achieve our dream of a happy, healthy, well-educated and nourished nation and in the words of our President's Harambee Prosperity Plan – "We want to ensure that every Namibian has access to the basic necessities for survival...Namibians seek an enabling environment in which they can survive and thrive". Through the Foundation we aim to assist in creating opportunities for a thriving Namibia.

Customers
Customer service has always been at the core of the group's existence and has paved the way towards providing accessible and affordable transactional banking and lending as well as expert support regarding investment and insurance, while taking time to understand what customers want and need.

CARE System
Customer service was taken up another notch with the launch of the new web-based customer CARE system. The CARE system is a web based system that allows for more efficient logging and management of compliments/complaints/ queries as all of the aforementioned will be routed to a centralised SERVICE TEAM which will determine to which operational area – including branches - said query needs to be allocated. CARE users and service champions within the different operational areas will then be directly responsible for working and resolving complaints and queries allocated to them. Human intervention is still required but we commit to feedback within 24 hours and are confident that the new system will allow us to do so.

The bank within the broader group, has to date received a total of 3137 queries, complaints and compliments since the launch and 74% of these were resolved satisfactorily within 1-6 days. We live up to our brand mantra which says HOW CAN WE HELP YOU and we can now successfully do so thanks to the input and feedback from our customers, the CARE system provides.

URate
As part of our core group service vision of building a vibrant customer-centric culture, providing measurement and feedback loops and delivering customer and employee experiences that champion our service principles; our external customers can now provide feedback on our service, through the innovative URate platform. URate will enable us to entrench key metrics, drive positive employee behaviour and monitor our progress, in order to link directly to stakeholder value.

Our employees are our 'secret ingredient' for customer satisfaction and loyalty, which will in turn drive us to achieve the desired profit target and growth. For this very reason, URate is designed in such a way that it provides an opportunity for us to reward outstanding customer service through the rating process.

Providing consistent customer service 'better than average' and delivering on our brand slogan, 'How can we help you?" with every customer encounter is a winning formula for a strong service culture.

Electronic solutions – to bank every Namibian
E-solutions, process solutions and mobile solutions do not only drive internal efficiencies but, more importantly, also enable FNB to grow the wealth of all our clients by assisting them to in turn assist their own clients and improve their own lives.

Our migrations to digital channels, another first in the Namibian market, includes ATMs which take cash deposits in real time, even after hours and on Sundays and public holidays. Dedicated staff members are available in our branches to educate customers about what e-channels can do for them. Our digital platforms were notably extended in the current year when we launched our e-wallet bulk send facility and an app specifically designed for businesses, to complement the individual customer app that already enjoys great success in the market.

An extended ATMs/ADTs network allows us to bring affordable banking to everyone, even in the most remote corners of our country. Our current ATMs/ADTs footprint stands at 338. Further enhancements include touch-screen ATMs/ADTs and the option to enable cellphone banking functionality via ATMs/ADTs.

Online banking solutions include a myriad of options such as transferring of funds real-time between your FNB accounts; making real-time payments to FNB account holders; creating recurring payments to automatically pay your recipients even when you're not online (scheduled payments); future date payments to up to one year in advance and many more. Then there is eWallet, cellphone banking and the FNB banking app – all designed for peace of mind and the most cost-effective way to bank.

We believe that our digitisation drive will place us in a unique position to create what we believe to be the financial services provider of the future.

Suppliers

As one of the larger players in the Namibian economy, we are acutely aware of the impact our procurement can have on the broader Namibian community. To positively contribute to Namibia, we have defined preferred vendors as per our procurement policy as " a supplier or contractor who are regarded by the group as the main source of specific goods or service, who can provide these goods at competitive prices and as sanctioned by the procurement committee, with whom the group wants to develop a medium/long term relationship having regard to factors such as capacity, BEE status, banking facilities, the strategic importance of the goods and or service, other competitors in the same market, its IT infrastructure and other important considerations based on each case". In order to monitor ourselves in terms of the commitment we have made, we have listed the services of an external rating agency to judge our BEE and local spend. This assessment will give us an indication of where we are and what we need to further improve in terms of our processes to ensure our desired level of spend in the aforementioned areas. In the current year we commenced the monitoring of our spend on BEE and noted that the average BEE spend as a percentage of total procurement spend per month increased from 31% as at March 2017 to 45% as at June 2017.

Below find a table detailing our procurement spent for the current year:

Type	Amount in N$000	As a % of total
Total discretionery spend	425 500	
BEE spend	145 000	34%
SME spend	5 400	1.3%

We believe that that there remains significant room for improvement on what we spend on BEE and SME's, however given the measures we have put in place believe we are on the right track.

Government and regulators

FNB 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.

An illustration of our working relationship with various regulators was evident when our purchase of the Pointbreak group was approved within the expected timelines. We will continue to enhance those relationships, with the ultimate aim of creating a better Namibia.

New regulation tends to fundamentally change the way we do business; as such we contribute to new legislation and have built a business we believe is agile to the changes as they arise.

Human capital

Our People Pillar and subsequent initiatives are aimed at driving and embedding our Mission of being the Best Employer to the Best People in Namibia. Our strategic initiatives support the ongoing commitment to create an environment where every employee feels a deep sense of responsibility for the success of the business through their personal contributions.

The transformation and employee engagement plan is designed to focus on key areas that will drive and embed a high performance culture that is built on trust through engaged and motivated employees. To understand the needs of our workforce we conduct annual internal and external employee engagement surveys to ensure we successfully address any employee concerns that may prohibit a conducive work environment. The success of our transformation plan is evident in the group being awarded the overall second place in the National Best Company to Work for Award facilitated and managed by Deloitte.

Sustainability report

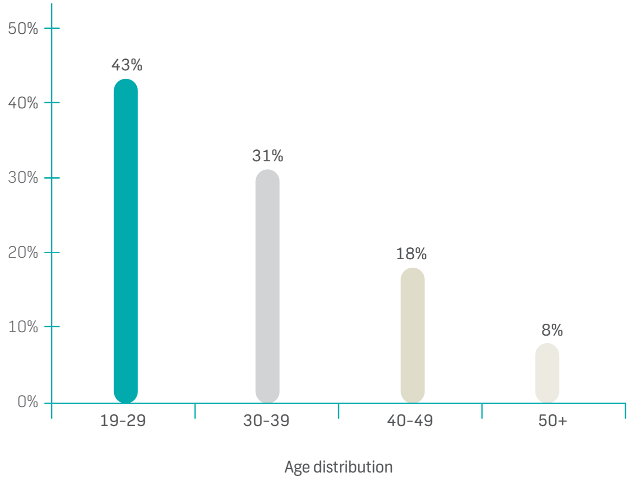
Our key people focus areas during 2016-17 were driving and embedding our group Philosophy and Values, embracing Diversity, Leadership Assessment and Development, Talent Management, Succession Management, rewarding high performance through the continuous enhancement of our performance management system and ensuring that our employees can experience an increase in morale, productivity and commitment through clear and transparent channels of communication.

We realise that we can only remain competitive and authentic if we continue to embrace our diversity and therefore we have rolled out our internal diversity programme to the group. A total of 456 employees attended the programme and we will keep on driving this initiative going forward.

The diversity embedded in our organisation is best illustrated by the June 2017 employee statistics:

Gender and race distribution

Age distribution



We acknowledge that culture is essential to develop an environment that drives ethics, trust, honesty and loyalty. To further embed this critical focus area, we launched our Values and Philosophy reward- and recognition campaign called FUSED. The focus of this campaign is to acknowledge and reward staff who actively live our values and philosophy and in doing so set an example to internal and external stakeholders. Our first ten overall winners who embrace our values will go on an all-inclusive incentive trip to Mauritius during September 2017 to acknowledge and reward them for their ambassadorship, loyalty and commitment.

The team of more than 2 300 employees holds the key to ensuring the long-term sustainability of the group as the market leader in a highly competitive financial services industry. To ensure we retain and attract the best people, our investment in development initiatives remained a critical focus area. Our first group of Graduate Trainees returned from South Africa after following an in-depth one year development plan. We recruited another group of graduates during 2017 that will be exposed to the same detailed development programme, preparing them for their new roles in the group effective 2018.

Human capital continued

The group believes in attracting and investing in our country's young and upcoming future leaders and therefore awarded bursaries to eleven promising and talented students studying in varying specialised fields locally and in South Africa. During the financial year we invested a total of N$ 1.1 million in our bursary students. Our bursaries provide for full financial support to each student and cover all tertiary costs, accommodation, books, travel expenses and monthly allowances.

To further expand on our bursary scheme the Staff Assistance Trust Education Bursary was implemented this year to assist previously disadvantaged employees and / or their dependents with the educational costs for tertiary education.

We invested a total of N$ 800 000 in the development of our leadership and management staff as we realise that successful leaders are critical to motivate and inspire staff to deliver their best. All our senior - and middle managers conducted a 360° leadership assessment to identify their positive leadership styles as well as any development gaps that might prevent them from maximizing their full potential. Further to this we want our leaders and managers to embrace more fully the existing drive for excellence and therefore they attended the Investment in Excellence Training course focusing on the following themes: Leading Self, Leading Others and Adapting culture. Managers are also exposed to a coaching programme, designed to promote a performance culture, enhance the quality of work and increase ability to transfer skills. By reducing errors and minimising work that has to be redone, we increase productivity.

We also launched our customized Branch Manager Development programme that consists of theoretical and practical training. At total of 16 Branch Managers are currently enrolled in this course and it will be rolled out to the rest of our branches during the new financial year.

The group continued with its development programme where trainees are exposed to on-the-job and classroom training for three months. 90 trainees attended this course during the financial year under review.

Aside from our specialized training courses, we also provide generic job-specific and soft skills training. A total of 3 973 attendees joined these courses and the group contributed N$ 7,5 million to the skills development fund of the National Training Authority.

We concluded our workforce segmentation of our critical, specialised, flexible and core roles and identified our talent pool with reference to employees occupying critical and specialised roles. We will continue with our succession management process of identifying and developing employees for these specialised and critical roles to ensure we have a continuous pipeline of skilled and competent people who can be promoted to these senior and specialised positions in the future.

The group strongly believes in driving a high performance culture and therefore rewards employees who take ownership for their own performance. To ensure all employees understand the impact of their role and function in driving the group strategy a total of 1571 employees received refresher training on the performance management system. Our performance management system ensures that every employee is aligned to our strategic goals and that we do not operate in silos. We also launched the outcome based remuneration (OBR) system amongst our tellers. This system provides an opportunity for tellers to significantly increase their own monthly remuneration based on their accuracy and speed of execution. This innovative remuneration approach will be rolled out to our sales staff once the OBR Teller project has been fully implemented and further serves as an illustration of various initiatives we have embarked upon as a group to create a financial services group of the future.

Open, transparent and regular communication is critical in creating an engaged workforce that is willingly committed to generating business value. We therefore identified and trained internal engagement champions for each business unit that communicates important messages on a weekly basis to their business units. This platform gives employees the opportunity to raise questions, talk openly and engage with each other in an informal setting. We also provide weekly information and feedback on our People initiatives in our internal newsletter.

Human capital continued

The wellbeing of our employees remains a priority. Our dedicated wellness team implemented a variety of initiatives to ensure that employee work-life balance is maintained.

Our on-site clinic at Parkside Building opened on 23 August 2016. We contracted a medical practitioner that is available two days per week to provide medical assistance to our employees at the workplace. A total of 182 appointments were made between January 2017 and June 2017 and 54 employees received voluntary flu vaccinations. There was also an increase in general health and family planning appointments.

Regular health screenings are important to detect the possible presence of a disease or other health problems in advance. Early detection, followed by treatment and change of lifestyle can lower the risk of serious complications, reduced health care costs, reduced absenteeism and increased productivity.

Prevention is better than cure and therefore we constantly create awareness amongst our staff on various health and wellness topics. Eight awareness sessions were conducted across the group focussing on the following topics: dietary habits, hygiene, suicide prevention, cancer prevention and education, HIV/Aids presentations during the World Aids Day and healthy lifestyle presentations facilitated by MyLife Health Consultants.

Our Employee Wellness Programme (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 coping 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

At FNB Namibia Holdings, "How can we help you?" is not just a slogan: It is who we are and how we work as a group. When the public and our 52 000 social media followers see our different brands they should understand that our contribution is far more than being an innovative financial partner, it is part of who we are.

Through the year we have maintained our competitiveness by leveraging on our ninth 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.

We once again walked away with several PMR Awards:

- Banks (business banking) – Diamond
- Banks (personal banking) – Diamond
- Banks (credit cards) – Diamond
- Investment Services - Gold
- Property Finance – Gold
- Annual reports – Gold

The FNB Happiness Store is the first online e-commerce store where one can buy Happiness for fellow Namibians. Anyone can purchase Happiness in the form of a gift via www.fnbhappinessstore.com.na for fellow Namibians that have been identified. This CSR project continues to spread the helpful message across the country with almost N$40 000 in donations made to individuals and charities. The Charity section was added in November 2016, and allows anyone to make a small donation from N$20 up to N$2 000 to a variety of charities across the country.

This year FNB Namibia launched a Strike Gold with FNB campaign and started a movement of positivity and encouragement to fellow Namibians who recognise the value of achieving success. The group's innovative approach to service is valued daily when customers share stories of their own experiences with the brand, either in print, or online with social media. For us, innovation, meaningful engagement and convenient experience have long been core to our value to existing and prospective customers.

Infrastructure

FNB maintains a strong presence in Namibia. Investment in our operations is more than N$1.4 billion. Our buildings, including furniture, at 30 June 2017 represent an investment of N$983 million, office and IT equipment amounts to N$360 million.

Investments include new mainframes and storage devices to grow the business and network speed to improve operations. These investments are essential to meet the demand of a growing business, mitigate risk and maintain world class systems.

ATM's remain an important enabler of banking services.

Although FNB has made good progress in encouraging customers to go digital, there is still a need for physical customer service points. We are aware of the global trend to reduce branches but this will only be done in consultation with the communities in which we operate.

The maintenance of the aforesaid equipment costs the group approximately N$60 million a year. We believe this spend is necessary to ensure that our customers get the best service possible and our employees have all the necessary working elements to ensure that they are able to deliver the excellent service as outlined in our P4 strategy.

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.

FNB Namibia proudly introduced the Renewable Energy Loan, through which customers are able to purchase Renewable Energy Products, such as a rooftop solar systems or energy efficient buildings. Our partnership agreement with the French Development Agency (AFD) introduced the SUNREF (Sustainable Use of Natural Resources and Environmental Finance) funding scheme in Namibia. A scheme aimed at promoting and financing sustainable resource use in the areas of business, agriculture and tourism.

In the tourism sector, FNB supports the ECO-awards based on the premise of resource efficiency (Reduce - Reuse - Recycle) and offers finance options to achieve resource efficiency. Sustainable tourism has huge untapped potential that is socially-inclusive, creates employment, preserves culture, and financial viability.

These environmentally sustainable initiatives form part of the wider FNB 2020 strategy which helps promote, and sustainably finance, natural resource efficient business practices that will positively impact our planet, while providing mid and long-term facilities to clients to finance renewable energy, energy efficiency, and the sustainable use of natural resources. It is our hope that these schemes will assist in helping businesses decrease operating costs, increase the value of their buildings, improve sustainability, and decrease our broader environmental footprint.

Sustainability report

Financial capital

The management of financial resources, defined as capital, funding and liquidity, and risk appetite, is critical to the achievement of FNB's stated growth and return targets and is driven by the group's 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 91 to 93.

Intellectual capital

In the current environment or the 4th industrial revolution, companies that continue to be successful will be those that continue to innovate and re-invent themselves. We believe that the ability of our employees to think of solutions to our current and future problems will set us apart from our current competitors and more importantly to future competitors as they emerge.

We believe that our intellectual capital is embodied in the ability of our over 2 300 staff members.

In the current year we registered several trademarks with the acquisition of the Pointbreak group which we believe will yield value for us. In addition to this we have legal right over several trademarks that we have long held.

Not all innovations that our staff generates are registered as trademarks or patents. Our ultimate aim is creating a great Namibian business, creating a better world.

Strategic overview

The environment

Macroeconomic environment

As the headwinds mounted, the economy lost momentum, with listless growth across most sectors. High interest rates coupled with high (and rising) inflation weighed on consumer spending. While water shortages constrained growth in the agricultural, mining and manufacturing sectors, the completion of several projects brought construction activity to a relative standstill. Layoffs in the agricultural, trade and manufacturing sectors along with the recruitment freeze in the public sector contributed to a higher unemployment rate, stagnating real income growth, along with a slowdown in credit demand.

During the period under review, both Fitch and Moody's revised Namibia's sovereign credit rating outlook from neutral to negative highlighting deterioration in the government's fiscal position.

Despite the current slowdown in economic activity and pressure on the sovereign rating we remain cautiously optimistic about the medium-term outlook for Namibia. The economy should begin to grow from the low base created from four quarters of negative growth and eventually benefit from infrastructure upgrades and greater commodity production capacity. An improvement in transport networks, coupled with increased electricity, port and water storage capacity ought to position the country as an efficient and reliable regional logistics hub in the long haul.

Financial services entities are intermediaries in the economy thus invariably what happens in the economy tends to be correlated to their performance.

Banked population and unemployment

As previously noted, the challenging macro-environment has had an impact on the performance of financial institutions, necessitating a need for these institutions to seek growth outside their current customer base.

The below table indicates the level of the banked population for Namibia which is approximately 62%. According to the Namibia Statistics Agency 2016 labour survey, the unemployment rate stood at 34 % indicating that there is very limited growth in the market. Consequently, specific entity growth would need to come from converting clients from other players in the market,

Comparing levels of financial inclusion % of population

	Banked	Formal other (non-banked products)	Informal served only	Not served
RSA	63	5	5	27
Namibia	62	3	4	31
Swaziland	44	6	13	37
Botswana	41	18	8	33
Lesotho	38	20	23	19
Ghana	34	7	15	44
Nigeria	30	6	17	47
Zimbabwe	26	9	24	41
Kenya	23	18	26	33
Uganda	21	7	42	30
Malawi	19	7	19	55
Rwanda	14	7	26	53
Zambia	14	9	14	63
Tanzania	12	4	28	56
Mozambique	12	1	9	78

* Derived from the finscope consumer survey for Namibia

Regulatory impact

Repo differential
In April 2016 the repo differential that historically existed between Namibia and South Africa was eliminated. This resulted in an increased cost of deposits without a related gain in interest income. In addition to this, the Government of Namibia's pricing of treasury bills and bonds is generally higher, pushing up the cost of deposits in the market. Please refer to the CFO report on pages 56 to 59 for the impact of this on the Net Interest Income for the year.

Cash deposit fee exemption
In March 2015 the Bank of Namibia issued a determination prohibiting banking institutions from charging cash deposit fees on all individual accounts as well as on business accounts with a turnover of less than a N$ 1 million. The value and number of transactions has continued to increase over the last 5 years, as such the costs of handling cash such as storage, insurance and transport have continued to increase without a related revenue increase.

Credit agreement act
An amendment to the credit agreement act was enacted in the current year and it required a buyer of a motor vehicle to pay a deposit of 10%while the maximum term for financing has been restricted to 54 months.

The difficulty in meeting the above-mentioned requirements has driven some customers out of the market, while others have resorted to the purchase of cheaper priced vehicles thus limiting the value of advances issued.

Restriction on loan-to-value ratios
Bank of Namibia implemented the loan-to-value ratio (LTV) in March 2017. The LTV ratio requires home loan applicants of a second or subsequent residential property to pay a percentage of the purchasing price or market value of the property as a deposit. .

Technological

Costs lagging e-migration
The digitisation drive has paid off and continues to pay off, however the related cost base created over many years has lagged behind with the fixed costs reducing at a slower pace than the migration to self-service channels which have proven to be cheaper. This has put further strain on profits.

Conclusion

The macro-economic and regulatory conditions mentioned above indicate that banking has faced headwinds in the past year with increase in cost bases and eroding revenue lines causing constraints on returns.

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.

FNB NAMIBIA HOLDINGS GROUP CUSTOMER PERSON / ENTERPRISE	
WHO?	
CUSTOMER CONTEXT	
CONTEXT?	
Insure	Borrow
Transact	Invest
WHAT?	
ON DEMAND / PRO-ACTIVE || UNASSISTED / ASSISTED	

Strategic overview

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 strengthen the risk team where necessary. We are looking to introduce technology to make compliance and monitoring more efficient.

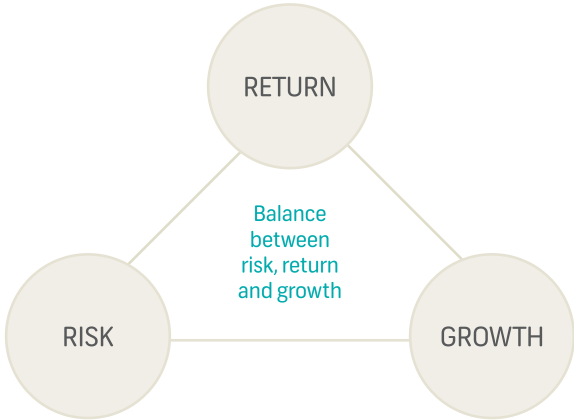
PLANET

Protecting the economy, environment and society
We achieve our Planet strategy through internal practices, the FNB 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.

Outcome of the strategy

From a brand perspective the above group wide strategy translates into specific brand strategies driven across the business, ultimately the strategy aims to balance 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)

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 in order 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 contexts, 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 for discussion and approval
- Outcomes of our internal risk assessment process
- Priority interests of key stakeholders

Through our processes and governance bodies we have identified the following material issues and our responses.

