Annual financial statements
for the year ended 30 June 2016

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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First National Bank of Namibia Limited
Incorporated in the Republic of Namibia
Registration number: 2002/0180

1. Directors' responsibility statement

To the shareholder of First National Bank of Namibia Limited

The directors of First National Bank of Namibia Limited are responsible for the preparation of the consolidated and separate annual financial statements. In discharging this responsibility, the directors rely on management to prepare the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Namibia. Management is also responsible for keeping adequate accounting records in accordance with the group's system of internal control. As such the annual financial statements include amounts based on judgments and estimates of management.

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The directors approve the changes to accounting policies. There were, however, no changes to accounting policies during the financial year. The annual financial statements incorporate full and responsible disclosure in line with the group philosophy on corporate governance.

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 22 to 48.

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 the 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 3.

The consolidated annual financial statements of the group and company, which appear on pages 4 to 152 were approved by the board of directors on 05 August 2016 and signed on its behalf by:

I I Zaamwani – Kamwi
Chairperson

S J Van Zyl
Chief Executive Officer

Windhoek
5 August 2016

2. Independent Auditor's Report
To the Member of First National Bank of Namibia Limited

We have audited the consolidated financial statements and the financial statements of First National Bank of Namibia Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2016 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, a summary of significant accounting policies and other explanatory notes and the directors' report, as set out in pages 4 to 152.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of First National Bank of Namibia Limited as at 30 June 2016 and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in Namibia.

Deloitte & Touche

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

Per RH Mc Donald
Partner

PO Box 47, Windhoek, Namibia
27 September 2016

3. Directors' report

Nature of business

The company is a registered bank offering a full range of banking services in Namibia.

Share capital

The company's authorised share capital at year-end consists of 4 000 (2015: 4 000) ordinary shares of N$1 each.

The issued ordinary share capital remained unchanged at 1 200 ordinary shares.

Dividends

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

N$'000	**2016**	2015
Ordinary dividends	526 026	347 226

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 4 to 152 set out fully the financial position, results of operations and cash flows of the company and the group.

Directorate

At the group's annual general meeting held on 29 October 2015, directors JR Khethe and L J Haynes who retired by rotation in accordance with the provisions of the company's articles of association, made themselves available for re-election and were duly re-elected. Directors J R Formby and S J Van Zyl were confirmed as directors.

The composition of the board of First National Bank of Namibia Limited is as follows:

I I Zaamwani-Kamwi (Chairperson)
S J Van Zyl (Chief Executive Officer)
E S Motala* (Appointed 31 May 2016)
C L R Haikali
L J Haynes*
J R Khethe*
O L P Capelao (Chief Financial Officer) (Appointed 01 March 2016)
S H Moir* (Deputy Chairperson)
M N Ndilula
P T Nevonga

* *South African*

Board changes

Mr C J Hinrichsen retired as a Director and Chairperson of the board effective 31 December 2015. Ms I I Zaamwani – Kamwi was appointed as board Chairperson replacing Mr Hinrichsen effective 14 April 2016. Ms J Comalie, an independent non-executive director, resigned from the board on 29 October 2015. Mr. OLP Capelao was appointed a director on 01 March 2016. Mr E S Motala was appointed a director on 31 May 2016. Mr J R Formby, a director resigned on 31 May 2016.

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

In the current year the New @Parkside building became available for occupation.

Holding company

The holding company of First National Bank of Namibia Limited is FNB Namibia Holdings Limited a NSX Listed company and its holding company is FirstRand EMA Holdings Limited. The ultimate holding company is FirstRand Limited which is incorporated in the Republic of South Africa.

Subsidiary and associate

Interest in subsidiaries and associate are set out in note 14 and 13 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.

4. Risk report

Introduction

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.

Overview of top and emerging risks for 2016

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 could result in a slowdown of foreign capital flows into Namibia	Continue to monitor economic developments in key markets with appropriate planning and action as required
Sovereign rating	The risk of a sovereign rating downgrade 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, counter terrorist financing, anti money laundering, 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
Operational risk including legal and IT risks		
Cybercrime and fraud	The increasing trend for cybercrime and financial crime including money laundering	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	New 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 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 franchise value;
- deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and
- maintain balance sheet strength.

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 group's risk appetite frames all organisational decision making and is fully integrated with the group's strategic objectives.

