Glossary of terms

Amortised cost: The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Available-for-sale financial assets: Non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables; held-to-maturity; or financial assets at fair value through profit or loss.

Bank rate: The interest rate at which the Bank of Namibia lends to banks.

Capital adequacy requirement ("CAR"): This is the minimum amount of capital required to be held, as determined by the Authorities.

CAR cover: The CAR cover refers to the multiple by which an insurer's free assets exceeds its CAR, expressed as a ratio of free assets to CAR.

Cost to income ratio (%): Operating expenditure, excluding insurance risk related payments, and indirect taxes, divided by total income excluding unrealised gains and losses on the insurance investment portfolio.

Critical mass: Operating expenditure as a percentage of total assets.

Derivatives: Products on which value derives largely from the price, price fluctuations and price expectations of an underlying instrument. Derivatives include swaps, options and futures.

Embedded value (EV): Embedded value equals the net asset value of the company, plus the present value of the projected stream of future after-tax profits on in-force insurance contracts, less the cost of capital at risk.

Endowment effect: The endowment effect refers to a change in interest margin which occurs when market interest rates change and the assets and liabilities re-price in different ways. In both the up and down interest rate cycles, assets re-price more than liabilities, therefore margins compress in a downward cycle and opens in an upward cycle.

Fair value: Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial asset: Cash or a contractual right to receive cash or another financial asset or to exchange financial assets or liabilities with another entity under potentially favourable conditions.

Financial liability: A contractual obligation to deliver cash or another financial asset and exchange financial assets or liabilities with another entity under potentially unfavourable conditions.

Financial soundness valuation: Methodology intended to provide a prudently realistic picture of the overall financial position of a long-term insurer, allowing explicitly for actual premiums that will be received and future experience that may be expected in respect of interest rates, expenses, mortality, morbidity and other relevant factors.

GAAP: Namibian Statements of Generally Accepted Accounting Practice in use prior to IFRS being adopted.

General risk reserve: The prescribed minimum provisions by Bank of Namibia on performing advances and allocations to this reserve is made from after tax distributable reserves.

Headline earnings: Earnings attributable to ordinary shareholders from trading operations, excluding goodwill gain or losses, capital profits and losses and recycled profits or losses on available-for-sale financial instruments. Headline earnings do not measure sustainable earnings.

Hedge: A risk management technique used to insulate financial results from market, interest or foreign currency exchange risk arising from normal banking operations. The elimination or reduction of such exposure is accomplished by establishing offsetting positions. For example, assets denominated in foreign currencies can be offset by liabilities in the same currencies or through use of foreign exchange hedging instruments such as options or foreign exchange contracts.

Held to maturity: A non-derivative financial assets with fixed payments and fixed maturity that an entity has intention to hold to maturity other than those designated as fair value through profit and loss; available for sale; and meet the definition of loans and receivables.

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards, as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Reporting Interpretations Committee (IFRIC) of the IASB.

Impairment of advances: Advances are impaired (provided for) where the present value of the future cash flows on advances is less than the current carrying value in the records.

Interest in suspense: Contractual interest suspended on non-performing loans.

Interest margin on average advances (%): Net interest income (before deducting the impairment on doubtful advances) divided by gross average advances.

Interest margin on average total assets (%): Net interest income (before deducting the impairment on doubtful advances) divided by average total assets.

Market capitalisation: The Group's closing share price multiplied by the number of shares in issue.

Mark-to-market: Valuation at an appropriate market price, set at arms length between informed, knowledgeable parties, with unrealised profit and losses reflected in income or equity depending on the classification of the instrument.

Non performing loan ("NPL"): A loan on which the recovery of the contractual interest and capital is doubtful.

Notional value: The principal amount stated in a contract on which future payments will be made or benefits be received.

Off market loans: Loans granted to staff members at lower than market related rates.

Organic growth: Non-acquisition growth.

Portfolio impairments: Impairments to a specific portfolio within the performing lending book, exposed to similar risks.

Present value ("PV"): The present value of future cash flow discounted at a specific discounting rate.

Return on average equity (ROE) (%): Earnings attributable to ordinary shareholders divided by average ordinary shareholders' funds.

Return on average total assets (ROA) (%): Earnings attributable to ordinary shareholders divided by average total assets.

Share based payments: Transfers of a company's equity instruments by its shareholders to parties that have supplied goods or services to the company (including employees).

Strike price: The price at which employees, allocated share options, can buy their shares from the share incentive trust.

Unintimated claims: Unintimated claims represent claims relating to incidents occurred before year-end and only reported to the insurance company after year-end.