Our responses to material issues

Material issue	Response	For more information
	1. Liquidity and funding	
• Liquidity constraints in the market • Increased cost of funding	• Raised debt through the Domestic Medium Term note program on the NSX and Medium term note program on the JSE • Adequate pricing mechanisms to attract appropriate deposit type and mix. • Launch of the 48 hour notice deposit product to business customers • Launch of the money maximizer deposit product to individuals	• Capital management report • Risk report

Material issues for the year continued

Our responses to material issues continued

Material issue	Response	For more information
2. Managing our cost base		
• Costs lagging e-migration	• Disciplined and careful management of discretionary expenses. • Business case must prevail philosophy • Manage costs down as clients transition to cheaper self-service channels	• CFO report
3. Regulatory environment		
• Increased regulatory environment and the costs associated to comply	• 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 • Sound management of capital and liquidity	• CEO's report • Sustainability report • Risk report • Capital management report
4. Transformation people and bridging skills gaps		
• Diverse and equipped workforce to execute on our strategies.	• Compliance with employment equity legislation and targets • Responsible recruitment and remuneration practices • Proactive talent and succession planning • Fair and transparent performance management linked with personal development plans • Learning and development programs • Leadership development	• Sustainability report

Material issues for the year continued

Our responses to material issues continued

Material issue	Response	For more information
	5. Diversifying income streams	
• Over reliance on lending and transacting	• Launch of Ashburton Namibia • Due diligence assessment prior to acquisition • Negotiating and agreeing terms of acquisition • Integration into the broader FNB group of the Pointbreak group which remains ongoing. • Continued focus on cross selling of products and services across the group	• CEO report • Annual financial statements
	6. Managing through the economic cycles	
• Creating a resilient business to ensure continued sustainable growth particularly given the current challenging economic environment. ROE is down from 31% to 25.6% for the year. However NIACC was positive indicating that the business continued to add value.	• Remain profitable within our risk appetite framework. • Manage business risks. • Forecast 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. • Adequately manage our cost base.	• CEO report • CFO report • Annual financial statements

Leadership and governance

Chairperson's report

As we strive to be a great Namibian business, creating a better world, FNB Namibia is committed to creating new value for our customers and the communities we proudly serve. Our people, via 66 branches and agencies throughout Namibia, and in supporting digital access for all customers, work innovatively daily to deliver multifaceted financial services and products to the nation.

What drives us is a passion for making a lasting, positive difference in people's lives. As we do, we are continuously seeking to better integrate our sustainability efforts into our daily actions. This, to us, is the secret to our success over the past 110 years of banking in Namibia, a fact that we are very proud of, because it confirms us as the leading financial service provider in Namibia, and exemplifies the stamina and steadfastness of the FNB Group that plays host to a number of excellent brands in the financial sector of Namibia. Our brand mantra of "How can we help you?" has been the key component in making our business more sustainable: integrating sustainability into the very heart of the group, where our efforts create value for not only our shareholders and employees, also to the communities we operate in.

The FNB Namibia Holdings Foundation Trust has made significant progress in 2017 in advancing our priority areas of skills development, education and financial literacy, community and health development. We regard Social Corporate Responsibility as an integral part of our corporate business practice, and have over the last 13 years invested over N$64 million towards improving the quality of communities and environments nationwide.

We have seen success from initiatives that reinforce our enduring view that sustainability spurs innovation, just as innovation spurs sustainability. We have a commitment to make a neglected segment of the market profitable by using digital banking platforms, enabling our ever growing eWallet service to provide convenient and affordable banking services to all Namibians, even in areas that cannot be serviced through a branch network. Thus giving financial inclusion to all unbanked citizens. We are now driven more than ever to create a financial society where access to financial services is ultimately available to all.

FNB supporting the National Development Plan (NDP) 5

As a leading financial services provider in Namibia, FNB Namibia is placing greater focus in creating a sustainable business that looks at creative ways of helping our Namibian Government to fight poverty. Investing in the community and future of our country is a priority.

The FNB Namibia Holdings Foundation is the vehicle through which we support non-profit organisations and institutions working towards the development and empowerment of the broader community. The Government's NDP 5 goals include achieving inclusive, sustainable and equitable growth, building capable healthy human resources, ensuring a sustainable environment, and promoting good governance through effective institutions, all while fostering a competitive economy. To its core, the Plan translates into a country where no one dies of hunger, where citizens have access to decent shelter and to basic amenities, such as safe drinking water, quality education, basic health services and a sustainable income to afford the necessities of life. As a responsible business, FNB Namibia shares this vision - evident in our 4P strategy based on four key components namely; People, Partnerships, Sustainable Profit and Planet. We have committed ourselves to focusing on the development and protection of the economy, society and environment in which we operate. We have various channels we achieve this through, which are our own internal practices and policies, the FNB Foundation and the staff volunteer programme.

One of the most important roles our business will play is aligning with Government development plans in achieving Vision 2030, either through partnerships or support of specific developmental projects. At FNB Namibia we believe in effective partnerships for a sustainable future. We aim to not only partner with other corporates and NGOs but with the Government as well to solve our nations pressing challenges.

Outlook

Previously flourishing on pro-cyclical fiscal spending and foreign investment in new mines and infrastructure, the Namibian economy is facing severe headwinds which have been revised downwards by Government and most research houses. The economy is challenged by lower commodity prices, severe drought conditions, weaker global and regional growth, and a sudden slump in the construction and manufacturing sector. FNB Namibia Holding's performance reflects the impact of the macroeconomic environment. However, 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 — but not satisfied — with our sustainability progress and the milestones we've 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 2016, 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 and disaster relief support, and requisite people development and training; rising costs and falling incomes in real terms, affect normally high returns to stakeholders and shareholders.

While we anticipate operating conditions to become more demanding - in both the economic and regulatory environment, we believe our strong 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

Thank you to my co-directors for supporting me as chairperson of the board, and for your continuous guidance and advice. I also thank our Government, regulators, shareholders and clients for allowing us to work towards improving the nation's ability to better invest, insure, transact and borrow.

I also want to commend all FNB employees who remain committed to our values of I'm Innovative, I'm Accountable, I'm Helpful, I'm Ethical, and I'm Effective. We remain dedicated to improving banking, and look forward to creating more value for all our stakeholders.

Thank you for your interest in the FNB Namibia Group. I invite you to follow our progress on our journey in becoming the preferred financial services house in Namibia.

Inge Ingenesia Zaamwani - Kamwi
(Chairperson)

Board of directors

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Inge Zaamwani-Kamwi

(Chairperson)

Independent non-executive director

Appointed April 2003

Qualifications: LLB (Hons) London; LLM - Dundee

FNB group directorships & trusteeships: FNB Namibia Holdings Limited, First National Bank of Namibia Limited, FNB Share Incentive Trust

FNB group committee membership: Directors' Affairs and Governance Committee

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

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Leonard Haynes

Non-executive director

Appointed April 2013

Qualifications: B Com (Hons), MBA

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd

FNB group committee membership: Audit Committee and Risk, Capital and Compliance Committee

FirstRand group directorships: FNB Zambia Ltd (Chief Executive Officer)

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Justus Hausiku

Independent non-executive director

Appointed April 2017

Qualifications: Post Graduate Diploma (Accounting) and CTA Hons Degree, B.Acc

FNB group directorships: FNB Namibia Holdings Limited

FNB group committee membership: Risk, Capital and Compliance Committee

External directorships & Trusteeships: Quanta Holdings, Arch Group of Companies

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Gerson Hinda

Independent non-executive director

Appointed February 2017

Qualifications: B.Iuris, LLB, LLM

FNB group directorships & Trusteeships: FNB Namibia Holdings Limited, First National Bank of Namibia Limited, OUTsurance Insurance Company of Namibia Ltd

External directorships: Sabmiller Breweries, 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

45

Ebrahim Motala

Non-executive director

Appointed May 2016

Qualifications: BCom Hons (Accounting), CA (SA)

FNB group directorships: FNB Namibia Holdings Limited, First National Bank of Namibia Limited

FNB group committee membership: Remuneration Committee

FirstRand group directorships: First National Bank Ghana, FNB Zambia Ltd, RMB Nigeria

Board of directors

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Oscar Capelao

(Chief Financial Officer)

Executive director

Appointed March 2016

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

FNB group directorships & Trusteeship: FNB Namibia Holdings Limited, First National Bank of Namibia Limited, OUTsurance Insurance Company of Namibia Ltd, FNB Namibia Unit Trusts Ltd, 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

External directorship: National Housing Enterprise, Namibian Stock Exchange

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Sarel van Zyl

(Chief Executive Officer)

Executive director

Appointed December 2014

Qualifications: BBA Certificate in Applied Management, MBA

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

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Jabulani Khethe

Non-executive director*

**no longer employed by FirstRand Group*

Appointed August 2006

Qualifications: BCom (Banking), MBA

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd

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

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

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Petrus Nevonga

Independent non-executive director

Appointed May 2003

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

FNB group directorships: FNB Namibia Holdings Ltd, 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

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Stuart Moir

(Deputy-Chairperson)

Independent non-executive director

Appointed November 2005

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

FNB group directorships & Trusteeships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, FNB Insurance Brokers (Namibia) Pty Ltd, FNB Namibia Unit Trusts Ltd, FNB BEE Trust

FNB 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

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Jantje Daun

Independent non-executive director

Appointed March 2017

Qualifications: CA (SA)

FNB group directorships & trusteeships: FNB Namibia Holdings Limited, First National Bank of Namibia Limited

FNB group committee membership: Audit Committee

External directorships: Cornerstone (Pty) Ltd

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Christiaan Ranga Haikali

Independent non-executive director

Appointed February 2006

Qualifications: BBA (Entrepreneurship)

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

FNB group committee membership: Audit, Remuneration, Directors' Affairs and Governance Committee

External directorships & Trusteeships: Inexma Electrical Namibia (Pty) Ltd, Africa Personnel Services, Namibia Stevedoring Services, Hanu Investments, Tulongeni Family Trust, APS International, APS Investments, Okahandja Sink & Staal (Pty) Ltd, Chappa Ai Investments, Petronam Investments, Namibia Liquid Fuel, New Frontiers Investments / Safland Property Services, Mertens Mining and Trading, BonAire Fruit/BonAire Holdings, Morgan Cargo-Namibia, Tulonga Investments (Pty) Ltd, Oryx Investments (Pty) Ltd, Safland Property Group (Pty) Ltd, Frontier Property Trust, PC Centre through Duiker Investments (Pty) Ltd, Tulongeni Strategic Investments (Pty) Ltd, Tulongeni Mining (Pty) Ltd, Tualonga Investments (Pty) Ltd

Attendance register of the board and committees

Name of Director	Board	Meetings attended/ scheduled	Audit Committee	Meetings attended/ scheduled	Risk, Capital and Compliance Committee	Meetings attended/ scheduled	Directors' Affairs and Governance Committee	Meetings attended/ scheduled	Remuneration Committee	Meetings attended/ scheduled
II Zaamwani-Kamwi (Chairperson) INED	Chairperson	5/5					Member	3/3		
SH Moir INED	Deputy Chairperson	5/5	Chairperson	4/4	Chairperson	4/4	Chairperson	3/3	Member	2/2
CLR Haikali INED	Director	5/5	Member	4/4			Member	3/3	Chairperson	2/2
JR Khethe [1] NED	Director	4/5					Member	3/3		
PT Nevonga INED	Director	5/5								
SJ Van Zyl (CEO) ED	Director	5/5								
LJ Haynes [2] NED	Director	3/5	Member	2/4	Member	4/4	Member	3/3	Member	2/2
OLP Capelao (CFO) ED	Director	5/5								
ES Motala NED	Director	4/5							Member	0/2
GS Hinda [3] INED	Director	1/1								
JH Duan [4] INED	Director	1/1								
JH Hausiku [5] INED	Director	1/1								

[1] Mr J Khethe retired from the Group as Executive Director
[2] Mr LJ Haynes resigned as Remuneration Committee member and Alternate member of DAGC
[3] Mr GS Hinda appointed to the Board (February 2017)
[4] Ms JH Daun appointed to the Board (March 2017)
[5] Mr JH Hausiku appointed to the Board (April 2017)

INED – Independent non-executive director;
NED – Non-executive director; ED – Executive director

Changes to the Board and Board Committees

- **Mr Hausiku** – Appointed as member for Risk, Capital & Compliance Committee during the financial period.
- **Ms Daun** – Appointed as Audit Committee member during the financial period.
- **Mr Khethe** – Appointed as Remuneration Committee member during the financial period.
- **Mr L Haynes** – Resigned as Remuneration Committee member and Alternate member of DAGC.

EXCO

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Sarel Van Zyl
Chief Executive Officer
BBA Certificate, BBA, MBA

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Oscar Capelao
Chief Financial Officer
BCom Hons (Accounting), CA (Nam)(SA)

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Andrew Kanime
Chief Human Resources Officer
B.Admin, B.Tech, B.Acc, MBA

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Louis Potgieter
Chief Operating Officer
CA (Nam)(SA)

41

Michelle Van Wyk
Treasurer
B.Acc, B.Acc Hons, AMCT, CA (Nam)(SA)

41

Conrad Dempsey
Executive Officer RMB
CA (Nam)(SA), CGMA, AMCT, M. Philosophy

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Johan du Plessis
Chief Risk Officer and Ethics officer
B.Compt (Hons), CTA, CRA

58

Dixon Norval
Executive Officer Premium
BA Hons – MA, MBA

52

Elmarie Cilliers
Executive Officer WesBank

Certificate in Banking, MBiA (SA), SMDP

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Johan van der Westhuizen
Executive Officer Business

B.Com, HDE, CAIB (SA), Post Graduate Diploma in Financial Planning

55

Steve Coetzee
Executive Officer Points of Presence

MDP, SMDP, various certificates in Retail Banking

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Francois Booysen
Head of Internal Audit

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

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Martha Murorua
Executive Officer Consumer

Nat. Dip (Commence), B. Acc, MBA

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Tracy Eagles
Chief Marketing Officer

Higher Diploma in Education, BA, MBA

31

Stephanie Quarmby
Chief Credit Officer

BCom Accounting, Post Graduate Diploma in Accounting, CA (Nam)

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Josephat Mwatotele
Executive Officer Ashburton

BA: Economics, MA: International Relations & Strategic Studies

Corporate governance report

Corporate governance report

Compliance Statement

FNB Namibia Holdings Ltd is the controlling company of First National Bank of Namibia Ltd and various 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. FNB Namibia Holdings Ltd 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 FNB Namibia Holdings 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, 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.

Board changes

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

Appointments		Effective date
Adv. GS Hinda	Independent Non-Executive	1 February 2017
JG Daun	Independent Non-Executive	1 March 2017
JH Hausiku	Independent Non-Executive	10 April 2017
Resignations		**Effective date**
MN Ndilula	Independent Non-Executive	27 October 2016
During the period under review Mr. MN Ndilula, resigned from the Boards of FNB Namibia Holdings Ltd & First National Bank of Namibia Ltd to pursue personal interests in a research project		
Employment Status Change		**Nature of change**
JR Khethe	Non-Executive	Retirement from employment within FirstRand Group

Limitation to appointment period

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

The Chairperson of the Board

The FNB Namibia Holdings Ltd 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 2017, where she was duly re-elected after consideration of her independence. The Chairperson continues to provide the FNB Namibia Holdings Ltd Board the direction necessary for an effective board.

Composition of Board and Independence of Directors

	Independence Status	Employed by Group
II Zaamwani-Kamwi	Independent non-executive	No
SH Moir	Independent non-executive	No
JG Daun	Independent non-executive	No
OLP Capelao	Executive	Yes
CLR Haikali	Independent non-executive	No
LJ Haynes	Non-executive	Yes
JR Khethe	Non-executive	No
Adv. GS Hinda	Independent non-executive	No
ES Motala	Non-executive	Yes
PT Nevonga	Independent non-executive	No
JH Hausiku	Independent non-executive	No
SJ van Zyl	Executive	Yes

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	√	√	√	√
LJ Haynes	√	√		
CLR Haikali	√		√	√
JG Daun	√			
JH Hausiku		√		
JR Khethe			√	√
ES Motala				√

Corporate governance report

Group Company Secretary

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

The Group Company Secretary is supported by a Company Secretary who serves in that capacity for a few of the subsidiary boards and an Assistant Company Secretary who provides administrative support. The Board of Directors has unrestricted access to the Group Company Secretary.

Board and Committee Evaluation

While striving to improve board performance and effectiveness a board evaluation was conducted for the period ended 30 June 2017. 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 board noted that significant improvement was made regarding the board and the board committee succession, which in turn will ensure board and committee continuity. Improvement was further noted in the board composition, which takes cognisance of independence, demographics, qualifications, technical expertise and relevant industry knowledge.

The evaluation confirmed that significant improvement is required in terms of executive director (CEO and CFO) succesion planning.

The evaluation, inter alia confirmed that:

- The board members express their views frankly and constructively. Meetings are conducted in a manner that encourages open discussion and healthy debate whilst allowing each member to contribute to both discussions and decisions.
- The board has unfettered access to all company information, records, documents and senior management.
- As part of its decision making, in the best interest of the company, the board ensures that a stakeholder-inclusive approach is adopted, which takes into account and balances their legitimate and reasonable needs, interests and expectations.
- The board duly sets the tone and leads ethically and effectively, serving as the focal point and custodian of corporate governance in the company.

Board and committee meetings attendance

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. The board accepted the apology of the non-executive director who attended 60% of the board meetings during the year, finding the reasons to be valid, while assuring stakeholders that the director is able to discharge his duties on the board at all times.

Director Training

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

- Corporate Governance Principles
- Local and International obligations as a directors in a Multinational Group
- King IV Training and NamCode on Corporate Governance
- Liquidity Risk Management
- Risk Management and Internal Audit
- Market Risk and Stress Testing
- International Financial Reporting Standards (IFRS) 9 Training

The success of the group 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 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.

Board Committees

The Board delegated certain functions to its sub-committees, which constitute an important element in the governance process. The committees are established by formal terms of references and report to the board.

The following board committees exist:

- Audit Committee;
- Risk, Capital & Compliance Committee;
- Remuneration Committee; and
- Directors' Affairs and Governance Committee.

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

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 of 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.

LJ Haynes is a non-executive director in terms of the NamCode definition due to his employment within the FirstRand group. The board reiterates its 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 ongoing membership.

The board considers that the committee's collective skills are appropriate to oversee integrated reporting taking into consideration the industry, the group's size and circumstances. Please refer to pages 33 to 35 of this report for the qualifications of the audit committee members.

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

SH Moir	2006 – 2017
LJ Haynes	2012 – 2017
CLR Haikali	2016 – 2017
JG Daun	2017

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.
- 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 a combined assurance model has been adopted and implemented to provide a coordinated approach to all assurance activities.
- 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.
- Collectively having an understanding of IFRS 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.
- Meeting with the external auditors in the absence of management and confirming that no material issues were raised by the external auditors.
- Obtaining feedback on the outcome of the internal audits completed by the internal audit function for 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 will 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

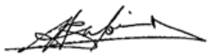
- The committee is satisfied that internal audit function has adequate skills and resources.
- The Head of Internal Audit has unrestricted access to the Audit Committee Chairperson.
- Internal controls of the group have been effective in all material respects during the year under review.

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 FNB Namibia Holdings 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 board.
- Monitoring of the effectiveness of risk management processes on behalf of the 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. Please refer to page 70 to 90 of this report for the risk management practices of the group.
- Monitoring of the effectiveness of capital management processes on behalf of the board.
- Reviewing environmental and social risks and potential environmental and social impacts, acknowledging FNB Namibia Holdings Limited's environmental and social responsibility.
- 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 (ALCCO) risks, such as liquidity and funding risk, and other market risks, delegating the management of these risks to the Asset, Liability & Capital Committee (ALCCO), a specialist risk sub-Committee.



SH Moir
Chairperson, Risk, Capital and Compliance Committee

Remuneration Committee (REMCO)

REMCO is responsible for ensuring that a suitable remuneration governance framework is in place in order to ensure that top talent and high performing individuals are rewarded within the group policy framework and growth strategy. This enables the group to ensure that our employees are at all times motivated and engaged to continue sustaining our 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.

This report seeks to provide stakeholders with an appreciation of the committee's activities during the year, and how these achieve alignment between the group's strategy and delivery on that strategy within the desired risk/return profile.

REMCO is chaired by an independent Non-Executive Director and is constituted by two Non-Executive Directors and two Independent Non-Executive Directors. One of the Non-Executive directors has retired from employment within the FirstRand group. The board is of the opinion that the collective skills and composition of this committee is sufficient to enable the committee to discharge their duties.

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.

At the core of the group's remuneration framework is recognition and reward for superior performance and sustainable value creation. The group has implemented a Performance Management System (PMS) which is used 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 group'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 contented to note 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 the group (pay for the person) in relation to the expected outcomes for a specific position/role.

Annual salary increases are determined using a combination of the bottom-up and top-down approaches. The top-down approach is informed by remuneration competitiveness relative to market while the bottom-up approach is whereby business units propose individual salary increases based on individual employee performance. These proposals 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.

Additionally, 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 capitalisation, 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 FNB Namibia Holdings to attract and retain the right calibre of employee for the position.

Short-Term Incentive (STI) Awards

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 at least once 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 Awards

The group operates 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 two 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.

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 to 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 to 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.

The committee exercise stewardship over FNB Namibia Holding'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 ensures alignment of the remuneration strategy and policy with the FNB Namibia Holdings 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 incentivized.

- 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;

- 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.

Corporate governance report

- **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.

The committee meets at least two times per year. The Chairperson of the remuneration committee attends the annual general meeting

The group's remuneration policy for the upcoming financial year will be put to a shareholder's vote at the annual general meeting, details of which are provided in the notice of the annual general meeting.

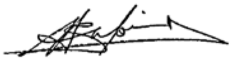
CLH Haikali
Chairperson, Remuneration Committee

Directors Affairs & Governance Committee (DAGC)

The committee's mandate extends, on behalf of FNB Namibia Holdings Ltd, to include all companies in the FNB Namibia Holdings group.

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 FNB Namibia Holdings 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.