Therefore, at a business unit level, strategy and execution are managed through the availability and price of financial resources, earnings volatility limits and required hurdle rates.

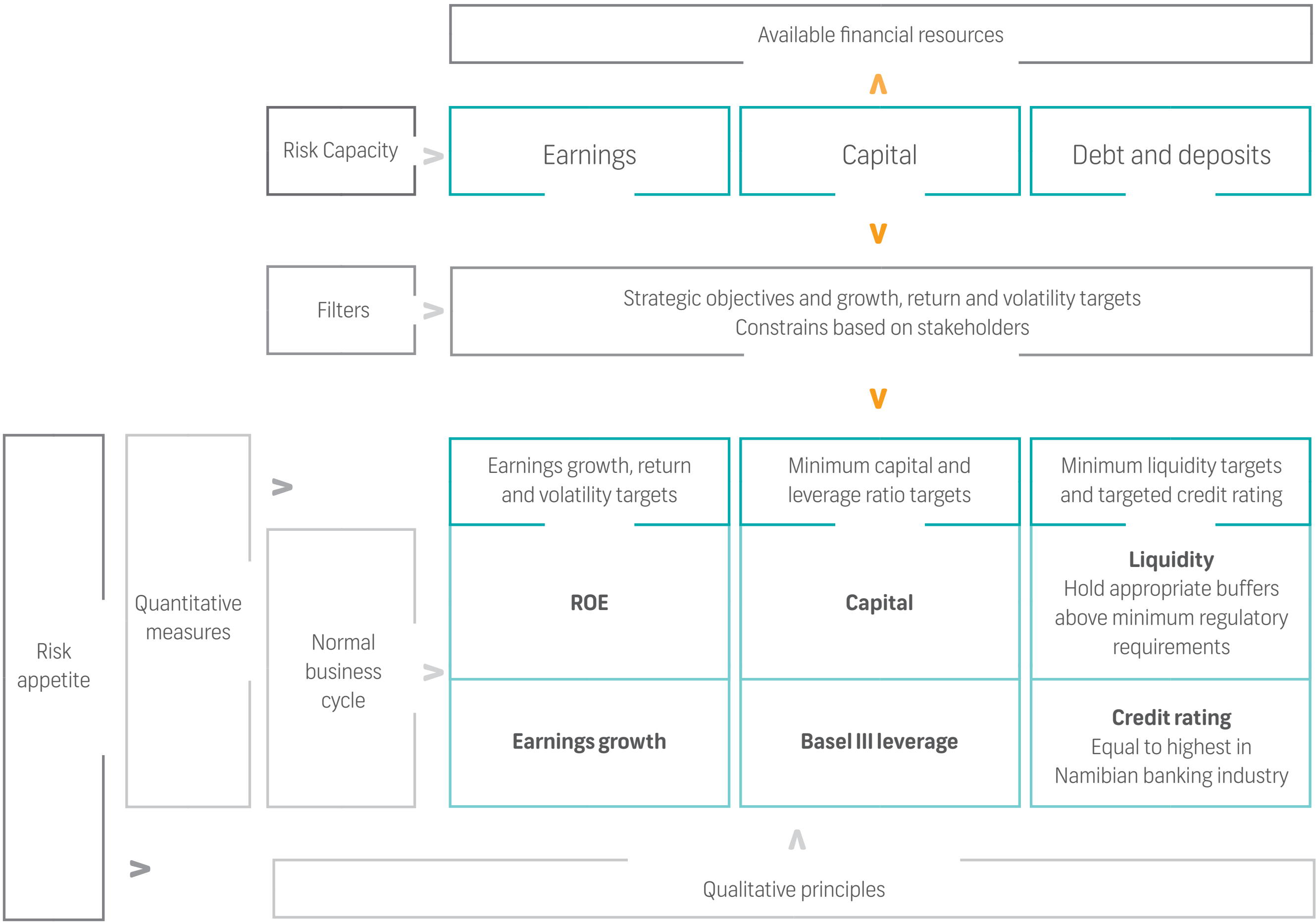
Risk capacity represents the absolute maximum level of risk the group can technically assume given its current available financial resources, i.e. earnings, capital, debt and deposits. The group views earnings as the primary defence against adverse outcomes. Risk capacity provides a reference for risk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

Risk appetite articulates what proportion of Group's financial resources should be utilised in the execution of its strategy and is determined through consideration of a number of filters, including:

- overall strategic objectives;
- growth, volatility and return targets; and
- meeting the group's commitments to all stakeholders including regulators, depositors, debt holders and shareholders.

