

Glossary

Terms and abbreviations used in this report.

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.

Bank rate

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

Basel II

Basel II Capital Accord

BEE

An abbreviation for black economic empowerment which is a formal initiative aimed at addressing the past exclusion of previously disadvantaged persons from the formal economy.

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 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.

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.

Irrevocable facilities

Commitments to extend credit where there group does not have the right to terminate the facilities by written notice. Commitments generally have expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

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.

Risk weighted assets (RWA)

Determined by applying prescribed risk weightings relative to the credit risk of the counterparty to on and off balance sheet 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).

SME

Small and medium enterprise.

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.

Weighted average number of ordinary shares (number)

The weighted number of ordinary shares in issue during the year as listed on the Namibian Stock Exchange.