SH Moir
Chairperson, Directors Affairs and Governance Committee

Performance review

- Chief executive officer's report
- Chief financial officer's report

Chief executive officer's report

Introduction

The group is proud to present a good set of results for the past year achieved through organic growth and prudent balance sheet management. This is particularly pleasing given the challenging economic environment which saw a decline in liquidity, increased inflation and a collapse in GDP for four consecutive quarters resulting in the first full-on recession in the Namibian economy for many years. Despite increased unemployment and other adverse economic conditions, the strength of our balance sheet is evidenced in relatively low provisions which remained well within the risk appetite set by the board.

The group remains positive about the future of Namibia and continued its investments in infrastructure, people and IT to ensure long term efficiency, while investing heavily in risk management systems and structures to protect the group from the increasing high risk operating environment in future.

We are confident that the group remains well positioned to continue to deliver superior and sustainable economic returns to its shareholders.

Business performance to date

RMB is now well established in Namibia and has continued to grow in leaps since its launch in 2011, delivering an excellent set of results for the past financial year. RMB represents the group's activities in Investment Banking, Global Markets, Custody Services and Corporate Banking. The business strategy remains focused on building a business of scale and relevance to the Namibian market, with a particular focus on tailored solutions to our client needs.

Its market-leading **Investment Banking Division** provided an innovative financing solution to AEE Power Venture 5MW power plant as part of the Namibian Government's REFIT (Interim Renewable Energy Feed-in Tariff) programme. This deal demonstrates RMB's ability to partner with clients to deliver unique financing solutions to the country's ongoing need for renewable energy and its commitment to the Harambee Prosperity Plan and NDP5.

The investment in **Custody Services** paid off and **RMB's** share of the market has grown significantly over the past year while **Global Markets** delivered satisfactory results on the back of various initiatives to replace the Kwanza revenue earned in the prior year.

FNB Business has had a challenging year owing to the recession and reduced government spend. Historically, clients in this market segment react first to changes in the macro economic climate and this is clearly evident in the drop in liabilities. In these difficult times we remain committed to our clients, as illustrated by the growth in quality advances. Our pipeline of transactions awaiting pay out remains. We successfully launched a 48 hour notice deposit product which aims to provide short term access to funds for our clients whilst providing competitive returns.

We are particularly excited about our SME value proposition that was launched during the second half of the financial year. A special fund, aimed at upcoming SMEs who have bankable business ideas but lack sufficient collateral or capital to set-up the business, was approved by the board and successfully established. The objective of the SME Special Fund is to support, develop and grow the SME sector by providing the necessary funding while we, through the FNB Namibia Holdings Foundation, continued our partnership with external vendors to provide technical assistance and education on a sustainable basis.

Our **FNB Consumer** segment continued to show positive growth in active accounts. We have noted that our customers are embracing the move from branch transactions to digital and therefore more affordable channels with exceptional strong transactional growth in all self-service channels. We are proud to have launched Automatic Deposit taking terminals to the market and are very pleased with the take-up by our depositing customers, who can now make real-time cash deposits 24 hours per day, 7 days a week.

We remain committed to expanding our digital offering to clients and recent acquisitions provide us an opportunity to expand our services and solutions to all corners of Namibia through an affordable and convenient digitised partnership model, thereby including all business and consumer customers in the formal world of banking.

A culture of excellence in service delivery remains core to our strategy. During the year we introduced a new customer complaints management system which will help us to improve the tracking and addressing of service failures.

On the back of the successful acquisition of Pointbreak, we believe the launch of **Ashburton Investments** in Namibia will significantly benefit Namibian investors and the Namibian economy at large, as more investors will now receive access to the wider range of investment products and financial services offered by our FirstRand Group both in Namibia, South Africa and off-shore. I am confident that this exciting development will deliver the scale, breadth and capabilities for us and our clients to compete more effectively and profitably in the global marketplace and provide highly competitive and sustainable return to our clients. Our clients are the reason for our existence, and this expansion gives us the ability to grow our investment portfolio and add significant value to the group.

The vehicle finance market has seen some of the biggest challenges in the recent past with new vehicle sales down by 24% year on year. Competitive interest rates and increased costs of funding have had a further negative impact on the business. Despite these challenges **WesBank** remains the market leader embodied by superior customer service.

Over the past 10 years in Namibia, **OUTsurance** has grown into one of the leading insurers in the market. We pioneered the OUTbonus, giving cash back if you remain claim free. We paid over N$30 million OUTbonuses since 2007 and nearly N$9 million this year alone. Net earned premium only grew to N$183 million on the back of increased competition in the market. The success of OUTsurance is reflected in the increase in headline earnings to N$39 million which is 30.1% higher than the comparative year. This was driven by both favourable claims experience as well as lower acquisition expenses due to suppressed sales. We remain committed to grow a sustainable business profitably, backed by value for money insurance solutions and excellent service.

Recognition

During the financial year, FNB was again crowned the 'Bank of the Year' in Namibia, as announced by The Banker Magazine in London at the end of 2016. This is the eighth consecutive year that the group has been awarded this prestigious accolade and the ninth award in total. FNB Namibia Holdings also received the second place in the Deloitte Best Company to work for (BCTWF) survey.

Outlook

Despite the current economic slowdown and pressure on the sovereign rating we remain cautiously optimistic about the medium-term outlook for Namibia. The economy should begin to grow from the low base created from four quarters of negative growth. The proverbial green shoots are already sprouting from the agricultural, fishing and mining sectors, which should translate into increased manufacturing activity going forward. Eventually, the economy should benefit from infrastructure upgrades and greater commodity production capacity. An improvement in transport networks, coupled with increased electricity, port and water storage capacity ought to position the country as an efficient and reliable regional logistics hub in the long haul.

Our top focus areas for the 2018 financial year are:

- Continue to execute on our long term People, Partnership and Planet strategies which will drive sustainable long term shareholder results;
- Diversifying our revenue base through increased focus on our invest and insure pillars, while maintaining focus on our lending and transactional pillars ;
- Creating further value for customers through cross selling of products and services as we are now the most comprehensive end-to-end financial service group in Namibia;
- Provide more affordable and accessible financial solutions to the deep rural areas of Namibia, thereby making banking inclusive to all consumers and businesses, with specific focus on SME development using more innovative e-banking solutions; and
- Implementing our long term strategy to become more efficient and drive down our cost base.

Conclusion

The 2016/2017 financial year was an exciting year for the group in terms of growth, acquisitions and risk investments. We have continued to invest in Ebanking-solutions, the roll-out of our Automated deposit taking ATMs, helped SME's to grow and flourish with the introduction of the SME Special Fund, the EBank and Pointbreak acquisition and continuing to be a partner to the Government in executing the Harambee Prosperity Plan and NDP5. Together with our extensive investments to improve our risk profile, all these developments have positioned us well to deliver superior and sustainable and economic returns despite the tough economic times, through our leading franchises, **FNB, RMB, Wesbank, Ashburton** and **Outsurance**.

Appreciation

I take this opportunity to thank our Chairperson Inge Zaamwani-Kamwi and the rest of our board, for their invaluable input and contribution to the group, and I look forward to their continued support and guidance for many years to come.

Most 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." 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

Chief financial officer's report

Our year at a glance

The macroeconomic environment remained tough in the period under review, globally, in the rest of sub-Saharan region and locally. A number of countries including Namibia had to deal with ongoing commodity price challenges, weakening government finances and drought conditions.

During the year the Namibian economy continued to struggle as gross domestic product numbers confirmed that the economy remained in the grip of a recession but as a leading listed financial services group, we are very conscious of the responsibility we have of not only safeguarding but enhancing the financial interests of all our stakeholders. To be able to achieve this, we continue our prudent approach to balance sheet growth, maintaining the group's strong capital levels, and managing liquidity.

Our performance is positively correlated to Namibia's economic performance. The group positioned all its operating entities to make the most of the limited growth opportunities and produce another set of satisfactory results in an increasingly difficult operating environment.

Profit for the year ended 30 June 2017 was N$1 113.1 million (2016: N$1 217.6 million). Headline earnings, adjusted for the profit on sale of properties during the periods, decreased by 4.4% to N$1 086.3 million. Earnings per share decreased to 418.9 cents (2016: 459.7 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 year or comparative period provide a more realistic view of performance. Normalised profit before tax for the year increased by 3.8% to N$1 768 million.

Return on average equity reduced to 25.6% (2016: 31.0%), return on average assets was 3.0% (2016: 3.6%) and cost to income ratio increased to 48.9% (2016: 43.7%). The normalised RoE is 28.4% (excluding Pointbreak and EBank impact and headlines earnings adjustments).

The banking group and OUTsurance are the two key operations. Banking dominated the contribution to earnings. The group result includes the consolidation of Pointbreak for the three months to year end and the newly launched Ashburton Investments.

Statement of comprehensive income

Interest income

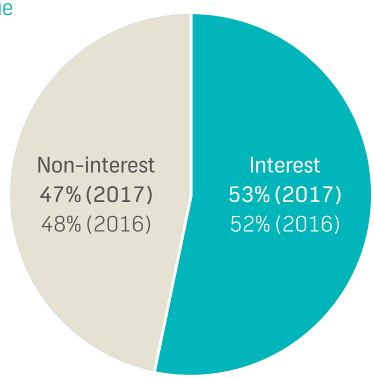
Net interest income grew by 6.7% to N$1 764.6 million (2016: N$1 653.6 million). Margins remained under pressure with no change in the repo rate during the period. Net interest margin declined as a result of interest expense increasing by 25%; and with no correlation to a static repo rate, the increase in cost of funding was mainly linked to liquidity challenges in the economy and deposit growth from longer term products which are more expensive. Interest income grew at 15% driven by increased volumes with little opportunity to change pricing to compensate for increased cost of funding.

Impairment losses

The total impairment charge increased year-on-year and closed at N$59.3 million (2016: N$47.9 million). The total impairment charge is 0.21% (2016: 0.19%) of gross advances. This impairment charge was mainly made up of specific impairments whereby recognition was based on objective evidence of incurred losses which would have an adverse impact on the expected future cash flows of advances. As anticipated, impairment levels trend upwards in such economic periods. The group impairment levels remain well within acceptable levels through the cycle. Portfolio impairments were minimal during the year under review (2017: N$83 thousand; 2016: N$3.3 million) due to an adequate level of provisioning on the performing loan book.

Non-interest revenue

Sources of gross revenue



Non-interest revenue continued

Total non-interest revenue increased by 3.1% to N$1 553 million (2016: N$1 506 million). The prior year figure was boosted by the sale of the Talas building at a gain of N$ 67 million (compared to a N$7 million gain on sale of property in the current year) and the net forex gain from trading in Kwanza as allowed for in the prior year.

Increasing the customer base remains our main focus with regards to generating transactional revenue and in the past year our number of active accounts has increased by 4% to 908 349. We are also pleased to report on our success at migrating clients to electronic channels. While that depicts an increased demand for our electronic services, branch transaction volumes have inevitably been negatively affected.

Cheque transactions will eventually be phased-out and the adoption of the electronic channel transactions by our business clients further highlights their relative cost effectiveness and safety.

Net fee and commission income increased by 12% (2016: 13.5%) further reflecting the impact of the steady migration from traditional banking channels to more technologically advanced services. The electronic channels offer our customers a cheaper, more convenient alternative to transacting at branches. This has resulted in a reduction in the growth rate of fee and commission income; however we are convinced that the provision of these services makes sound business sense with global trends moving towards advances in technology.

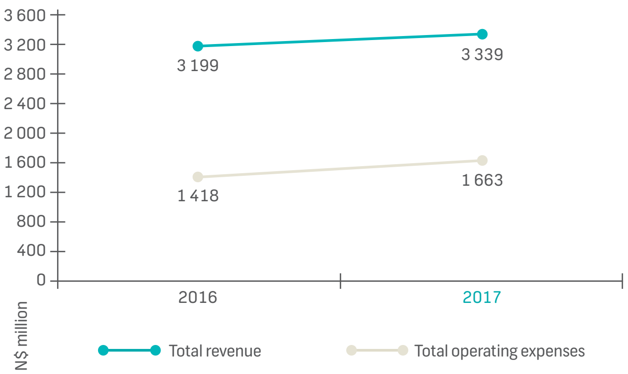
Cash related NIR had no growth for the year, reflecting the depressed economic environment.

Chief financial officer's report

Operating expenses

Group operating costs have increased by 17.0%. This negative trend is reflected in our cost to income ratio of 48.9% (2016: 43.7%). Cost reduction is lagging the e-migration in branches. The consolidation of Pointbreak and Ebank entities during the final quarter of the year also contributed to the above inflationary increase in operating expenses. Above inflationary cost growth lines are on the back of continued investment in our risk management abilities, footprint and operating systems.

Total revenue vs operating expenses - banking group



Staff related costs are up 21%, influenced by expansion of our risk and compliance team and continued conversion of staff from basic pay to Cost-to-Company. During the period we had temporary staff working on regulatory projects which also contributed to this increase.

During the prior year, the group changed the long-term share incentive scheme arrangement from the FNB Namibia share incentive to a group conditional incentive plan (CIP). The CIP staff cost is expensed over three years compared to five years for the old scheme.

The wage settlement with the union in July 2016 for non-managerial employees was above inflation.

As expected, depreciation increased by 20%, reflecting the impact of the new building as in the prior year the group had not occupied the building for the full 12 months. We continued our investment in deposit taking ADT's(automated deposit terminals) across the country, machines that are more expensive than normal ATM's, which supports our migration of clients to self-service channels.

The KYC project costs included head count number growth of temporary staff, office space rental, professional fees and related computer costs.

Property rentals increased with the growth in points of presence.

IT costs increased with the investment in cyber security, new product development and other regulatory projects.

The increase in professional fees is attributed to the cost of the external consultations on the acquisition of Pointbreak and Ebank.

Disciplined and careful management of discretionary expenses remains top of mind, growth in other expenses was well below inflation.

Statement of financial position

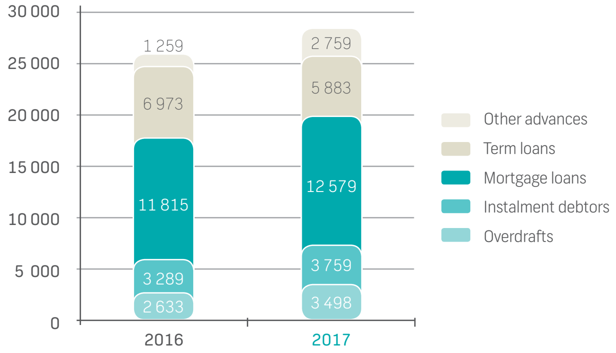
The group's total assets grew by 10.6% to N$37.8 billion (2016: N$34.2 billion). Year-end advances making up 75% of the balance sheet, reflected a year on year increase of 9.6% to N$28.3 billion. Growth in private sector credit extension has throughout the year been on a downward trend, and we are pleased to have grown advances at 9.6% reflecting our continued support to economic growth. Private sector credit extension was 8% in June 2017. Regulatory changes during the year, the introduction of mandatory deposit for instalment sales and for secondary home loans contributed to cooling of demand for credit.

Mortgage loans increased year on year by 6% to N$12.6 billion and constitute 44.5% (2016: 45%) of FNB's advances book. The granting of instalment credit slightly reduced by 0.1% as 2017 reported the worst industry vehicle sales figures since 2012.

Statement of financial position continued

Growth in the RMB and FNB Business advances was 14%, compared to corporate PSCE of 7.5% for June 2017.

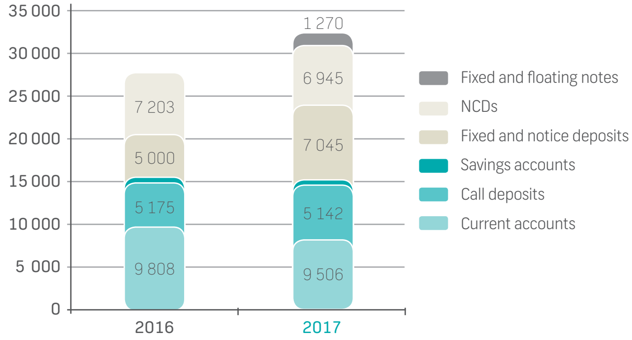
Advances composition (N$ million)



The ratio of non-performing loans to gross advances ended the year at 1.4% up from 0.97%. Non-performing loans increased from N$251 million to N$339 million.

Deposits increased by 9.7% to N$31.0 billion, ahead of advances growth. The introduction of two new deposit products in the market – namely the "48 hour Notice deposit" and the "FNB Money Maximiser" assisted with the growth in deposits and offering of competitive returns to savers. These new products contributed a combined total of N$1.1 billion to total deposits since their inception in April 2017. Fixed deposits increased by 41% year on year, and whilst NCD's were extensively used during the liquidity challenges, the year on year NCDs and call deposits decreased by 4% and 1% respectively. Current accounts decreased by 3%. Treasury further diversified its funding base by issuing inaugural senior unsecured notes on both the NSX and JSE during October 2016 and March 2017 respectively, to a total of N$1.2 billion.

Deposits composition (N$ million)



Diversification of both, source and term of funding, remain focus areas to reduce liquidity and concentration risks.

Conclusion

FNB Namibia is a significant stakeholder in the financial services sector and the effect of the down turn in the economy directly impacted performance.

The group continues to exercise discipline in allocating capital and will not chase growth at the expense of returns. We believe these results demonstrate the quality of our underlying businesses and strike the right balance between growth, prudent risk management and investment for growth.

Oscar Capelao
Chief Financial Officer

FNB Namibia Holdings Group: Annual financial statements

• **Directors'** responsibility statement

To the shareholders of FNB Namibia Holdings Limited

The directors of FNB Namibia Holdings 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 94 to 122.

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 62 to 66.

The consolidated annual financial statements of the group, which appear on pages 60 to 219 and the separate annual financial statements of the company, which appear on pages 220 to 231 were approved by the board of directors on 15 August 2017 and signed on its behalf by:

I I Zaamwani – Kamwi
Chairperson

S J Van Zyl
Chief Executive Officer

Windhoek
15 August 2017

Independent Auditor's Report
To the Members of FNB Namibia Holdings Limited

Opinion

We have audited the consolidated and separate financial statements of FNB Namibia Holdings Limited set out on pages 67 to 69 and 94 to 231, which comprise the consolidated and separate statements of financial position as at 30 June 2017 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 2017 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 Matters

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

Key audit matter – Group	How the matter was addressed in the audit
Impairment of advances Advances represents 74.74% of total assets and the estimation of impairment against advances is considered to be a key audit matter due to the significance of the directors' judgment involved. Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. If there is objective evidence of an adverse impact on the estimated future cash flows of a financial asset as a result of one or more events that occurred after the initial recognition of the asset, the group reduces the carrying amount of the financial asset through the use of an allowance account (Impairment of Advances).	We assessed the design and implementation and tested the operating effectiveness of key controls over the approval, recording and monitoring of advances and the loan impairment practices across the banking group to compare them with the requirements of IFRS and assessed the design and implementation of key controls over the processes used to calculate impairments, including those controls relating to data and models. Areas of significant judgement were identified and assessed for reasonableness for individually significant advances. We assessed, against actual experience and industry practice, the appropriateness of assumptions made in determining the level of impairment, including the probability of default and valuation of collateral.

Key Audit Matters continued

<table>
<tr><th>Key audit matter – Group</th><th>How the matter was addressed in the audit</th></tr>
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Impairment of advances
The assessment of objective evidence of impairment is firstly applied individually on financial assets which are individually significant and then individually and on a portfolio basis for assets that are not individually significant. Impairment of advances is significant to the financial statements as significant judgment is applied with respect to the impairment assumptions.

The calculation of impairments which are individually significant is inherently judgmental in nature. The impact of macro-economic events, including negative domestic economic sentiment, global pressure on commodity prices and foreign exchange volatility result in a challenging operating environment impacting the credit risk of underlying counterparties. As a result, directors apply significant judgement in identifying and assessing indications of impairment and related collateral values held when calculating impairment.

The calculation of impairments on the low value, high volume advances portfolios requires significant judgement and complex actuarial models to determine:

- Whether impairment events have occurred which result in the need for an impairment.
- Expected recoveries in the event of default, including the impact of security and potential curing of those in default.
- The impact of market factors, including macro-economic trends.

Related disclosures included in the consolidated financial statements are:

- Accounting policies section 9.4
- Group note 12 – advances, and
- Group note 13– impairment of advances

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Where impairments were individually calculated for advances not individually significant, we performed tests to ascertain whether the loss event (that is the point at which impairment is recognised) had been identified in a timely manner. Where impairments had been identified, we examined the forecasts of future cash flows and assumptions applied to external evidence where applicable.

Where impairments were calculated on a model basis, with the assistance of internal specialists. We tested and challenged the basis and operation of those models and the data and assumptions used.

Our work included:

- Comparing significant assumptions with actual experience and industry practice; and
- Testing the operation of actuarial models, including, where required, rebuilding those models or building our own independent models and comparing our results to those of directors.

In addition, we considered the potential for impairment to be affected by events which were not captured by models (such as changes in economic conditions) and evaluated how the Group had responded to these by making further adjustments where appropriate.

We consider all the credit impairments to be within an acceptable range in the context of an incurred loss model and found that the consolidated financial statements incorporated appropriate disclosure relating to impairment of advances.

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Key Audit Matters continued

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

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, Directors' Responsibility Statement, Shareholders' information 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.

Independent Auditor's Report
To the Members of FNB Namibia Holdings Limited

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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
6 September 2017

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

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

Directors' report

Nature of business

FNB Namibia Holdings Limited is the holding company of the FNB Namibia holdings 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, RMB, the corporate and investment bank, WesBank, an instalment finance provider, Outsurance, a short term insurance provider and Ashburton Investments, the group's investment management business which was launched in the current period.

Refer to page 234 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 (2016: 990 000 000) ordinary shares of 0,5 cents each and 10 000 000 (2016: 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.

At the annual general meeting to be held on 26 October 2017 members will be asked to consider an ordinary resolution placing the number of un-issued ordinary and preference shares, exclusive of the number of shares reserved for purposes of the share incentive scheme as at that date, under the control of the directors as is currently the case, until the next annual general meeting.