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.

Qualitative principles	• always act with a fiduciary mindset; • comply with prudential regulatory requirements; • comply with the spirit and intention of accounting and regulatory requirements; • build and maintain a strong balance sheet which reflects conservatism and prudence across all disciplines; • no risk taking without a deep understanding thereof; • comply with internal targets in various defined states to the required confidence interval; • no business models with excessive gearing through either on or off-balance sheet leverage; • limit concentrations in risky asset classes or sectors; • ensure the Group's sources of income remain appropriately diversified across business lines, products, markets and regions; • manage the business on a through-the-cycle basis to ensure sustainability; • identify, measure, understand and manage the impact of downturn and stress conditions; • strive for operational excellence and responsible business conduct; and • avoid reputational damage.



Available financial resources
Risk Capacity
Earnings
Capital
Debt and deposits
Filters
Strategic objectives and growth, return and volatility targets
Constrains based on stakeholders
Risk appetite
Quantitative measures
Normal business cycle
Earnings growth, return and volatility targets
Minimum capital and leverage ratio targets
Minimum liquidity targets and targeted credit rating
ROE
Capital
Liquidity
Hold appropriate buffers above minimum regulatory requirements
Earnings growth
Basel III leverage
Credit rating
Equal to highest in Namibian banking industry
Qualitative principles

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:

Audit committee	• assists the board with its duties relating to the safeguarding of assets, operation of adequate systems and controls, assessment of going concern status and ensuring that relevant compliance and risk management processes are in place; • considers work performed by the external auditors and internal audit function; and • considers financial information and integrated reports which are provided to shareholders and other stakeholders for approval by the board.
Risk, capital and compliance (RCCC) committee	• approves risk management policies, standards and processes; • monitors group risk assessments; • monitors effectiveness of risk management and high priority corrective actions; • monitors the group's risk profile; • initiates corrective action, if required; • monitors compliance with the Regulations relating to Banks; and • approves regulatory capital models, risk and capital targets, limits and thresholds.
Senior credit risk committee (SCRC)	• approves credit risk management and risk appetite policies; • independent analysis, evaluation and ongoing oversight of credit portfolio quality and performance relative to credit risk appetite thresholds; • monitors quality of the in-force business and new business origination, and underlying assets in the securitisation process; • monitors scenario and sensitivity analysis, stress tests, credit economic capital utilisation, credit pricing and credit concentrations; • ensures uniform interpretation of credit regulatory requirements and acceptable standards of credit reporting; and • reviews credit economic conditions outlook as described in the Group's house view and ensures that business units align credit origination strategies accordingly.
Asset, liability and capital committee (ALCCO)	• approves and monitors effectiveness of management policies, assumptions, limits and processes for liquidity and funding risk, capital risk and market risk in the banking book (interest rate risk and foreign exchange and translation risk in the banking book); • monitors the management of funding of the Group's balance sheet; • provides governance and oversight of the level and composition of capital, and considers the supply and demand of capital across the Group; • approves buffers over regulatory capital minimum and monitors capital adequacy ratios; and • approves frameworks and policies relating to internal funds transfer pricing (FTP) for the group.
Enterprise risk committee (ERC)	• provides governance, oversight and coordination of relevant operational risk management practices and initiates corrective action where required; • reviews and recommends the operational risk appetite for approval to the RCC committee; • approves the operational risk management framework (ORMF) and all its sub-frameworks used in the management of operational risk in the specialist areas including fraud risk, legal risk, business resilience, information governance, information technology and physical security; • approves regulatory risk management principles, frameworks, plans, policies and standards; • monitors the effectiveness of regulatory risk management across the Group and initiates corrective action where required; and • monitors tax management processes, effectiveness of tax management processes and corrective actions.