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%	(2016: 58.4%)
Government Institutions Pension Fund	14.8%	(2016: 14.8%)

A detailed analysis of shareholders is set out on page 235.

Share analysis – preference shares

RMB-SI Investments (Pty) Limited	100%	(2016: 100%)

FNB Share Incentive Scheme

No new shares were allocated during the year by the company to the trust. (2016: nil). Staff exercised option on 1 519 247 (2016: 1 760 972) shares during the year. The total number of shares held by the trust at 30 June 2017 amounts to 6 055 652 (2016: 6 370 465).

Please refer to note 29 of the annual report for further details.

Dividends

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

N$'000	2017	2016
Ordinary dividends		
Final dividend of 113 cents (2016: 122 cents)	302 380	326 464
Interim dividend of 91 cents (2016: 91 cents)	243 510	243 510
Total distribution for the 12 months of 204 cents per ordinary share (2016: 213 cents per ordinary share)	545 890	569 974

Directors' report

Directors interest in FNB Namibia Holdings Limited

Details of the directors' holdings in the issued ordinary shares of FNB Namibia Holdings 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 60 to 231 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 chairman's report, the chief executive officer's report and the chief financial officer's report on the financial results on pages 31 to 32 and 52 to 59.

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 FNB Namibia Holdings 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 2017, where she was duly re-elected after consideration of her independence. The Chairperson continues to provide the FNB Namibia Holdings Limited the direction necessary for an effective board.

The composition of the board of FNB Namibia Holdings Limited is as follows:

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

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

Board changes

During the period under review Mr. MN Ndilula resigned from the board of FNB Namibia Holdings Limited to pursue personal interests in a research project, effective 27 October 2016. Three independent non-executive directors were added to the board in the period under review. Adv. GS Hinda was appointed effective 1 February 2017. JG Daun was appointed effective 1 March 2017 and JH Hausiku was appointed effective 10 April 2017.

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

Subsidiaries

In the period under review the group launched Ashburton investments and acquired the Pointbreak group of companies. Interest in and aggregate profits of subsidiaries are set out in note 33 to the annual financial statements.

Company secretary and registered offices

Company secretary
Ms N Ashipala

Registered office
130 Independence Avenue
Windhoek

Postal address
P O Box 195
Windhoek
Namibia

Events subsequent to the reporting date

There are no material events subsequent to the reporting date to report.

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).

Risk report

Overview of top and emerging risks for 2017

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

Risk appetite

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

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

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

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

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

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

Application of the risk/reward framework

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

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

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

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

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

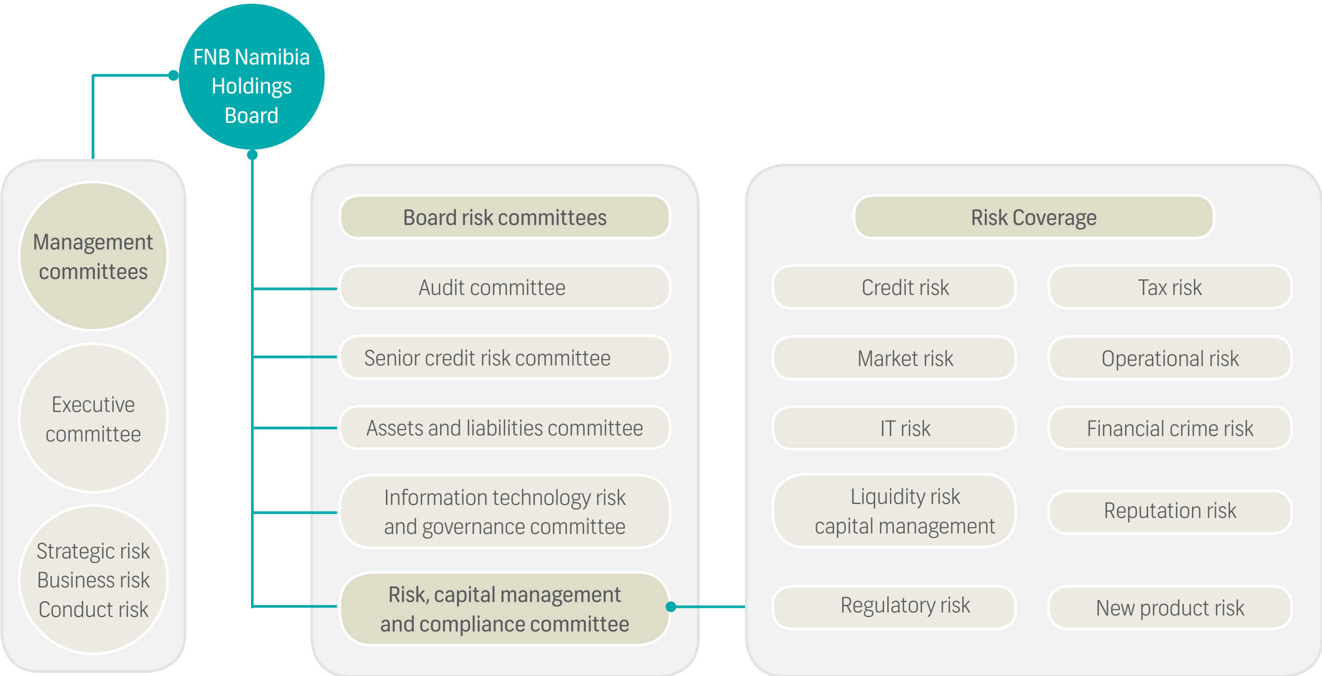
Risk governance structure

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

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

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

Responsibilities of the board risk committees



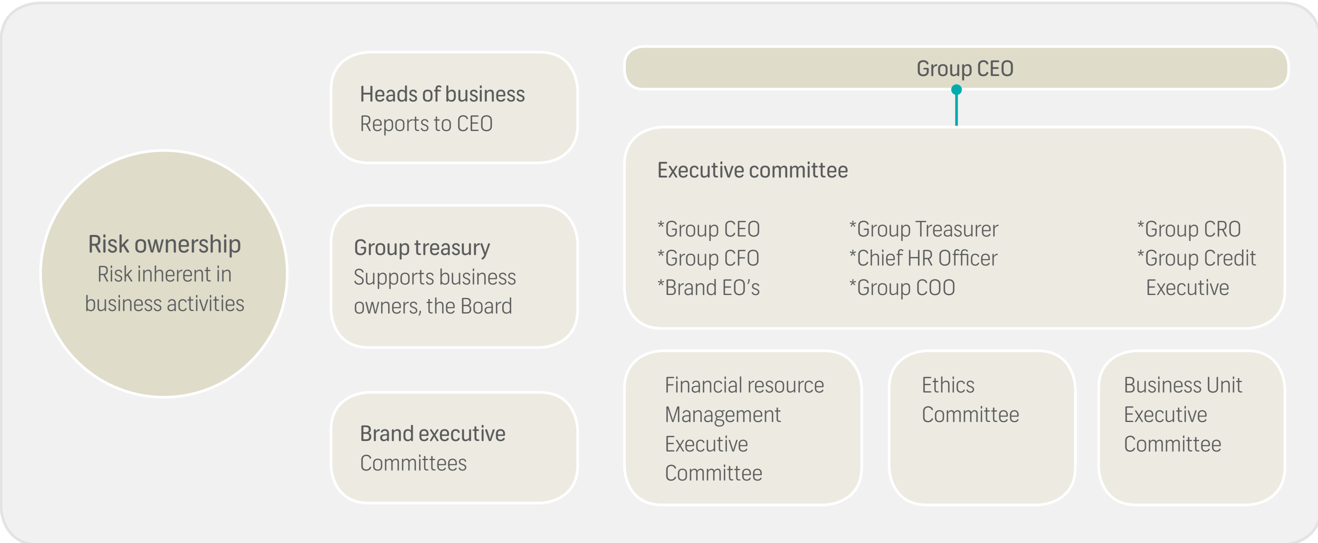
Three lines of control

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

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

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

First line of control



Second line of control

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

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

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

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

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

Board

RCC Committee

Specialised Risk Committees

Deployed Risk Managers
Report to franchise CEOs and group CRO

Third line of control

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

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

External Advisors

Audit Committee

Combined Assurance Forum

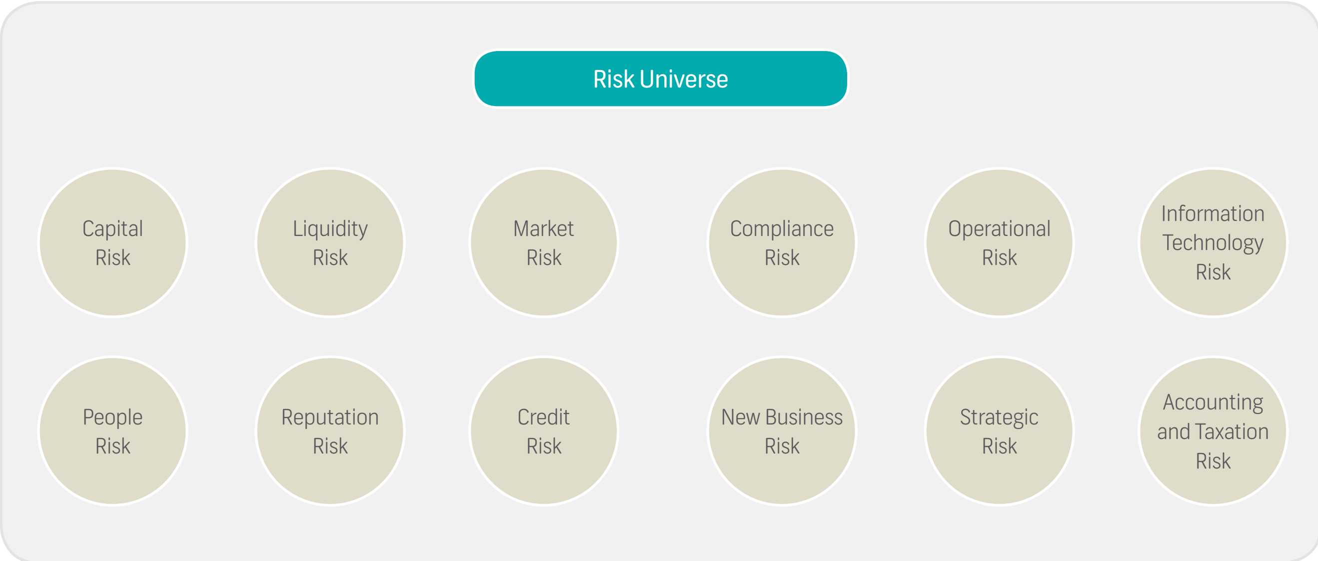
Risk profile management

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

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

Risk Universe

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



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

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

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

Risk culture

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

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

Risk culture parameters

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

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

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

Risk culture assessment framework

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

Risk report

Ethics committee

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

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

Combined assurance

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

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

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

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

Reputation risk

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

Credit risk

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

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

Credit risk classification and impairment policy

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

Specific impairments

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

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

Portfolio impairments

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

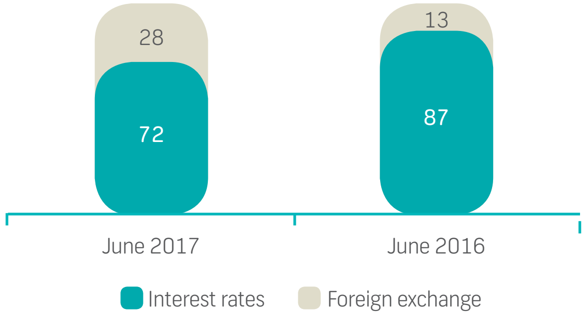
Market risk

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

Market Risk in the Trading Book

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

VAR exposure per asset class:



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

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

Interest rate risk in the banking book

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

Please refer to note 40 to the annual financial statements for the sensitivity analysis of interesst rate shocks. The decreased sensitivity is attributable to the level of strategic hedges put in place to manage the margin impact of the capital and deposit endowment books through the cycle. At 30 June 2016, the book was positioned to benefit from further interest rate hikes, whilst protecting against rate uncertainty. Given current uncertainty on the length and extent of the hiking cycle, the endowment book remains actively managed.

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

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

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

Liquidity

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

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

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

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

Regulatory Risk

Introduction and objectives

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

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

Year under review and focus areas

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

Financial Crime Risk

Introduction and objectives

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

Year under review and focus areas

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

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

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

Assessment and management

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

- Coordinating risk monitoring activities with other risk management functions and Group Internal Audit;
- Conducting enhanced due diligence on customers assessed as high risk;
- Establishing and managing processes and systems to monitor

customer transactions for the purpose of identifying potential suspicious transactions. Investigating of all potential suspicious transactions and reporting where grounds for suspicion has been established on behalf of the entire group;

- Assessing high risk products, services and delivery channels and ensuring that appropriate risk responses are developed and implemented; and
- Ensuring that adequate client screening and payment screening systems are implemented and maintained throughout the group with certain transactions and/or relationships blocked or rejected where such transactions would violate the international financial sanctions regime and local legal requirements.

Operational Risk

Introduction and objectives

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

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

Year under review and focus areas

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

Assessment and management

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

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

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

Operational risk assessment and management tools

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

IT Risk

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

Business continuity management

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

OUTsurance Namibia Risk Management

OUTsurance Namibia has adopted the Enterprise Risk Management Strategy and Framework which is to provide reasonable assurance that risks are being managed in line with the best practices, our values and the risk principles of FNB Namibia Holdings 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

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

Governance and oversight

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

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

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

Capital overview

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

The supply of capital is comprised as follows:

- Tier 1 capital which is the highest quality form of capital, comprising shareholders' equity and related non-controlling interests (subject to limits). Various capital deductions and regulatory adjustments are made to these items which are treated differently for the purposes of capital adequacy – these include deductions for goodwill and intangible assets. The regulatory minimum to be held is 7 percent which FNB comfortably exceeded during the year under review.

- Tier 2 capital mainly comprises revaluation reserves, general loan loss reserves, qualifying capital instruments and any unaudited profits approved by the board of directors. In total Tier 2 should not exceed the total of Tier 1 capital which FNB fully comply to.

- Total regulatory capital which forms the minimum capital ratio of 10 percent, FNB exceeded this regulatory minimum by N$1 967 million.

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

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

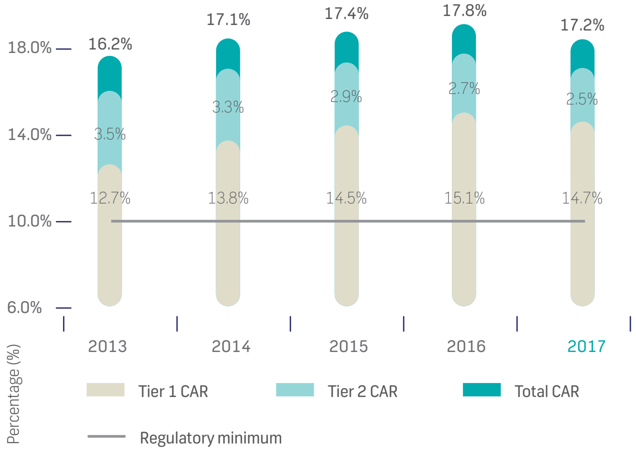
All major initiatives to deploy capital are subject to rigorous analysis, validation for business case and evaluation of expected benefits. Higher growth in assets continues to increase the credit risk weighted assets in accordance with the strategic direction and risk appetite of the group.

The dividend policy plays a pivotal role in the supply of Total Loss Absorbing forms of Capital and the group managed to maintain a dividend cover of 2 for the year under review. The interim and final dividends were 91 cents and 113 cents respectively.

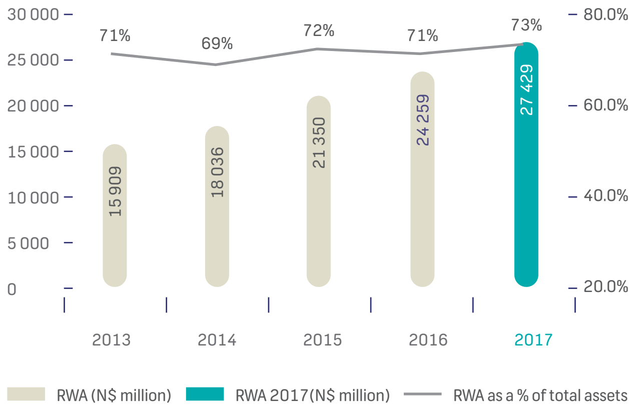
Capital management

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

Capital adequacy compliance



Risk weighted asset (RWA) history



Regulatory capital requirements and future developments

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

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

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

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

OUTsurance

OUTsurance's capital adequacy is measured by the solvency margin calculated as the shareholders' funds expressed as a percentage of net premium income. The company targeted solvency margin range is between 35% and 50%. The solvency margin at 30 June 2017 increased to 50.0% (2016: 39.5%) on the back of increased profits due to reduced new business and thus lower acquisition expenses as well as favourable claims experience. OUTsurance proposed a dividend of N$20 million for the year ended 30 June 2017 (2016: N$18 million).

Outlook

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

Capital adequacy of FNB

	Banking operations		Regulated consolidated group	
	Year ended 30 June		Year ended 30 June	
N$ '000	2017	2016	2017	2016
Risk weighted assets				
Credit risk	23 429 606	20 800 837	23 518 179	20 861 459
Market risk	87 200	57 036	87 200	57 036
Operational risk	3 912 647	3 400 827	3 953 464	3 440 629
Total risk weighted assets	27 429 452	24 258 700	27 558 844	24 359 124
Regulatory capital				
Share capital and share premium	1 142 792	1 142 792	310 643	247 734
Retained profits	3 010 780	2 643 363	4 004 370	3 619 439
Capital impairments*	(130 350)	(127 135)	(146 645)	(2 840)
Total tier 1	4 023 222	3 659 020	4 168 368	3 864 333
Eligible subordinated debt	400 000	390 000	400 000	390 000
General risk reserve, including portfolio impairment	286 043	260 010	286 043	260 010
Capital impairments*			(56 838)	(2 738)
Total tier 2	686 043	650 010	629 205	647 272
Total tier 1 and tier 2 capital	4 709 265	4 309 030	4 797 573	4 511 605
Banking group				
Capital adequacy ratios				
Tier 1	14.7%	15.1%	15.1%	15.8%
Tier 2	2.5%	2.7%	2.3%	2.7%
Total	17.2%	17.8%	17.4%	18.5%
Tier 1 leverage ratio	10.7%	10.7%	11.4%	11.2%

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

FNB Namibia Holdings Limited: Accounting policies

Accounting policies

1. Introduction and basis of preparation

1.1 Introduction

The FNB Namibia Holdings 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)		

Accounting policies continued

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

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

1.2 Basis of preparation

The group prepares consolidated financial statements which include the assets, liabilities and results of the operations of FNB Namibia Holdings 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 millions of Namibian Dollars. The group has a policy of rounding up in increments of N$1 000. Amounts less than N$1 000 will therefore round down to N$ nil and are presented as a dash.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.
Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether they are monetary items (in which case the year-end exchange rate is applied) or non-monetary items. For non-monetary items measured at amortised cost the rate applied is the transaction date rate. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to available-for-sale financial assets the following applies: • Equity instruments are recognised in other comprehensive income as part of the fair value movement; and • Debt instruments are allocated between profit or loss (those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in the fair value).

2. Subsidiaries, associates and joint arrangements

2.1 Basis of consolidation and equity accounting

<table>
<tr><th></th><th colspan="2">Subsidiaries and other structured entities</th><th colspan="2">Associates</th><th>Joint ventures</th></tr>
<tr><td>Typical shareholding in the assessment of entities that are not structured entities</td><td colspan="2">Greater than 50%</td><td colspan="2">Between 20% and 50%</td><td>Between 20% and 50%</td></tr>
<tr><td colspan="6">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.</td></tr>
<tr><td>Nature of the relationship between the group and the investee</td><td colspan="2">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.</td><td colspan="2">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.</td><td>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.</td></tr>
<tr><th colspan="6">Separate financial statements</th></tr>
<tr><td colspan="6">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.</td></tr>
<tr><th colspan="6">Consolidated financial statements</th></tr>
<tr><th></th><th colspan="2">Consolidation</th><th colspan="3">Equity accounting</th></tr>
<tr><td>Initial recognition in the consolidated financial statements</td><td colspan="2">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.</td><td colspan="3">Equity accounting
Associates are initially recognised at cost (including goodwill) and subsequently equity accounted.
The carrying amount is increased or decreased to recognise the group’s share of profit or loss from the investee after the date of acquisition.
Items that impact the investee’s net asset value that don’t impact other comprehensive income are recognised directly in gains less losses from investing activities within non-interest revenue.</td></tr>
<tr><td>Intercompany transactions and balances</td><td colspan="2">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.</td><td colspan="3">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.</td></tr>
</table>

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 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.

3. Income, expenses and taxation

3.1 Income and expenses

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

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

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

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

3.2 Income tax expenses

Income tax includes Namibian corporate tax payable.

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

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

4. Financial instruments

4.1 Classification

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

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

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

4.2 Measurement

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

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

4.3 Impairment of financial assets

General

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

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

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

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

Impairment of advances

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

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

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

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

4.4 Transfers and derecognition

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

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

Accounting policies continued

For financial liabilities this includes when there is a substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

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

<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

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

7. Transactions with employees

7.1 Employee benefits

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

<table>
<tr><th colspan="2">Post-employment benefits</th></tr>
<tr><th colspan="2">Defined contribution plans</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><td rowspan="2">Defined benefit obligation liability</td><td>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.</td></tr>
<tr><td>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.</td></tr>
<tr><td>Profit or loss – as part of staff costs</td><td>• 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.</td></tr>
<tr><td>Other comprehensive income</td><td>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.</td></tr>
<tr><th colspan="2">Termination benefits</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><th colspan="2">Liability for other employee benefits</th></tr>
<tr><td>Other</td><td>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.</td></tr>
<tr><td>Leave pay</td><td>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.</td></tr>
<tr><td>Bonuses</td><td>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.</td></tr>
</table>

7.2 Share-based payment transactions

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

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

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

8. 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 34.

9.2 Subsidiaries, associates and joint arrangements

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

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

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

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

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

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

<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		
- 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.

Accounting policies continued

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.

FNB Namibia Holdings: Consolidated Annual Financial Statements

Consolidated statement of comprehensive income

for the period ended 30 June

N$'000	Note(s)	2017	2016
Interest and similar income	1	3 285 633	2 869 473
Interest expense and similar charges	1	(1 521 032)	(1 215 842)
Net interest income before impairment of advances		1 764 601	1 653 631
Impairment losses of advances	13	(59 251)	(47 852)
Net interest income after impairment of advances		1 705 350	1 605 779
Non-interest revenue	2	1 553 954	1 506 656
Net insurance premium income	3	182 902	189 253
Net claims and benefits paid	4	(103 678)	(102 777)
Income from operations		3 338 528	3 198 911
Operating expenses	5	(1 663 061)	(1 417 647)
Operating profit	5	1 675 467	1 781 264
Share of profit from associate after tax	16	2 515	1 328
Income before tax		1 677 982	1 782 592
Indirect tax	7	(40 767)	(31 974)
Profit before tax		1 637 215	1 750 618
Direct tax	7	(523 984)	(532 985)
Profit for the year		1 113 231	1 217 633
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit liability		7 776	(4 835)
Income tax relating to items that will not be reclassified		(2 488)	1 576
Total items that will not be reclassified to profit or loss		5 288	(3 259)

N$'000	Note(s)	2017	2016
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets adjustments		(8 762)	(15 428)
Income tax relating to items that may be reclassified		2 804	5 085
Total items that may be reclassified to profit or loss		(5 958)	(10 343)
Other comprehensive income for the year net of taxation		(670)	(13 602)
Total comprehensive income for the year		1 112 561	1 204 031
Total comprehensive income attributable to:			
Owners of the parent		1 092 825	1 184 607
Non-controlling interest		19 736	19 424
		1 112 561	1 204 031
Profit attributable to :			
Owners of the parent		1 093 495	1 198 209
Non-controlling interest		19 736	19 424
		1 113 231	1 217 633
Earnings per share			
Per share information			
Basic earnings per share (c)	8	418.9	459.7
Diluted earnings per share (c)	8	414.3	453.4

Consolidated statement of financial position
as at 30 June

N$'000	Note(s)	2017	2016
Assets			
Cash and cash equivalents	10	1 466 113	2 119 861
Due from banks and other financial institutions	10	2 667 981	1 772 267
Derivative financial instruments	11	95 221	209 497
Advances	12	28 258 413	25 776 087
Investment securities	14	3 866 395	3 236 883
Accounts receivable	15	197 444	136 592
Investments in associates	16	36 025	5 054
Property and equipment	17	953 290	924 997
Intangible assets	18	232 665	104
Deferred income tax asset	19	34 634	2 868
Reinsurance assets	20	99	598
Tax asset		1 226	695
		37 809 506	34 185 503
Equity and liabilities			
Liabilities			
Deposits	22	30 488 360	27 793 798
Due to banks and other financial institutions	22	1 192 537	800 973
Derivative financial instruments	11	115 562	219 455
Short trading positions	21	39 330	36 927
Creditors and accruals	23	452 815	396 958
Tax liability		56 233	54 920
Employee liabilities	24	211 340	191 350
Deferred income tax liability	19	257 240	190 209
Policyholder liabilities under insurance contracts	25	52 642	67 778
Tier two liabilities	26	402 830	392 654
		33 268 889	30 145 022

N$'000	Note(s)	2017	2016
Equity			
Equity attributable to equity holders of parent			
Ordinary shares	27	1 326	1 304
Share premium	27	74 507	126 680
Reserves		4 403 086	3 861 715
		4 478 919	3 989 699
Non-controlling interest		61 698	50 782
Total equity		4 540 617	4 040 481
Total equity and liabilities		37 809 506	34 185 503

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
Balance at 01 July 2015	1 301	148 518	149 819	739
Total comprehensive income for the year				(3 259)
Staff share option transactions				
Transfer between reserves				
Dividends				
Consolidation of shares held by share trusts	3	(21 838)	(21 835)	
Balance at 01 July 2016	1 304	126 680	127 984	(2 520)
Total comprehensive income for the year				5 288
Staff share option transactions				
Transfer between reserves				
Dividends				
Consolidation of shares held by share trusts	22	(52 173)	(52 151)	
Balance at 30 June 2017	1 326	74 507	75 833	2 768

	Available-for-sale reserve	General risk reserve	Share based payment reserve	Total reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
	(4 724)	109 591	17 273	122 879	3 075 975	3 348 673	40 178	3 388 851
	(10 343)			(13 602)	1 198 209	1 184 607	19 424	1 204 031
			6 985	6 985		6 985		6 985
		25 821	(7 271)	18 550	(18 550)			
					(528 731)	(528 731)	(8 820)	(537 551)
						(21 835)		(21 835)
	(15 067)	135 412	16 987	134 812	3 726 903	3 989 699	50 782	4 040 481
	(5 958)			(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)
	(21 025)	160 054	16 113	157 910	4 245 176	4 478 919	61 698	4 540 617

Consolidated statement of cash flow

for the year end 30 June

N$'000	Note(s)	2017	2016
Cash flows from operating activities			
Cash receipts from customers	30	4 972 903	4 460 423
Cash paid to suppliers and employees	30	(3 184 904)	(2 656 911)
Cash generated from operations	30	1 787 999	1 803 512
Increase in income earning assets	30	(3 917 675)	(2 966 047)
Increase in deposits and other liabilities	30	2 948 028	3 578 406
Net cash generated from operations		818 362	2 415 871
Tax paid	30	(514 887)	(460 132)
Net cash from operating activities		303 475	1 955 739
Cash flows from investing activities			
Acquisition of property and equipment	30	(110 053)	(163 580)
Proceeds from the disposal of property and equipment		17 511	93 923
Acquisition of investments in subsidiaries		(328 390)	
Net cash from investing activities		(420 932)	(69 657)
Cash flows from financing activities			
Acquisition of shares for share trusts	30	(52 151)	(21 835)
Dividends paid		(556 235)	(528 731)
Payment of finance lease liabilities			(2 060)
Dividends paid to non-controlling interests		(8 820)	(8 820)
Redemption of tier two liabilities		(390 000)	
Proceeds from the issue of tier two liabilities		400 000	
Net cash from financing activities		(607 206)	(561 446)
Total cash movement for the year		(724 663)	1 324 636
Cash at the beginning of the year		2 119 861	795 225
Cash and cash equivalents acquired through the acquisition of subsidiaries		70 915	
Total cash at end of the year	10	1 466 113	2 119 861

Notes to the consolidated annual financial statements
for the year end 30 June

1. Analysis of interest income and interest expense

N$'000	2017		
	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		108 226	108 226
Savings deposits		13 354	13 354
Call deposits		251 219	251 219
Term deposits		421 073	421 073
Negotiable certificates of deposit		563 400	563 400
Tier two liabilities		33 964	33 964
Fixed and floating notes		59 964	59 964
		1 521 032	1 521 032

1. Analysis of interest income and interest expense continued

N$'000	2016		
	Fair value	Amortised cost	Total
Interest and similar income			
Advances		2 537 801	2 537 801
Cash and cash equivalents		95 550	95 550
Investment securities	210 853		210 853
Unwinding of discounted present value on non performing loans		6 781	6 781
Unwinding of discounted present value on off-market advances		1 910	1 910
On impaired advances		(12 326)	(12 326)
Net release of deferred fee and expenses		25 789	25 789
Other		3 115	3 115
	210 853	2 658 620	2 869 473
Interest expense and similar charges			
Deposits from banks and financial institutions		48 076	48 076
Current accounts		106 719	106 719
Savings deposits		12 131	12 131
Call deposits		230 899	230 899
Term deposits		272 440	272 440
Negotiable certificates of deposit		511 346	511 346
Tier two liabilities		32 913	32 913
Other		1 318	1 318
		1 215 842	1 215 842

2. Non-interest revenue

N$'000	2017	2016
Fee and commission income:		
Card commissions	146 147	131 261
Cash deposit fees	109 544	110 408
Commissions: bills, drafts and cheques	40 030	27 786
Bank charges	1 080 187	962 133
Fiduciary service fees	8 333	8 849
Banking fee and commission income	1 384 241	1 240 437
Brokerage income	65 750	53 284
Unit trust and related fees	38 594	22 635
Reinsurance commission received by insurance companies	1 312	3 565
Non banking fee and commission income	105 656	79 484
Fee and commission income	1 489 897	1 319 921
Fee and commission expenses:		
Transaction processing fees	(85 276)	(69 877)
Cash sorting handling and transportation charges	(15 674)	(18 972)
Card and cheque book related	(4 883)	
Insurance operations	(4 371)	(4 541)
ATM commissions paid	(7 470)	(5 888)
Other	(4 164)	(3 131)
Fee and commission expenses	(121 838)	(102 409)
Fee and commission income, by category		
Instruments at amortised cost	1 375 908	1 248 026
Non financial assets and liabilities	113 989	71 895
Fee and commission expenses	(121 838)	(102 409)
Net fee and commission income	1 368 059	1 217 512

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.

2. Non-interest revenue continued

N$'000	2017	2016
Fair value income:		
Foreign exchange trading	78 948	114 631
Debt instruments trading	14 905	5 135
Derivatives revaluation	(10 108)	(1 920)
Other	3 046	2 500
Treasury trading operations	7 843	3 215
Designated at fair value through profit or loss	53 914	52 887
Fair value income	140 705	173 233
Portfolio analysis for fair value income		
Held for trading	86 791	120 346
Designated at fair value through profit or loss	53 914	52 887
Fair value income	140 705	173 233

Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, and translated foreign currency assets and liabilities.

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

2. Non-interest revenue continued

N$'000	2017	2016
Gains less losses from investing activities		
Gains on investment securities designated at fair value through profit or loss	6 328	8 753
Unlisted shares	3 880	3 580
Unit trusts	13 949	14 851
Dividends received	17 829	18 431
Share of profit from associate after tax	2 515	1 328
Gross gains less losses from investing activities	26 672	28 512
Less: Share of profit from associate after tax (disclosed separately on face of the statement of comprehensive income)	(2 515)	(1 328)
Gains less losses from investing activities	24 157	27 184
Other non-interest revenue		
Gains and losses on sale of property and equipment	7 110	67 322
Rental income	5 716	6 869
Other income	8 207	14 536
Other non-interest revenue	21 033	88 727
Other non-interest revenue, by category		
Non-financial assets and liabilities	21 033	88 727
Total non-interest revenue	1 553 954	1 506 656

3. Net insurance premium income

N$'000	2017	2016
Short term insurance contracts		
Gross written premiums	180 624	210 649
Insurance premiums ceded to reinsurers	(12 020)	(20 961)
Change in unearned premium provision	14 298	(435)
Net insurance premium income	182 902	189 253

4. Net claims and benefits paid

Short term insurance contracts		
Gross insurance contracts claims	109 385	108 429
Transfer to provision for unintimated claims	(40)	858
Gross claims and benefits paid on insurance contracts	109 345	109 287
Insurance benefits recovered from reinsurers	(5 667)	(6 510)
	103 678	102 777

5. Operating expenses

Auditors' remuneration		
Audit fees	7 960	6 967
Fees for other services	949	555
Auditors' remuneration	8 909	7 522
Operating lease charges		
Property	43 054	36 971
Equipment	20 231	14 418
Operating lease charges	63 285	51 389

5. Operating expenses continued

N$'000	2017	2016
Staff costs		
Salaries, wages and allowances	700 363	580 356
Off-market staff loans amortisation	2 897	1 910
Defined contribution schemes: pension	69 043	55 966
Defined contribution schemes: medical	84 072	70 579
Post-retirement medical expense	4 270	3 170
Severance pay: death in service	940	722
Social security levies	2 125	1 986
Share-based payments	20 259	13 324
Skills development levies	8 763	6 726
Other staff related costs	8 127	9 064
Total staff costs	900 858	743 803
Other operating costs		
Amortisation of intangible assets	2 566	2 431
Depreciation	73 497	61 153
Insurance	8 984	8 076
Advertising and marketing	60 664	60 301
Property and maintenance related expenses	76 956	72 424
Legal and other related expenses	10 666	8 684
Postage	4 329	4 228
Stationery and printing	13 843	15 970
Telecommunications	22 034	21 846
Travel and accommodation	17 980	16 841
Computer and processing related costs	257 567	197 125
Other operating expenditures	117 697	126 450
Total directors' remuneration	9 614	6 195
Professional fees	11 200	13 209
Transaction costs in respect of business combinations	2 130	
Other operating costs	690 009	614 933
Total operating expenses	1 663 061	1 417 647

6. Directors' emoluments

Executive

2017

N$'000	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

2016

N$'000	Cash package paid	Performance related	Retirement contributions	Other allowances	Total
SJ van Zyl	2 105	668	347	410	3 530
OLP Capelao *	406		65	184	655
	2 511	668	412	594	4 185

* Appointed 1 March 2016

Directors' fees non-executives	2017	2016
II Zaamwani-Kamwi	369	188
SH Moir	857	705
CLR Haikali	488	445
MN Ndilula	89	201
PT Nevonga	180	155
J Duan	42	
Adv G Hinda	54	
CJ Hinrichsen		207
JJ Comalie		109
	2 079	2 010

Executive directors and non-executive directors appointed by FirstRand do not receive directors fees for services.
Director J Hausiku is a newly appointed director and thus have not received any fees for the year for services.

6. Directors' emoluments continued

Share options

Share options allocated to directors and movements of share options are summarised below: Refer to note 29 for the description of terms of the share trusts.

	Opening balance as at 30 June 2016	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 2017
S J Van Zyl								
FirstRand Ltd shares	22 657			Sept 2016		(22 657)	(1 071)	
FirstRand Ltd shares	28 725			Sept 2017				28 725
FirstRand Ltd shares	473			Sept 2017				473
FirstRand Ltd shares	37 985			Sept 2018				37 985
FirstRand Ltd shares		46 508		Sept 2019				46 508
	68 476	46 508				(22 657)	(1 071)	113 691
FNB Namibia Share Scheme 2007 - 2014	117 333		11.80 - 24.52	Sept 2020		(29 333)	(910)	88 000
O L P Capelao *								
FirstRand Ltd shares	19 421			Sept 2016		(19 421)	(918)	
FirstRand Ltd shares	20 549			Sept 2017				20 549
FirstRand Ltd shares	24 738			Sept 2018				24 738
FirstRand Ltd shares		25 368		Sept 2019				25 368
	64 708	25 368				(19 421)	(918)	70 655
FNB Namibia Share Scheme 2007 - 2014	119 999		11.80 - 24.52	Sept 2020		(25 332)	(777)	84 001

* Appointed on 1 March 2016

6. Directors' emoluments continued

Directors' holdings in shares

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

FNB Namibia Holdings Ltd shares

	2017		2016	
Directly	Number of ordinary shares	Percentage holding	Number of ordinary shares	Percentage holding
SH Moir	6 000	0.002%	6 000	0.002%
II Zaamwani-Kamwi	54 463	0.020%	54 463	0.020%
SJ van Zyl	257 332	0.096%	227 999	0.085%
OLP Capelao	107 881	0.040%	83 769	0.031%
CLR Haikali	15 506	0.006%		
	441 182	0.164%	372 231	0.138%

Indirectly	Number of ordinary shares	Percentage holding	Number of ordinary shares	Percentage holding
CLR Haikali	3 018 199	1.128%	3 011 899	1.126%
SH Moir	3 800	0.001%	3 800	0.001%
MN Ndilula (resigned during the year)			5 749 989	2.149%
	3 021 999	1.129%	8 765 688	3.276%

7. Taxation

N$'000	2017	2016
Indirect tax		
Value added tax (net)	29 243	24 300
Stamp duties	11 524	7 674
Total indirect tax	40 767	31 974
Direct tax		
Current		
Income tax current period	468 359	445 990
Deferred		
Originating and reversing temporary differences	55 625	91 097
Changes in tax rates		(4 102)
	55 625	86 995
Total direct tax	523 984	532 985
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	(0.66)%	(1.26)%
Tax rate change		(0.30)%
Other	0.67%	
	32.01%	30.44%

8. Earnings and dividends per share

Basic earnings per share

Basic 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 during the year.

	2017	2016
Basic earnings per share (cents)		
Earning attributable to ordinary shareholders (N$'000)	1 093 495	1 198 209
Weighted average number of ordinary shares in issue	261 045 418	260 636 675
	418.9	459.7

	2017	2016
Diluted earnings per share (cents)		
Diluted earning attributable to ordinary shareholders (N$'000)	1 093 495	1 198 209
Diluted weighted average number of ordinary shares in issue	263 948 658	264 293 975
	414.3	453.4

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.

Headline earnings and diluted headline earnings per share

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

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

8. Earnings and dividends per share continued

	2017	2016
Headline earnings per share (cents)	416.2	435.9
Diluted headline earnings per share (cents)	411.6	429.9
Reconciliation between earnings and headline earnings		
Basic earnings (N$'000)	1 093 495	1 198 209
Adjusted for:		
Gains and losses on sale of property and equipment (N$'000)	(7 110)	(62 075)
	1 086 385	1 136 134
Dividends per share		
Interim (31 January 2017: 91 cents), (29 January 2016: 91 cents)	237 620	290 951
Final (5 August 2016: 122 cents), (7 August 2015: 112 cents)	318 615	237 780
	556 235	528 731

The final dividend of 113 cents (2016: 122 cents) was declared and authorised after the end of 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).

9. Categories of financial instruments

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
2017							
Categories of financial instruments							
Assets							
Cash and cash equivalents	10		1 466 113				
Due from banks and other financial institutions	10		2 667 981				
Derivative financial instruments	11				95 221		
Advances	12	464 205	27 794 208				
Investments	14	259 271		3 451 867	155 257		
Accounts receivable	15		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							
Equity	27						4 540 617
Liabilities							
Deposits	22					30 488 360	
Due to banks and other financial institutions	22					1 192 537	
Creditors and accruals	23					175 037	
Short trading positions	21				39 330		
Derivatives	11				115 562		
Tier two liabilities	26					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	5 395 850

9. Categories of financial instruments continued

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
2016							
Categories of financial instruments							
Assets							
Cash and cash equivalents	10		2 119 861				
Due from banks and other financial institutions	10		1 772 267				
Derivative financial instruments	11				209 497		
Advances	12	491 903	25 284 184				
Investments	14	246 436		2 889 376	101 062		
Accounts receivable	15		47 533				
Non-financial assets							1 023 375
Total assets		738 339	29 223 845	2 889 376	310 559		1 023 375
Equity and liabilities							
Equity	27						4 040 481
Liabilities							
Deposits	22					27 793 798	
Due to banks and other financial institutions	22					800 973	
Creditors and accruals	23					79 409	
Short trading positions	21				36 927		
Derivatives	11				219 455		
Tier two liabilities	26					392 654	
Non-financial liabilities							821 806
Total Liabilities					256 382	29 066 834	821 806
Total Equity and Liabilities					256 382	29 066 834	4 862 287

10. Cash and cash equivalents

10.1 Cash and cash equivalents

N$'000	2017	2016
Coins and bank notes	623 114	569 720
Balances with other banks	63 261	26 245
Balances with central bank	779 738	1 523 896
	1 466 113	2 119 861
Mandatory reserve balances included above:	333 810	318 905

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

	2017	2016
Due from banks and other financial institutions	2 667 981	1 772 267

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.

11. Derivative financial instruments continued

Use of derivatives continued

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present the group's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates, 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 this Intregrated Annual Report.

Refer to note 34 for information on how the fair value of derivatives is determined.

	2017			
N$'000	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

	2016			
N$'000	Assets Notional	Fair value	Liabilities Notional	Fair value
Currency derivatives	2 225 963	206 638	1 907695	206 295
Interest rate derivatives	2 102 308	2 859	2 573 578	13 160
Total held for trading	4 328 271	209 497	4 481 273	219 455

All derivatives are over-the-counter instruments

12. Advances

N$'000	2017	2016
Notional value of advances	28 527 363	26 001 358
Contractual interest suspended	(49 805)	(32 157)
Gross value of advances	28 477 558	25 969 201
Sector analysis		
Agriculture	847 175	848 735
Banks and financial services	611 245	174 983
Building and property development	2 291 866	2 268 726
Government and public authorities	2 115 475	1 535 006
Individuals	17 527 859	16 267 883
Manufacturing and commerce	2 769 790	2 796 208
Mining	660 022	375 281
Transport and communication	377 754	390 997
Other services	1 276 372	1 311 382
Gross value of advances	28 477 558	25 969 201
Impairment of advances	(219 145)	(193 114)
Net advances	28 258 413	25 776 087
Geographic analysis (based on credit risk)		
Namibia	28 258 413	25 776 087

12. Advances continued

N$'000	2017	2016
Category analysis		
Overdraft and cash management accounts	3 497 756	2 632 861
Card loans	322 777	233 240
Instalment sales and hire purchase agreements	3 212 558	3 289 151
Lease payments receivables	313 851	281 707
Home loans	12 578 763	11 815 279
Term loans	7 795 608	6 972 654
Investment bank term loans	484 036	517 934
Assets under agreement to resell	39 629	36 230
Other	232 580	190 145
Gross value of advances	28 477 558	25 969 201
Impairment of advances	(219 145)	(193 114)
Net advances	28 258 413	25 776 087
Portfolio analysis		
Designated at fair value through profit or loss	464 205	491 903
Loans and receivables	27 794 208	25 284 184
	28 258 413	25 776 087

Fair value of advances is disclosed in note 34.

12. Advances continued

Analysis of instalment sales and lease payments receivable

N$'000	Within 1 year	Between 1 and 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

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

The group 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.

12. Advances continued

Credit risk mitigation

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

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

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:

	2017		2016	
N$'000	Performing	Non performing	Performing	Non performing
Instalment sales and lease payments receivables	4 423	3 210	1 402	5 848
Home loans	32 885	10 679	8 774	69 259
Total	37 308	13 889	10 176	75 107

The financial effect of collateral and other credit enhancements has been calculated with reference to the unsecured loss given default ("LGD") per class for the performing book (IBNR and portfolio specific impairments) and the non-performing book separately. The amounts disclosed above 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.

13. Impairment of advances

2017

N$'000	Overdrafts and cash managed accounts	Card loans	Instalment sales and lease payments receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Analysis of movement in impairment of advances per class of advance								
Opening balance	58 551	1 485	43 968	35 637	53 473	193 114	67 208	125 906
Amounts written off	(10 028)	(2 119)	(3 422)	(23)	(1 876)	(17 468)	(17 468)	
Unwinding of discounted present value on non-performing loans	(612)			(15 565)	(2 259)	(18 436)	(18 436)	
Net new impairments created / (released)	12 864	3 905	5 460	20 470	19 236	61 935	61 953	82
Closing balance	60 775	3 271	46 006	40 519	68 574	219 145	93 157	125 988
Increase / (decrease) in provision	12 864	3 905	5 460	20 470	19 236	61 935	61 953	82
Recoveries of bad debts previously written off	(957)	(106)	(700)	(236)	(685)	(2 684)	(2 684)	
Impairment loss recognised in profit or loss	11 907	3 799	4 760	20 234	18 551	59 251	59 169	82

13. Impairment of advances continued

2016

N$'000	Overdrafts and cash managed accounts	Card loans	Instalment sales and lease payments receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Analysis of movement in impairment of advances per class of advance								
Opening balance	57 653	1 734	45 926	24 351	42 716	172 380	49 767	122 613
Amounts written off	(4 010)	(2 091)	(7 950)	(846)	(4 923)	(19 820)	(19 820)	
Unwinding of discounted present value on non-performing loans	(559)			(6 016)	(206)	(6 781)	(6 781)	
Net new impairments created / (released)	5 467	1 842	5 992	18 148	15 886	47 335	44 042	3 293
Closing balance	58 551	1 485	43 968	35 637	53 473	193 114	67 208	125 906
Increase / (decrease) in provision	5 467	1 842	5 992	18 148	15 886	47 335	44 042	3 293
Recoveries of bad debts previously written off	4 428	(1 017)	(1 209)	(168)	(1 517)	517	517	
Impairment loss recognised in profit or loss	9 895	825	4 783	17 980	14 369	47 852	44 559	3 293

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

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

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

13. Impairment of advances continued

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").

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

13. Impairment of advances continued

2016

N$'000	Total value net of interest in suspense	Security held and other recoveries	Specific impairments
Non-performing loans by sector			
Agriculture	2 364	2 040	324
Financial institutions	317		317
Building and property development	30 159	25 596	4 563
Individuals	182 650	135 978	46 672
Manufacturing and commerce	12 603	5 088	7 515
Mining	345	188	157
Transport and communication	9 393	5 730	3 663
Other	13 535	9 538	3 997
Total non-performing loans	251 366	184 158	67 208
Non-performing loans by category			
Card loans	1 052		1 052
Overdrafts and cash managed accounts	20 845	10 545	10 300
Instalment sales and hire purchase agreements	20 184	4 513	15 671
Lease payments receivable	2 992	2 169	823
Home loans	152 720	126 630	26 090
Term loans	53 573	40 301	13 272
Total non-performing loans	251 366	184 158	67 208
Non-performing loans by geographical area			
Namibia	251 366	184 158	67 208

14. Investment securities

N$'000	2017	2016
At fair value through profit or loss: designated		
Unit trusts	259 271	246 436
At fair value through profit or loss: held for trading		
Other government and government guaranteed stock	45 548	94 004
Treasury bills	109 708	7 058
	155 256	101 062
Available-for-sale		
Other government and government guaranteed stock	1 042 444	831 925
Unlisted equity	9 576	9 576
Unit trusts	96 438	99 933
Treasury bills	2 303 410	1 947 951
	3 451 868	2 889 385
Valuation of investments		
Market value of listed investments	1 042 444	831 925
Directors valuation of unlisted investments	2 823 951	2 404 958
	3 866 395	3 236 883

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

Refer to note 34 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$3 346 million (2016: N$2 780 million).

15. Accounts receivable

N$'000	2017	2016
Items in transit	57 245	47 295
Deferred staff cost	83 644	45 310
Premium debtors	109	814
Other accounts receivable	56 446	43 173
	197 444	136 592

Information about the credit quality of the above balances is set out in the risk management note 40.
The carrying value of accounts receivable approximates the fair value.

16. 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 2017	Carrying amount 2016
Namclear (Pty) Ltd	Interbank clearing house	Windhoek	25%	25%	7 569	5 054
Stimulus Investments Limited	Investment company	Windhoek	25%	25%	13 558	
Stimulus Private Equity (Pty) Ltd	Asset management company	Windhoek	49%	49%	14 898	
					36 025	5 054

	Country of incorporation	Method	% Ownership interest 2017	% Ownership interest 2016
Namclear (Pty) Ltd	Namibia	Equity	25%	25%
Stimulus Investments Limited	Namibia	Equity	25%	
Stimulus Private Equity (Pty) Ltd	Namibia	Equity	49%	

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

16. Investment in associates continued

Summarised financial information of material associates

N$'000

2017

Summarised statement of comprehensive income	Revenue	Profit (loss) from continuing operations	Total comprehensive income
Namclear (Pty) Ltd	4 137	972	972
Stimulus Investments Limited	34 591	11 876	11 876
Stimulus Private Equity (Pty) Ltd	9 805	6 965	6 965
	48 533	19 813	19 813

Summarised consolidated statement of financial position	Non current assets	Current assets	Non current liabilities	Current liabilities	Total net assets
Namclear (Pty) Ltd	47 470	17 961	26 799	8 357	30 275
Stimulus Investments Limited	566 521	147 973	627 684	32 579	54 231
Stimulus Private Equity (Pty) Ltd	32 858	2 102		4 555	30 405
	646 849	168 036	654 483	45 491	114 911

Reconciliation of net assets to equity accounted investments in associates	Total net assets	Interest in associate at % ownership	Investment in associate
Namclear (Pty) Ltd	30 275	7 569	7 569
Stimulus Investments Limited	54 231	13 558	13 558
Stimulus Private Equity (Pty) Ltd	30 405	14 898	14 898
	114 911	36 025	36 025

Reconciliation of movement in investments in associates	Investment at beginning of 2017	Acquisitions	Share of profit	Investment at end of 2017
Namclear (Pty) Ltd	5 054		2 515	7 569
Stimulus Investments Limited		13 558		13 558
Stimulus Private Equity (Pty) Ltd		14 898		14 898
	5 054	28 456	2 515	36 025

16. Investment in associates continued

Summarised financial information of material associates

N$'000

2016

Summarised statement of comprehensive income	Revenue	Profit (loss) from continuing operations	Total comprehensive income
Namclear (Pty) Ltd	23 886	2 742	2 742

Summarised consolidated statement of financial position	Non current assets	Current assets	Non current liabilities	Current liabilities	Total net assets
Namclear (Pty) Ltd	39 926	19 651	22 949	16 412	20 216

Reconciliation of net assets to equity accounted investments in associates	Total net assets	Interest in associate at % ownership	Investment in associate
Namclear (Pty) Ltd	20 216	5 054	5 054

Reconciliation of movement in investments in associates	Investment at beginning of 2016	Share of profit	Investment at end of 2016
Namclear (Pty) Ltd	3 726	1 328	5 054

17. Property and equipment

N$'000	2017 Cost	2017 Accumulated depreciation	2017 Carrying value	2016 Cost	2016 Accumulated depreciation	2016 Carrying value
Freehold land and buildings	678 886	(35 725)	643 161	666 079	(30 415)	635 664
Leasehold property	66 306	(47 028)	19 278	51 735	(39 639)	12 096
Furniture and fixtures	239 507	(100 862)	138 645	212 391	(80 766)	131 625
Motor vehicles	10 228	(4 893)	5 335	7 806	(3 964)	3 842
Office equipment	119 975	(78 578)	41 397	125 546	(65 824)	59 722
IT equipment	241 110	(135 636)	105 474	173 946	(91 898)	82 048
Capitalised leased assets				12 289	(12 289)	
Total	1 356 012	(402 722)	953 290	1 249 792	(324 795)	924 997

2017

Reconciliation of property and equipment

N$'000	Opening balance	Additions	Aquired as part of business combination	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	50 611	3 758	(2 325)	(28 619)	105 474
	924 997	106 546	5 353	(10 402)	(73 497)	953 290

17. Property and equipment continued

2016

Reconciliation of property and equipment

N$'000	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	625 115	37 229	(22 090)		(4 590)	635 664
Leasehold property	14 100	2 824	(3)		(4 825)	12 096
Furniture and fixtures	126 360	26 540	(3 546)		(17 729)	131 625
Motor vehicles	4 103	123	(34)		(350)	3 842
Office equipment	42 178	34 609	(822)	(3 070)	(13 173)	59 722
IT equipment	34 584	62 255	(106)	3 070	(17 755)	82 048
Capitalised leased assets	2 731				(2 731)	
	849 171	163 580	(26 601)		(61 153)	924 997

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.

18. Intangible assets

N$'000	2017			2016		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Trademarks	201 526	(85 832)	115 694	83 375	(83 375)	
Customer related intangibles	40 145		40 145			
Software	78 213	(48 562)	29 651	46 516	(46 512)	4
Goodwill	45 344		45 344	100		100
Value of insurance broker business acquired	1 831		1 831			
Total	367 059	(134 394)	232 665	129 991	(129 887)	104

18. Intangible assets continued

2017

Reconciliation of intangible assets

N$'000	Opening balance	Additions	Aquired as part of business combination	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

Impairment of goodwil:

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 2017 relates to is FNB Namibia Unit Trust Company Ltd and the Pointbreak group of companies acquired during the year.

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

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

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

	Discount rate		Growth rate	
	2017	2016	2017	2016
FNB Namibia Unit Trust Limited	14%	15%	6%	6%
PointBreak group of companies	14%		6%	

19. Deferred income tax

N$'000	2017	2016
Deferred income tax liability		
Opening balance	(190 209)	(110 904)
Charge to profit or loss	(55 625)	(87 740)
Deferred tax on amounts charged directly to other comprehensive income	125	6 661
Tax rate adjustment		1 774
Acquisition of subsidiaries	(12 846)	
Other	1 315	
Net balance for the year for entities with deferred income tax liabilities	(257 240)	(190 209)
Deferred income tax asset		
Opening balance	2 868	3 897
Charge to profit or loss		(940)
Acquisition of subsidiary	31 360	
Tax rate adjustment		(89)
Other	406	
Net balance for the year for entities with deferred income tax assets	34 634	2 868
Total net deferred income tax liability	(222 606)	(187 341)

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.

19. Deferred tax continued

Reconciliation of deferred income tax asset / (liability)

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

N$'000	2017 Closing balance	2016 Closing balance
Deferred income tax (liabilities) / assets		
Accruals	(137 850)	(108 488)
Deferred staff costs	(13 944)	(14 499)
Fair value adjustments of financial instruments	(7 869)	(10 462)
Instalment credit agreements	(107 265)	(97 635)
Post-employment benefit liabilities	12 472	14 267
Property and equipment	(74 920)	(58 325)
Provision for loan impairment	44 053	44 204
Other	28 083	40 729
Net deferred income tax (liabilities) / assets	(257 240)	(190 209)
Deferred income tax assets		
Property and equipment	(20)	(20)
Other	34 654	2 888
Total net deferred income tax assets	34 634	2 868
Charge through profit or loss	55 625	86 995
Deferred income tax on other comprehensive income	319	6 661
	55 944	93 656

20. Reinsurance assets

N$'000	2017	2016
Short-term reinsurance contracts	99	598

Information about the credit quality of the above balances is provided in the risk management note 40.

21. Short trading positions

N$'000	2017	2016
Government and government guaranteed stock	39 330	36 927

22. Deposits

22.1 Deposits and current accounts

N$'000	2017	2016
Category analysis		
Current accounts	9 506 126	9 808 289
Call deposits	5 142 281	5 175 061
Savings accounts	580 563	607 448
Fixed and notice deposits	7 044 531	5 000 144
Negotiable certificate of deposit	6 944 752	7 202 856
Fixed and floating rate notes	1 270 107	
Total deposits	30 488 360	27 793 798

The fair values of deposits and current accounts are disclosed in note 34.

22.2 Due to banks and other financial institutions

N$'000	2017	2016
To banks and other financial institutions		
In the normal course of business	1 192 537	800 973

23. Creditors and accruals

N$'000	2017	2016
Items in transit	171 629	193 647
Accounts payable and accrued liabilities	281 186	203 311
Creditors and accruals	452 815	396 958

The carrying value of creditors and accruals approximates fair value.

24. Employee liabilities

N$'000	2017	2016
Staff related accruals	152 119	135 693
Cash settled share-based payment liability	21 703	10 907
Post-employment benefit liabilities	37 518	44 750
Closing balance	211 340	191 350

* Refer to note 29 (remuneration schemes) for more detail on the cash settled share-based payment schemes.

Staff related accruals

The staff related accruals consist mainly of the accrual for leave pay, staff bonuses.

	2017	2016
Opening balance	135 693	123 608
Charge to profit or loss	67 272	58 442
Utilised	(50 846)	(46 357)
Closing balance	152 119	135 693

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.

24. Employee liabilities continued

N$'000	2017 Medical	2017 Severance	2017 Total	2016 Medical	2016 Severance	2016 Total
Present value of unfunded liabilities	32 313	5 205	37 518	39 729	5 021	44 750

The amounts recognised in the statement of comprehensive income are as follows:	2017 Medical	2017 Severance	2017 Total	2016 Medical	2016 Severance	2016 Total
Current service cost	215	422	637	203	376	579
Interest cost	4 055	518	4 573	2 967	346	3 313
Total included in staff costs	4 270	940	5 210	3 170	722	3 892
Recognised in other comprehensive income						
Actuarial gains and losses recognised	9 758	705	10 463	4 837	87	4 924
Total included in staff costs	9 758	705	10 463	4 837	87	4 924

Movement in post-employment liabilities	2017 Medical	2017 Severance	2017 Total	2016 Medical	2016 Severance	2016 Total
Present value at the beginning of the year	39 729	5 021	44 750	33 660	4 593	38 253
Current service cost	215	422	637	203	376	579
Interest cost	4 055	518	4 573	2 967	346	3 313
Benefits paid	(1 938)	(51)	(1 979)	(1 938)	(381)	(2 319)
Actuarial (gains) losses from changes in financial assumptions	(9 758)	(705)	(10 463)	4 837	87	4 924
Present value at the end of the year	32 313	5 205	37 518	39 729	5 021	44 750

24. Employee liabilities continued

The principal actuarial assumptions used for accounting purposes were:

	2017		2016	
	Medical	Severance Pay	Medical	Severance Pay
Discount rate (%)	9.70%	9.69%	10.46%	10.47%
Medical aid inflation (%)	8.30%		9.66%	
Salary inflation (%)		8.26%		9.65%
Employees covered	100	2 180	107	2 064

Defined contribution pension fund

N$'000	2017	2016
Employer contribution to pension fund	68 470	55 966
Employer contribution to pension fund – executive directors	573	412
Total employer contributions to pension fund	69 043	56 378
Employees contribution to pension fund	29 030	24 263
Total contributions	98 073	80 641
Number of employees covered	2 197	2 093

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

25. Policyholder liabilities under insurance contracts

N$'000	2017	2016
Short-term insurance contracts		
Claims outstanding		
Claims reported and loss adjustment expenses	9 949	13 681
Claims incurred but not reported	8 810	8 850
Insurance contract cash bonuses	11 564	10 901
Unearned premiums	22 989	54 637
Gross	53 312	88 069
Claims reported and loss adjustment expenses	(670)	20 291
Recoverable from reinsurance	(670)	20 291
Claims outstanding		
Claims reported and loss adjustment expenses	9 279	13 497
Claims incurred but not reported	8 810	8 850
Insurance contract cash bonuses	11 564	10 901
Unearned premiums	22 989	34 530
	52 642	67 778

26. Tier two liabilities

N$'000

Subordinated debt instruments	Interest rate	Final maturity date	Note	2017	2016
FNB X22 fixed rate notes	8.88%	29 March 2022	i		110 000
FNB J22 floating rate notes	Three month JIBAR + 1.65%	29 March 2022	ii		280 000
FNB J27 floating rate notes	Three month JIBAR + 2.50%	29 March 2027	iii	300 000	
FNB X27 fixed rate notes	10.36%	29 March 2027	iv	100 000	
Accrued interest				2 830	2 635
Total				402 830	392 635

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

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

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

Refer to note 34, fair value of financial instruments for the methodologies used to determine the fair value of tier two liabilities.

27. Share capital

N$'000	2017	2016
Authorised		
990 000 000 (2016: 990 000 000) ordinary shares of par value of N$0.005 per share	4 950	4 950
10 000 000 (2016: 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 (2016: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
2 (2016: 2) cumulative convertible preference shares with a par value of N$0.005 per share		
Shares held by FNB Namibia share trusts	(12)	(34)
Share premium	74 507	126 680
	75 833	127 984

A detailed reconciliation of the movements in the share capital and premium balances is set out in the statement of changes in equity. The unissued ordinary and preference shares are under the control of the directors until the next annual general meeting.

28. General risk reserves

	2017	2016
First National Bank of Namibia Limited - Credit risk reserve	160 054	135 412

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

29. Remuneration schemes

The statement of comprehensive income charge for share-based payments is as follows:

N$'000	2017	2016
FNB Namibia share options	4 781	6 986
FirstRand conditional share plan	15 478	6 339
Charge against staff costs	20 259	13 325

Share option schemes

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

29. Remuneration schemes continued

Employee statistic assumptions:

- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested.

The number of iterations is the number to be used in the binomial model, which is limited to 500.

The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.

Corporate performance targets

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

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

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

2016 (vests in 2019) – FirstRand Limited must achieve growth in normalised EPS which equals or exceeds the South African nominal GDP growth, on a cumulative basis, over the performance period from the base year-end immediately preceding the vesting period date. Nominal GDP is advised by the FirstRand group treasury, macro strategy unit; and the company delivers ROE of 18-22% over the performance period.

29. Remuneration schemes continued

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

	FNB share incentive scheme		FirstRand conditional share plan	
	2017	2016	2017	2016
Weighted average share price (cents)	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	6.92 - 7.46	7.36 - 8.06
Share option schemes				
Number of options in force at the beginning of the year ('000)	6 908	9296	683	198
Granted at prices ranging between (cents)	721 - 2 452	721 - 2 452		
Number of options granted during the year ('000)			597	533
Granted at prices ranging between (cents)				
Number of options exercised/released during the year ('000)	(1 519)	(1 761)	(100)	(4)
Market value range at the date of exercise/release (cents)	4 711 - 4 850	2351 - 3231	4 725 - 5 124	5 073 - 5 073
Number of options cancelled/lapse during the year ('000)	(206)	(626)	(69)	(44)
Granted at prices ranging between (cents)	823 - 2 452	823 - 2 452		
Number of options in force at the end of the year ('000)	5 183	6 908	1 119	683
Granted at prices ranging between (cents)	721 - 2 452	721 - 2 452		

	FNB share incentive scheme	
(First date able to release)	2017	2016
Financial year 2017		357
Financial year 2018	3 058	2 061
Financial year 2019	1 063	2 215
Financial year 2020	1 062	2 275
Total	5 183	6 908

30. Cash flow information

N$'000	2017	2016
Reconciliation of operating profit before tax to cash flow from operating activities		
Profit before tax	1 637 215	1 750 618
Share of profit from associate after tax	(2 515)	(1 328)
Amortisation of intangible assets	2 566	2 431
Depreciation of property, plant and equipment	73 497	61 153
Share-based payment expenses	20 259	13 325
Impairment of advances	59 251	47 851
Provision for post-employment benefit obligations	5 210	2 190
Other employment accruals		140
Creation and revaluation of derivative financial instruments	10 377	(3 589)
Policyholders fund and insurance fund transfers	(14 298)	435
Transfer to provision for unintimated claims	(40)	858
Non cash flow movements in interest accrual on financial liabilities	(2 830)	(2 654)
Unwinding of discounted present value on non-performing loans	(18 436)	(6 781)
Unwinding of discounted present value on off-market loans	(2 897)	(1 910)
Net release of deferred fee and expenses	(15 912)	(25 789)
Off-market staff loans amortisation	2 897	1 910
Profit on sale of property and quipment	(7 110)	(67 322)
Indirect tax	40 767	31 974
Cash flows from operating activities	1 787 999	1 803 512
Cash receipts from customers		
Interest and similar income	3 248 388	2 834 993
Other non-interest revenue	1 555 911	1 435 742
Net insurance premium received	168 604	189 688
	4 972 903	4 460 423

30. Cash flow information continued

N$'000	2017	2016
Cash paid to customer, suppliers and employees		
Interest expense and similar charges	(1 523 863)	(1 218 496)
Net claims and benefits paid	(102 326)	(101 919)
Total other operating expenses	(1 558 715)	(1 336 496)
	(3 184 904)	(2 656 911)
Movement in income earning assets		
Due from banks and other financial institutions	(892 697)	(187 238)
Advances	(2 420 595)	(2 955 764)
Investment securities	(562 241)	129 053
Accounts receivable and similar accounts	(42 642)	48 309
Reinsurance assets	(499)	(407)
	(3 917 675)	(2 966 047)
Movement in deposits and other liabilities		
Deposits	2 535 711	3 841 986
Due to banks and other financial institutions	388 609	(219 044)
Accounts payable and similar accounts	23 718	(44 536)
	2 948 038	3 578 406
Income tax paid		
Amounts payable at beginning of the year	(85 451)	(67 089)
Indirect tax	(40 767)	(31 974)
Current tax charge	(468 359)	(446 520)
Amounts payable at end of the year	79 690	85 451
	(514 887)	(460 132)

31. Contingent liabilities and capital commitments

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

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

Legal proceedings

There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis. Provision is made for all liabilities which are expected to materialise.

Commitments:

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

	2017	2016
Property and equipment	7 396	22 305

Group leasing arrangements:

	2017			2016		
N$'000	Next year	2nd to 5th year	After 5th year	Next year	2nd to 5th year	After 5th year
Office premises	38 985	60 970	1 267	28 490	44 784	5 104

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

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

32. Collateral

Collateral taken possession of and recognised on the statement of financial position in accounts receivable note 15:

N$'000	2017	2016
Property	2 822	2 685
	2 822	2 685

Collateral pledged

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

N$'000	2017	2016
Short trading position	39 330	
Due to banks and other financial institutions	509 674	
Currency derivative		182 387
Interest rate derivative		12 813
	549 004	195 200

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

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

N$'000	2017	2016
Due from banks and other financial institutions (note 10)	53 990	357 820
Investment securities (note 14)	520 070	
	574 060	357 820

33. Related parties

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

Details of balances with relevant related parties appear below

Related party balances

N$'000	2017	2016
Deposits		
FirstRand group companies	680 452	795 915
Associate	8 811	12 856
Advances		
FirstRand group companies	2 305 799	917 612
Associate	17 665	19 578
Derivative assets		
FirstRand group companies	3 582	26 580
Derivative liabilities		
FirstRand group companies	(106 598)	(194 727)
Related party transactions		
Interest paid to (received from) related parties		
FirstRand group companies	(45 457)	(58 789)
Associates	343	(1 903)
FirstRand group companies	43 485	41 706
Non-interest revenue		
FirstRand group companies		2 748
Non-interest expenditure		
FirstRand group companies	250 199	176 742
Associates	12 879	11 908

33. Related parties continued

N$'000	2017	2016
Transactions with key management personnel:		
Advances	20 255	35 490
Current and credit card accounts	371	(6 182)
Instalment finance	3 513	3 938
Investment products	7 956	8 602
Balance 30 June	32 095	41 848
No impairment has been recognised for loans granted to key management (2016: nil) Mortgage loans are repayable monthly over 20 years.		
Shares and share options held		
Directors' holding in shares is disclosed in note 6		
Aggregate details		
Share options held FNB Namibia	813	1 067
Key management compensation		
Cash package	19 447	19 323
Retirement contributions	3 033	3 102
Performance related benefits	11 829	12 569
Share-based payment	7 420	3 805
	41 729	38 799

A listing of the board of directors of the group is detailed on page 33 and 35 of this integrated annual report.

Post-employment benefit plans

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

33. Related parties continued

Details of subsidiaries

All subsidiaries are unlisted.
The year end of all the subsidiaries is 30 June, except the newly acquired subsidaries that currently have a 31 March year end.

Significant subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding % 2017	Effective holding % 2016
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
EBank Ltd	Commercial bank	30 March 2017	Namibia	1 624 183 of N$1 each	**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 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
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

33. Related parties continued

Details of subsidiaries

Significant subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding % 2017	Effective holding % 2016
Investment and wealth management:						
Ashburton Investments Namibia Holdings (Pty) Ltd	Investment company	01 February 2017	Namibia	100 of N$1 each	100	
Ashburton Fund Managers Namibia (Pty) Ltd	Financial and investment services	01 February 2017	Namibia	100 of N$1 each	100	
Pointbreak Trusts and Estates (Pty) Ltd	Estate and trust services	30 March 2017	Namibia	17 000 of N$1 each	100	
Pointbreak Wealth Management (Pty) Ltd	Financial and investment services	30 March 2017	Namibia	105 of N$1 each	100	
Pointbreak Equity (Pty) Ltd	Financial and investment services	30 March 2017	Namibia	100 of N$1 each	100	
Pointbreak Investment Management (Pty) Ltd	Financial and investment services	30 March 2017	South Africa	100 of N$1 each	100	
Pointbreak Unit Trust Management Company Ltd	Unit trusts management company	30 March 2017	Namibia	2 000 000 of N$1 each	100	
Pointbreak Property Unit Trust Management Company Ltd	Property unit trusts management company	30 March 1998	Namibia	2 000 000 of N$1 each	100	

33. Related parties continued

Details of subsidiaries continued

N$'000	Aggregate income of subsidiaries (before tax)		Total investment	
	2017	2016	2017	2016
First National Bank of Namibia Ltd	1 941 122	1 544 837	1 142 792	1 142 792
Swabou Investments (Pty) Ltd	40 427	64 709		
EBank Ltd	(7 931)			
OUTsurance Insurance Company of Namibia Ltd	51 222	45 786	6 511	6 511
FNB Trust Services Namibia (Pty) Ltd	3 768	1 384		
FNB Insurance Brokers (Namibia) (Pty) Ltd	1 986	1 211	27 904	27 904
FNB Namibia Unit Trusts Ltd	3 717	3 930	5 475	5 475
Talas Properties (Windhoek) (Pty) Ltd	3 041	4 373	2 967	2 967
RMB Investments (Pty) Ltd		3		
Ashburton Investments Namibia Holdings (Pty) Ltd	1 714		161 503	
Pointbreak Trusts and Estates (Pty) Ltd	(956)		(728)	
Pointbreak Wealth Management (Pty) Ltd	482		1 549	
Pointbreak Equity (Pty) Ltd	(1 883)			
Pointbreak Investment Management (Pty) Ltd	1 940			
Pointbreak Unit Trust Management Company Ltd	563			
Pointbreak Property Unit Trust Management Company Ltd	1 190			
	2 040 402	1 666 233	1 347 973	1 185 649

33. Related parties continued

Acquisition of subsidiaries

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 liabilities 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

33. Related parties continued

Acquisition of subsidiaries 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 consideration cash and cash equivalents acquired 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 tax 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 recovered.

Non-controlling interest

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	2017	2016
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	19 736	19 424
Accumulated balance of non-controlling interests	61 698	50 782
Dividends paid to non-controlling interests	8 820	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	170 554	163 106
Total Liabilities	69 792	83 650
Net interest income	4 522	3 073
Non-interest revenue	97 185	95 457
Profit before tax	55 737	45 786
Total comprehensive income	39 276	32 691

34. 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

34. Fair value measurements continued

Non-recurring fair value measurements continued

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 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.

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.

34. 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
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
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

34. 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 securities and other investments continued					
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
Instruments	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumption.	Observable	
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

34. 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
Deposits continued					
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 non-recurring basis in the current and prior year.

34. Fair value 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:

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
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
	39 330	115 562		154 892

34. Fair value 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:

2016

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities		3 227 307	9 576	3 236 883
Advances			491 903	491 903
Derivative financial instruments		209 497		209 497
Total financial assets		3 436 804	501 479	3 938 283
Liabilities				
Recurring fair value measurements				
Derivative financial instruments		219 455		219 455
Short trading position	36 927			36 927
	36 927	219 455		256 382

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

34. Fair value measurements continued

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 additional 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$510 626 (2016:N$584 227) and using more negative reasonable possible assumptions to N$417 785 (2016:N$478 004). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

34. Fair value measurements continued

Changes in level 3 instruments with recurring fair value measurements

N$'000	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

N$'000	Fair value on June 2015	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2016
Advances	519 585	52 887		(80 569)	491 903
Investment securities	11 530		(1 954)		9 576
Total financial assets at fair value	531 115	52 887	(1 954)	(80 569)	501 479

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.

34. Fair value measurements continued

N$'000	2017		2016	
	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income
Advances	53 914		52 887	
Investment securities				1 954
	53 914		52 887	1 954

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.

N$'000	2017			2016		
	Carrying value	Level 2	Level 3	Carrying value	Level 2	Level 3
Assets						
Advances	27 794 206	3 815 096	24 169 363	25 284 184	2 923 978	22 213 582
	27 794 206	3 815 096	24 169 363	25 284 184	2 923 978	22 213 582

N$'000	2017		2016	
	Carrying value	Fair value hierarchy level 2	Carrying value	Fair value hierarchy level 2
Liabilities				
Total deposits at amortised cost	30 488 360	30 518 238	27 793 798	27 869 329
Tier two liabilities	402 830	441 837	392 654	391 047
	30 891 190	30 960 075	28 367 214	28 441 138

34. Fair value 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 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	2017	2016
Unrecognised profit at the beginning of the year	1 202	4 873
Recognised in profit or loss during the year	(1 202)	(3 671)
Unrecognised profit at the end of the year		1 202

35. 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.

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

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

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

36. Financial instruments subject to offsetting, master netting arrangements (MNA) and similar agreements

In accordance with IAS 32 the group offsets financial assets and financial liabilities and presents the net amount in the statement of financial position only if there is both a legally enforceable right to offset and there is an intention to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously.

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

37. Structured entities

Consolidated structured entities

The group assess 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 a 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	2017	2016
Investments and other securities		
Unit trust investments	355 709	346 369
Maximum exposure to loss	355 709	346 369
Total size of unit trust funds	11 816 667	2 404 045

38. Segmental information

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	Consumer and commercial banking	Comprehensive banking packages for individuals and business
	WesBank	Motor vehicle and instalment finance	
	RMB	Corporate banking	
	EBank	Consumer banking	
Insurance operations	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 operations are outside Namibia.

38. Segmental information continued

Statement of Comprehensive Income for the year ended 30 June

	Group		Banking operations		Insurance operations		Other	
N$'000	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income external	1 764 601	1 653 631	1 759 392	1 648 230		1 069	5 209	4 332
Net interest income internal			127	3 035	4 521	2 004	(4 648)	(5 039)
Impairment losses of advances	(59 251)	(47 852)	(59 251)	(47 852)				
Net interest income after impairment of advances	1 705 350	1 605 779	1 700 268	1 603 413	4 521	3 073	561	(707)
Non-interest revenue	1 553 954	1 506 656	1 444 949	1 349 135	16 649	8 981	92 356	148 540
Net insurance premium income	182 902	189 253			182 902	189 253		
Net claims and benefits paid	(103 678)	(102 777)			(103 678)	(102 777)		
Income from operations	3 338 528	3 198 911	3 145 217	2 952 548	100 394	98 530	92 917	147 833
Operating expenses	(1 663 061)	(1 417 647)	(1 553 988)	(1 310 949)	(44 734)	(52 744)	(64 403)	(53 954)
Net income from operations	1 675 467	1 781 264	1 592 228	1 641 599	55 660	45 786	28 514	93 879
Share of profits from associates	2 515	1 328	2 515	1 328				
Income before tax	1 677 982	1 782 592	1 593 743	1 642 927	55 660	45 786	28 514	93 879
Indirect tax	(40 767)	(31 974)	(40 015)	(31 232)			(742)	(742)
Profit before tax	1 637 215	1 750 618	1 553 727	1 611 695	55 660	45 786	27 762	93 137
Direct tax	(523 984)	(532 985)	(494 100)	(513 385)	(16 552)	(13 095)	(13 332)	(6 502)
Profit for the year	1 113 231	1 217 633	1 059 627	1 098 310	39 108	32 691	14 430	86 632

Notes to the consolidated annual financial statements
for the year end 30 June

38. Segmental information continued

Consolidated statement of financial position as at 30 June

N$'000	Group		Banking operations		Insurance operations		Other	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets								
Cash and cash equivalents	1 466 113	2 119 867	1 414 296	2 093 611	66 736	58 265	(14 919)	(32 013)
Due from banks and other financial institutions	2 667 981	1 772 267	2 667 981	1 772 267				
Derivative financial instruments	95 221	209 497	95 221	209 497				
Advances	28 258 413	25 776 087	28 325 993	25 876 231			(67 580)	(100 144)
Investment securities	3 866 395	3 236 883	3 717 573	3 062 515	96 438	99 933	52 380	74 435
Investment in associates	36 025	5 054	7 569	5 054			28 456	
Other assets	1 419 358	1 065 848	1 273 890	1 150 889	4 863	4 908	140 605	(89 943)
Total assets	37 809 506	34 185 503	37 502 527	34 170 064	168 037	163 106	138 942	(147 665)
Equity and liabilities								
Liabilities								
Deposits	30 488 360	27 793 798	30 551 208	28 004 707			(62 848)	(210 909)
Due to banks and other financial institutions	1 192 537	800 973	1 192 537	800 973				
Derivative financial instruments	115 562	219 455	115 562	219 455				
Other liabilities	1 069 600	938 142	937 342	832 501	67 743	83 650	64 515	22 991
Tier two liabilities	402 830	392 654	402 830	392 654				
Total liabilities	33 268 889	30 145 022	33 199 479	30 250 290	67 743	83 650	1 667	(188 918)

38. Segmental information continued

Consolidated statement of financial position as at 30 June

N$'000	Group		Banking operations		Insurance operations		Other	
	2017	2016	2017	2016	2017	2016	2017	2016
Equity								
Capital and reserves attributable to ordinary equity holders								
Share capital Ordinary	1 326	1 304	1	1	4 000	4 000	(2 675)	(2 697)
Share premium	74 507	126 680	1 142 791	1 142 791	213	213	(1 068 498)	(1 016 324)
Reserves	4 403 086	3 861 715	3 160 256	2 777 983	96 081	75 243	1 146 749	1 008 489
Capital and reserves attributable to ordinary equity holders	4 478 919	3 989 699	4 303 048	3 920 775	100 294	79 456	75 576	(10 532)
Non-controlling interests	61 698	50 782					61 698	50 782
Total equity	4 540 617	4 040 481	4 303 048	3 920 775	100 294	79 456	137 274	(40 250)

39. Standards and interpretations issued but not yet effective

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

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

39. Standards and interpretations issued but not yet effective continued

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

39. Standards and interpretations issued but not yet effective continued

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

39. Standards and interpretations issued but not yet effective continued

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

39. Standards and interpretations issued but not yet effective continued

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

40. Risk management

The risk and capital management reports of the group appears on pages 70 to 93 of this integrated annual report. The report describes the various risks the group is exposed to, as well as the methodology and instruments to mitigate these risks. Risk control policies and exposures limits for 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.

40. Risk management continued

Maximum exposure to credit risk

N$'000	2017	2016
Total exposure (items where credit risk exposure exist)		
Cash and cash equivalents		
Balances with other banks	63 261	26 245
Balances with central bank	779 738	1 523 896
Total cash and cash equivalents	842 999	1 550 141
Due from banks and other financial institutions	2 667 981	1 772 267
Advances		
Overdraft and cash managed accounts	3 436 982	2 574 310
Card loans	319 506	231 755
Instalment sales and hire purchase agreements	3 166 552	3 245 183
Lease payments receivables	313 849	281 707
Home loans	12 538 245	11 779 642
Term loans	7 727 034	6 919 181
Advances under agreement to resell	39 629	36 230
Investment bank term loans	484 036	517 934
Other	232 580	190 145
Total advances	28 258 413	25 776 087
Derivative financial instruments	95 221	209 497
Debt investment securities		
Listed investment securities	1 087 992	831 925
Unlisted investment securities	2 413 118	2 395 382
Total debt investment securities	3 501 110	3 227 307
Accounts receivables	140 199	92 290
Reinsurance assets	99	598
Guarantees	1 310 407	1 243 106
Letters of credit	34 927	22 970
Irrevocable commitments	4 946 466	4 916 248
Total	41 797 822	38 810 511

40. Risk management continued

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 FR1 to FR 100, with the FR 27 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 B
Above FR91		Below B

* 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):

	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 27-91	26 620 764	314 153	3 427 834	3 429 409	11 145 205	7 589 949	484 036	232 580
Above FR 91	451 116	5 780	45 613	26 535	256 604	74 553		
	27 071 880	319 933	3 473 447	3 455 944	11 401 809	7 664 502	484 036	232 580

40. Risk management continued

N$'000	2016 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 27- 91	24 886 153	230 874	2 606 667	3 501 588	10 957 976	6 845 134	517 934	225 980
Above FR 91	11 178	1 314	5 349	4 068	23	29		395
	24 897 331	232 188	2 612 016	3 505 656	10 957 999	6 845 163	517 934	226 375

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

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**

N$'000	2016 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)	3 236 883	209 497	1 550 141	1 772 267	47 533	6 816 321

40. Risk management continued

N$'000	2017				
	Neither past due nor impaired	Past due but not impaired			
Age analysis		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

40. Risk management continued

N$'000	2016				
	Neither past due nor impaired	Past due but not impaired			
Age analysis		One instalment	Two instalments	Impaired	Total
Advances					
Card loans	232 188			1 052	233 240
Home loans	10 957 999	626 191	78 369	152 720	11 815 279
Instalment sales and lease payments receivables	3 505 656	32 619	9 407	23 176	3 570 858
Investment bank term loans	517 934				517 934
Overdraft and cash managed accounts	2 612 016			20 845	2 632 861
Advances under agreement to resell	36 230				36 230
Term loans	6 845 163	66 568	7 351	53 572	6 972 654
Other	190 145				190 145
	24 897 331	725 378	95 127	251 365	25 969 201
Percentage of total book (%)	95.87	2.79	0.37	0.97	100
Accounts receivable					
Items in transit	47 295				47 295
Deferred staff cost	45 310				45 310
Other accounts receivable	43 987				43 987
	136 592				136 592
Reinsurance assets	598				598
Total	25 034 521	725 378	95 127	251 365	26 106 391

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.

40. Risk management continued

Liquidity cash flow analysis (undiscounted cash flow)

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

N$'000	2017 Term to maturity 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 two 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

N$'000	2016 Term to maturity Call - 3 months	4 - 12 months	Over 12 months	Total
Liabilities				
Deposits	20 394 680	5 558 891	2 451 974	28 405 545
Due to banks and other financial institutions	79 264	107 122	614 587	800 973
Derivative financial instruments	219 455			219 455
Short trading position	36 927			36 927
Creditors and accruals	79 409			79 409
Tier two liabilities	11 190	23 801	561 808	596 799
Financial liabilities	20 820 925	5 689 814	3 628 369	30 139 108
Off statement of financial position				
Financial and other guarantees	1 266 077			1 266 077
Undrawn facilities	4 916 248			4 916 248

40. Risk management continued

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

N$'000	2017			
	Term to maturity			
	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 two 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	(12 085 123)	(1 734 921)	17 791 843	
Cumulative liquidity gap	(12 085 123)	(13 820 044)	3 971 799	

40. Risk management continued

N$'000	2016			
	Term to maturity			
	Call - 3 months	4 - 12 months	Over 12 months	Carrying amount
Assets				
Cash and cash equivalents	2 119 861			2 119 861
Due from banks and other financial institutions	1 772 267			1 772 267
Derivative financial instruments	209 497			209 497
Advances	3 874 356	2 424 570	19 477 161	25 776 087
Investment securities	1 062 988	986 024	1 187 862	3 236 874
Accounts receivables	47 533			47 533
Financial assets	9 086 502	3 410 594	20 665 023	33 162 119
Non-financial assets				1 023 384
Total assets				34 185 503
Liabilities				
Deposits	20 394 680	5 516 445	1 882 673	27 793 798
Due to banks and other financial institutions	79 264	107 122	614 587	800 973
Derivative financial instruments	219 455			219 455
Short trading position	36 927			36 927
Creditors and accruals	79 409			79 409
Tier two liabilities	2 654		390 000	392 654
Financial liabilities	20 812 389	5 623 567	2 887 260	29 323 216
Non-financial liabilities				821 806
Total liabilities				30 145 022
Total equity				4 040 481
Total equity and liabilities				34 185 503
Net liquidity gap	(11 725 887)	(2 212 973)	17 777 763	
Cumulative liquidity gap	(11 725 887)	(13 938 860)	3 838 903	

40. Risk management continued

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

Liquidity mismatch analysis

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

Repricing profile

	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		

	2016				
N$'000	<3 months	>3 but = 12 months	> 12 months	Non rate sensitive	Carrying amount
Total assets	29 470 592	1 084 834	1 369 551	2 260 526	34 185 503
Total equity and liabilities	24 591 384	3 928 561	639 325	5 026 233	34 185 503
Net repricing gap	4 879 208	(2 843 727)	730 226	(2 765 707)	
Cumulative repricing gap	4 879 208	2 035 481	2 765 707		

40. 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.

	2017				
N$'000	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

40. Risk management continued

N$'000	2016				
	NAD	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	2 070 362	38 942	9 342	1 215	2 119 861
Due from banks and other financial institutions	1 179 756	516 693	74 606	1 212	1 772 267
Derivative financial instruments	24 914	129 270	14 723	40 590	209 497
Advances	25 018 961	757 126			25 776 087
Investment securities	3 236 883				3 236 883
Accounts receivables	47 533				47 533
Financial assets	31 578 409	1 442 031	98 671	43 017	33 162 128
Non-financial assets	1 023 375				1 023 375
Total assets	32 601 784	1 442 031	98 671	43 017	34 185 503
Liabilities					
Deposits	27 793 798				27 793 798
Due to banks and other financial institutions	43 950	757 023			800 973
Derivative financial instruments	37 823	128 267	13 396	39 969	219 455
Short trading position	36 927				36 927
Creditors and accruals	79 409				79 409
Tier two liabilities	392 654				392 654
Financial liabilities	28 384 561	885 290	13 396	39 969	29 323 216
Non-financial liabilities	821 806				821 806
Total liabilities	29 206 367				30 145 022
Total equity	4 040 481				4 040 481
Total equity and liabilities	33 246 848	885 290	13 396	39 969	34 185 503

40. Risk management continued

Average balances and effective interest rates

	2017			2016		
	Average balance	Average rate	Interest income/expense	Average balance	Average rate	Interest income/expense
	N$'000	%	N$'000	N$'000	%	N$'000
Assets						
Cash and cash equivalents, balance with banks	1 414 457	6.2	88 353	3 072 126	3.1	95 550
Advances	26 823 659	10.9	2 915 265	24 724 196	10.4	2 559 955
Investment securities	3 589 123	7.9	282 015	2 912 018	7.2	210 853
Interest-earning assets	31 827 239	10.3	3 285 633	30 708 340	9.3	2 866 358
Non-interest-earning assets	3 041 171			1 488 889		
Total assets	34 868 410	9.4	3 285 633	32 197 229	8.9	2 866 358
Liabilities						
Deposits, balance due to banks	29 283 387	5.1	1 487 068	27 259 615	4.3	1 181 611
Tier two liabilities	396 950	8.6	33 964	394 104	8.4	32 913
Other interest						1 318
Interest-earning liabilities	29 680 337	5.1	1 521 032	27 653 719	4.4	1 215 842
Non-interest-bearing liabilities	1 005 603			893 005		
Total liabilities	30 685 940	4.9	1 521 032	28 546 724	4.3	1 215 842
Total equity	4 182 470			3 650 505		
Total equity and liabilities	34 868 410	4.3	1 521 032	32 197 229	3.8	1 215 842

40. Risk management continued

Sensitivity analysis

Banking market risk

Net interest income sensitivity

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

Foreign currency risk sensitivity analysis

Including foreign denominated cash, the group 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.

	2017		2016	
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)

FNB Namibia Holdings Limited: Company annual financial statements

Company statement of comprehensive income
for the year ended 30 June

N$'000	Notes	2017	2016
Interest and similar income	2	1 286	1 846
Net interest income		1 286	1 846
Non-interest revenue			
- gains less losses from investing activities	3	791 999	545 976
Income from operations		793 286	547 822
Operating expenses	4	(2 373)	(1 568)
Income before tax		790 914	546 254
Indirect tax	5	(227)	(162)
Profit before tax		790 687	546 092
Direct tax	5	(320)	(212)
Profit for the year		790 367	545 880
Items that will subsequently be reclassified to profit and loss			
Available-for-sale financial assets			
Gains and losses arising during the year			(1 954)
Other comprehensive income for the year			(1 954)
Total comprehensive income for the year		790 367	543 926
Profit for the year attributable to:			
Equity holders of the parent		790 367	545 880
Total comprehensive income for the year attributable to:			
Equity holders of the parent		790 367	543 926

Company statement of financial position
as at 30 June

N$'000	Notes	2017	2016
Assets			
Accounts receivable		4 910	11 864
Loan to group companies	7	95 300	11 818
Investment securities	8	9 576	28 782
Investments in subsidiaries	9	1 347 974	1 185 649
Total assets		1 457 760	1 238 113
Equity and liabilities			
Liabilities			
Creditors and accruals		887	1 654
Tax liability		45	24
Total liabilities		932	1 678
Equity			
Ordinary shares	10	1 338	1 338
Share premium	10	280 810	280 810
Reserves		1 174 680	954 287
Capital and reserves attributable to ordinary equity holders		1 456 828	1 236 435
Total equity and liabilities		1 457 760	1 238 113

Company statement of changes in equity

for the year ended 30 June

N$'000	Share capital	Share premium	Share capital and share premium	Available-for-sale reserve	Retained earnings	Total ordinary shareholders' funds
Balance at 1 July 2015	1 338	280 810	282 148	1 954	951 621	1 235 723
Total comprehensive income for the year				(1 954)	545 880	543 926
Ordinary dividends					(543 214)	(543 214)
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

Company statement of cash flows

for the year ended 30 June

N$'000	Notes	2017	2016
Cash flows from operating activities			
Cash generated from operations*		790 883	545 357
Working capital changes			
- Increase / (decrease) in accounts receivable		6 954	5 192
- Increase / (decrease) in accounts payable		(768)	246
Net cash generated from operations		797 069	550 795
Indirect tax paid	5	(227)	(162)
Income tax paid **		(299)	(191)
Net cash flow from operating activities		796 545	550 442
Cash flows from investing activities			
Net (increase) / decrease in loan to group companies		(83 482)	(6 923)
(Purchase) / sale of investment securities		19 237	(305)
(Purchase) / sale of subsidiaries		(162 325)	
Net cash flow from investing activities		(226 571)	(7 228)
Cash flows from financing activities			
Dividends paid		(569 974)	(543 214)
Net cash flow from financing activities		(569 974)	(543 214)
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		790 914	546 254
Adjusted for:			
- Revaluation of investment securities		(31)	(897)
		790 883	545 357
Income tax paid**			
Amounts payable/ (receivable) at beginning of the year		24	(3)
Current tax per comprehensive income		(320)	(212)
Amounts payable at end of the year		45	24
Total income tax paid		(299)	(191)

Notes to the company annual financial statements
for the year ended 30 June

1. Accounting policies

The financial statements of FNB Namibia Holdings Limited are prepared according to the same accounting principles used in preparing the consolidated financial statements of FNB Namibia group. For detailed accounting policies refer to pages 94 to 122 of this annual report.

2. Analysis of interest income and expenses

N$'000	2017	2016
	Amortised cost	
Interest received: loan account with group company	972	651
Unwinding of discounted present value on accounts receivable	288	1 195
Interest on investments	27	
	1 286	1 846

3. Non-interest income

	2017	2016
Gains less losses from investing activities		
• Dividends received from subsidiaries and unlisted investments		
- Subsidiaries	787 030	540 348
- Unit trust investments	1 058	1 151
- Equities	3 880	3 580
• Revaluation of investment securities through profit or loss	31	897
Gross gains less losses from investing activities	791 999	545 976

4. Operating expenses

	2017	2016
Auditors' remuneration		
• Audit fees	1 257	1 249
Professional fees	1 008	206
Other operating costs		
• Other operating expenses	107	113
Total operating expenses	2 373	1 568

5. Tax

N$'000	2017	2016
Indirect tax		
Value added tax	227	162
Total indirect tax	227	162
Direct tax		
Namibian normal tax		
- Current year	320	212
	320	212

The company provided for tax at 32% (2016: 32%) of the taxable income (interest income). The effective tax rate is 0.05% (2016: 0.04%).

6. Dividends

	2017	2016
Final dividend (5 August 2016 : 122 cents), (7 August 2015 : 112 cents)	326 464	299 704
Interim dividend (31 January 2017 : 91 cents), (29 January 2016 : 91 cents)	243 510	243 510
	569 974	543 214

Final dividend of 113 cents (2016: 122 cents) per share was declared subsequent to year-end.

7. Loan to / (from) group companies

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

2016	Balance at 1 July	Decrease / increase during the year	Balance at 30 June
Balances with Talas Properties (Windhoek) (Pty) Ltd	4 895	6 923	11 818

Refer to note 2 for the interest received

8. Investment securities

N$'000	2017	2016
Unlisted		
Unit trust investments		19 206
Equity investment	9 576	9 576
Total	9 576	28 782

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 34 of the group financial statements.

8 Investment securities continued

8.1 Fair value hierarchy disclosure continued

N$'000	2017 Level 1	2017 Level 2	2017 Level 3	2017 Total carrying amount
Available-for-sale financial assets				
Investment securities			9 576	9 576
			9 576	9 576

N$'000	2016 Level 1	2016 Level 2	2016 Level 3	2016 Total carrying amount
Available-for-sale financial assets				
Investment securities			9 576	9 576
Financial assets designated at fair value through profit or loss				
Investment securities		19 206		19 206
		19 206	9 576	28 782

Changes in level 3 fair value instruments

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 continued

2017	Fair value on 1 July	Gains or losses recognised in profit or 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

2016	Fair value on 1 July	Gains or losses recognised in profit or loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on 30 June
Assets					
Investment securities	11 530		(1 954)		9 576
Total financial assets at fair value	11 530		(1 954)		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.

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

	2017	2016
Gains or losses recognised in profit or loss		(1 954)

9. Investments in subsidiaries

	Ownership %	Voting rights %	2017	2016
Unlisted investments				
Carrying value at beginning of the year			1 185 649	1 185 649
Acquisitions of the Pointbreak group of companies during the year			162 325	
Carrying value at end of the year			1 347 974	1 185 649
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 Trust Services Namibia (Pty) Ltd	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
FNB Namibia Unit Trust Ltd	100	100	5 475	5 475
Ashburton Fund Managers Namibia (Pty) Ltd	100	100	250	
Pointbreak Trusts and Estates (Pty) Ltd	100	100	(728)	
Pointbreak Wealth Management (Pty) Ltd	100	100	1 549	
Pointbreak Equity (Pty) Ltd	100	100	161 253	
			1 347 974	1 185 649

The following trusts are controlled by FNB Namibia Holdings Limited:
FNB Namibia Incentive share trust
FNB Namibia Staff assistance trust

The carrying amount of these investments is N$ nil.

Refer to note 33 in the group financial statements for full details of investments in subsidiaries.
Refer to note 33 in the group financial statements for full related party transactions and balances.

10. Share capital

	2017	2016
Authorised		
990 000 000 (2016: 990 000 000) ordinary shares with a par value of N$0.005 per share	4 950	4 950
10 000 000 (2016: 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 (2016: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
2 (2016: 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, except for the N$ 4 million (2016 N$6 million) loan balance which relates to portion of the price on the sale of Momentum Namibia that is payable based on the performance of the book.

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 33 in the group financial statements for full related party transactions and balances.

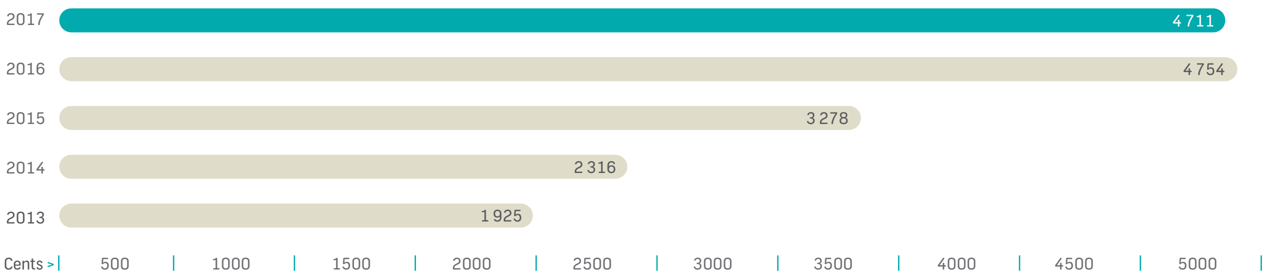
Shareholders' information

Shareholders' information

Shareholders' diary

30 June	Financial Year End
15 Aug 2017	Declaration Date
7 Sept 2017	SENS Announcement Date
15 Sept 2017	Trade cum div (last day to trade)
18 Sept 2017	Trade ex div (first day to trade)
22 Sept 2017	LDR/ Record Date
5 Oct 2017	Payment Date
26 Oct 2017	Annual General Meeting

Closing share price - ordinary



Stock exchange performance

	2017	2016
Share price (cents)		
- high for the year	4 850	4 754
- low for the year	4 711	3 278
- closing price per share	4 711	4 754
Number of shares traded (000's)	2 760	5 321
Value of shares traded (N$ '000's)	131 996	228 552
Number of shares traded as percentage of issued shares (%)	1.03	1.99
Average price (cents)	4 782	4 295

Shareholders' information

Simplified group structure of FNB Namibia group

General public	FirstRand EMA Holdings (Pty) Ltd	GIPF
26.8%	58.4%	14.8%

Banking		Investments Management		Other Activities		Insurance	
100%	First National Bank of Namibia Ltd	100%	Ashburton Fund Managers Namibia (Pty) Ltd	100%	FNB Trust Services Namibia (Pty) Ltd	51%	OUTsurance Insurance Company of Namibia Ltd
100%	Swabou Investments (Pty) Ltd	100%	FNB Namibia Unit Trust Ltd	100%	FNB Nominees (Namibia) (Pty) Ltd		
100%	EBank 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 Ltd	100%	Pointbreak Trust and Estates (Pty) Ltd		
		100%	PointBreak Unit Trust Management Company Ltd				
		100%	Pointbreak Wealth Management (Pty) Ltd				

Analysis of ordinary shareholders

	Number of shareholders	%	Number of shares	%
Shareholder range				
1 - 999	1 245	42.3%	461 261	0.2%
1 000 - 1 999	460	15.6%	596 294	0.2%
2 000 - 2 999	239	8.1%	575 996	0.2%
3 000 - 3 999	111	3.8%	377 442	0.1%
4 000 - 4 999	81	2.8%	356 125	0.1%
5 000 - 9 999	254	8.6%	1 713 305	0.6%
over 10 000	552	18.8%	263 512 827	98.5%
	2 942	100%	267 593 250	100.00%
Shareholder type				
Corporate bodies	32	1.1%	165 278 383	61.8%
Nominee companies	325	11.0%	77 429 445	28.9%
Private individuals	2 548	86.6%	16 952 434	6.3%
Trusts	37	1.3%	7 932 988	3.0%
	2 942	100%	267 593 250	100.00%
Geographic ownership				
Namibian including unknown	2 819	95.8%	104 397 585	39.0%
Other Africa	112	3.8%	157 072 694	58.7%
International	11	0.4%	6 122 971	2.3%
Total	2 9 42	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			6 055 652	2.3%
Old Mutual Life Assurance Company (Namibia) Ltd			5 838 861	2.2%
Sovereign Capital (Pty) Ltd			5 749 989	2.1%
Allan Gray Namibia Balanced Fund			4 778 987	1.8%
The Africa Emerging Markets Fund			4 439 401	1.7%
Chappa'ai Investments Forty Two (Pty) Ltd			3 018 199	1.1%
Sanlam Life Namibia Limited			2 377 091	0.9%
SQM Frontier Africa Master Fund Ltd			1 667 295	0.6%
Retirement Fund for Local Authorities and Utility Services in Namibia			1 688 936	0.6%

FirstRand EMA Holdings (Pty) Ltd and Government Institutions Pension Fund are the only shareholders who beneficially hold more than 5% of the issued ordinary shares in the Company. Two issued preference shares were in existence at 30 June 2017 (2016: 2).
These were preference shares that were issued to RMB-SI Investments (Proprietary) Limited to facilitate a structured insurance transaction with OUTsurance Insurance Company of Namibia Limited.

Notice of **annual general meeting**

Notice is hereby given that the thirtieth (30th) Annual General Meeting of the shareholders of the company will be held in the Etosha Boardroom, FNB Namibia Holdings Ltd, 5th Floor, @Parkside, 130 Independence Avenue, c/o Fidel Castro, Windhoek, on 26 October 2017 at 13:45 for the following business:

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 2017 be adopted.

3. Ordinary resolution number 3: RESOLVED THAT the final dividend declared on 15 August 2017 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 33 to 35 of the annual report.

4.1 Mr. Petrus Tukondjeni Nevonga, Independent Non-Executive Director.
4.2 Mr. Jabulani Richard Khethe, Non-Executive Director.
4.3 Mr. Ebrahim Suleman Motala, 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 1 March 2017, 1 February 2017 and 10 April 2017 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 33 to 35 of the annual report.

5.1 Adv. Gerson Samuel Hinda, Independent Non-Executive Director.
5.2 Mrs. Jantje Gesche Daun, Independent Non-Executive Director.
5.3 Mr. Justus Hamusira Hausiku, Independent Non-Executive Director.

6. Ordinary resolution number 6: 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.

7. Ordinary resolution number 7: 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

8. Ordinary resolution number 8: RESOLVED THAT Deloitte & Touche be reappointed as auditors of the company and authorise the directors to determine the remuneration of the auditors.

9. Ordinary resolution number 9: RESOLVED THAT the annual fees of the non-executive directors, as reflected below be approved for the financial year ending 30 June 2018:

	Proposed 2017/18 fee
FNB Namibia Holdings Board	
Member	59,248.00
Deputy-Chairperson	88,872.00
Chairperson	103,684.00
Audit committee	
Member	76,176.00
Chairperson	207,368.00
Risk Capital and Compliance Committee	
Member	63,480.00
Chairperson	95,220.00
Remuneration Committee	
Member	26,661.60
Chairperson	39,992.40
Directors' Affairs and Governance Committee	
Member	38,088.00
Chairperson	66,654.00
Senior Credit Risk Committee	
Member	253,920.00
First National Bank of Namibia Board	
Member	118,496.00
Deputy-Chairperson	177,744.00
Chairperson	236,992.00

10. Ordinary resolution number 10: RESOLVED THAT the remuneration policy as set out in the Remuneration Committee Report be approved.

11. Ordinary resolution number 11: RESOLVED THAT the following directors be re-appointed as members of the Audit Committee

11.1 Mr. Stuart Hilton Moir (Chairperson)

11.2 Mr. Christiaan Lilongeni Ranga Haikali

12. Ordinary resolution number 12: RESOLVED the election of audit committee member by way of separate resolution:

12.1 Mrs. Jantje Gesche Daun

13. Ordinary resolution number 13: RESOLVED THAT any one or more of the directors selected by the board of directors be and are 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 which this resolution is proposed.

14. Special resolution number 1:

Adoption of amended Articles of Association

RESOLVED, as a special resolution that the existing FNB Namibia Holdings Limited Articles of Association be amended by deleting same and replacing them in their entirety. The proposed articles of association, initialed by the Chairperson of the meeting for the purposes of identification, be and are hereby adopted in substitution for and to the exclusion of the entire current articles of association.

14. Special resolution number 1 continued**:**

Reasons and additional information in respect of special resolution number 1

The reasons for special resolution number 1 are to bring the company's articles of association into harmony with the provisions of the revised Banking Institutions Act (as amended) and the Companies Act 28 of 2004. The proposed amendment will further amend the provisions relating to quorum.

Shareholders are informed that the Namibian Stock Exchange (NSX) has provided approval of the proposed Amended Articles. Bank of Namibia (BoN) has similarly provided approval for the passing of the special resolution to amend the Articles of Association.

The proposed amended Articles of Association have been approved by the board, and the boards intention is for the shareholders to pass a special resolution adopting the proposed Articles of Association. Shareholders are advised to review the current Articles of Association and the proposed Articles of Association prior to this annual general meeting. Both the current Articles of Association and the proposed Articles of Association will be available for inspection from the date of issue of notice to the date of the annual general meeting, being Thursday 26 October 2017, at both (i) the registered office of the company during office hours, being @Parkside, 130 Independence Avenue, c/o Fidel Castro, Windhoek, Namibia and (ii) on the company's website, being www.fnbnamibia.com.na.

Voting:

All holders of FNB Namibia Holdings Ltd shares will be entitled to attend and vote at the annual general meeting. On a show of hands, every holder of FNB Namibia Holdings 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 and may also be obtained on request from the transfer secretaries of the Company.

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, 16 October 2017.

By order of the board FNB Namibia Holdings Limited

Nelago Ashipala – Company Secretary
7 September 2017

Registered office – FNB Namibia Holdings
@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 chairman 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 2017			
3. Ordinary resolution 3: Approval of final dividend declared			
4. Ordinary resolution 4: Re-election of directors by way of separate resolutions:			
4.1 Mr. Petrus Tukondjeni Nevonga, independent non-executive director			
4.2 Mr. Jabulani Richard Khethe, non-executive director			
4.3 Mr. Ebrahim Suleman Motala, non-executive director			
5. Ordinary resolution number 5: Election of directors by way of separate resolutions			
5.1 Mrs. Jantje Gesche Daun, independent non-executive director			
5.2 Adv. Gerson Samuel Hinda, independent non-executive director			
5.3 Mr. Justus Hamusira Hausiku, independent non-executive director			
6. Ordinary resolution 6: Control of FNB Employee Share Incentive Scheme ordinary shares			
7. Ordinary resolution 7: Control of unissued shares			
8. Ordinary resolution 8: Re-appointment of external auditors and determine their remuneration			
9. Ordinary resolution 9: Approval of non-executive director remuneration			
10. Ordinary resolution 10: Approval of Remuneration Policy			
11. Ordinary resolution 11: Re-appointment of Audit Committee members			
11.1 Stuart Hilton Moir (Chairperson)			
11.3 Mr. Christiaan Lilongeni Ranga Haikali			
12. Ordinary resolution number 12: Election of audit committee member by way of separate resolution:			
12.1. Mrs. Jantje Gesche Daun			
13. Ordinary resolution 13: Authority to sign documents			
Special Resolutions			
14. Special resolution 1: Amendment of the Articles of Association by replacement of the existing Articles of Association			

* 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 2017

Signature .... Assisted by me (where applicable) ....

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:

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.

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, 16 October 2017. Alternatively, forms of proxy may be sent to the Company's transfer secretaries by way of telefax (+264 61 248531), provided that such telefaxes are received by the transfer secretaries by no later than 15:00 on Monday, 16 October 2017.

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.

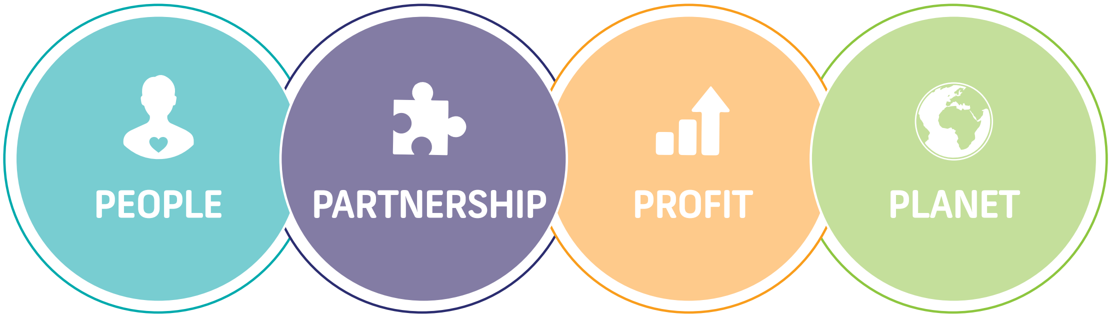
8. The chairperson of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairperson is satisfied as to the manner in which the member wishes to vote.

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 FNB Namibia Holdings 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.

FNB Namibia Holdings Limited "the Company"
Incorporated in the Republic of Namibia
Registration number: 88/024
Share code: FNB
ISIN: NA 0003475176

FNB

Namibia Holdings



www.fnbnamibia.com.na