Three lines of control

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

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

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

Responsibilities in the lines of risk control:

First line	Second line	Third line
Heads of business	**Risk management**	**Group internal audit**
• act in accordance with mandates approved by the board or its delegated authority; • identify, quantify and monitor key risks to business under normal and stress conditions; • implement strategy within approved risk appetite; • design business and risk management processes that will ensure that risks area appropriately managed; • specify and implement early warning measures, associated reporting, management and escalation processes through governance structures; • implement risk mitigation strategies; • implement timeous corrective actions and loss control measures as required; and • ensure staff understand responsibilities in relation to risk management.	• ensures that risk policies and tools are implemented and adhered to; • approves the design of business and risk management processes that will ensure that risks are appropriately managed; • identifies process flaws and risk management issues and initiates and monitors implementation of corrective action; and • compiles, analyses and escalates risk reports on performance, risk exposures and corrective actions, through governance structures inappropriate format and frequency.	GIA determines whether the Group's processes and controls are adequate to ensure: • risks are appropriately identified, quantified and controlled by approved business and risk procedures; if not, initiate corrective action; • management and financial information systems incorporate sound controls; • financial reports, accounting records and operating information is accurate,valid, complete, reliable and timeous; • employees execute duties in compliance with policies, standards, applicable laws and regulations; • resources are acquired economically, used efficiently and effectively; and • adequate processes are implemented to ensure protection of assets.

Responsibilities in the lines of risk control continued:

First line	Second line	Third line
Heads of business	**Risk management**	**Group internal audit**
• provides an integrated approach to financial resource management; • optimises the group's portfolio to deliver sustainable returns within an acceptable level of risk; and • performs scenario analysis and stress testing.	• maintains risk frameworks and governance structures; • develops and communicates risk management strategy and challenges risk profiles; • reports risk exposures and performance to management and governance structures; • ensures appropriate risk skills and risk management culture for risk taking; • performs risk measurement validation; and • manages regulatory relationships with respect to risk matters.	
Group treasury	**Regulatory risk management**	
• manages the group's capital, liquidity, funding, interest rate risk in the banking book and foreign exchange mismatch.	• monitors that business practices, policies, frameworks and approaches are consistent with applicable laws.	

Risk profile management

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

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

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

Ethics committee

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

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

Risk culture

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

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

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

Combined assurance

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

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

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

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

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 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 RMB 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 Risk Capital and Compliance committee (RCC).

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

Interest rate risk

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 group.

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.

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 FTP 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 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.

Regulatory risk

The group's regulatory risk management (RRM) function plays an integral part in managing risks inherent in the group. The group fosters a compliance culture in its operations that contributes to the overall objective of prudent regulatory compliance and risk management by observing both the spirit and the letter of the law as an integral part of its business activities. The compliance culture also embraces broader standards of integrity and ethical conduct which concerns all employees.

The objective of the RRM function is to ensure that business practices, policies, frameworks and approaches across the organisation are consistent with applicable laws and that regulatory risks are identified and managed proactively throughout the group. This culminates in the maintenance of an effective and efficient regulatory risk management framework with sufficient operational capacity throughout the group to promote and oversee compliance with legislative and best practice requirements. In order to achieve the group's regulatory risk management objectives, staff members are trained and made aware of compliance requirements in order to ensure a high level of understanding and awareness of the applicable regulatory framework.

Regulatory risk continued

The group seeks to achieve full compliance with statutes and regulations. Every effort is made to ensure that governance policies and practices are appropriately aligned with regulatory and industry best practice requirements.

In compliance with anti-money laundering and combating the financing of terrorism legislation, the group substantially increased its investment in systems, processes, internal controls and resources in order to ensure compliance with the large volume of requirements in this regard.

Similar to other banking groups, the Financial Intelligence Centre (FIC) conducted compliance assessments on certain of our business operations during the year under review. These assessments identified areas which require improvement. Although the nature and extent of the findings did not indicate any abuse of our banking platforms by money launderers and the identified issues have not directly or indirectly led to any customer being financially prejudiced, we remain committed to the prevention of money laundering and combating the financing of terrorism. Accordingly, every effort is being made to remediating issues that may be identified, from time to time, in this regard.

Operational risk

Effective management of operational risk is key to the achievement of group business strategy.

Business areas within the group completed the rollout of the process-based risk and control identification and assessment methodology (PRCIA) aimed at comprehensive identification and assessment of risks and controls within end-to-end business processes per product/service.

The group's IT risk and governance functions have been integrated within ERM, with relevant governance forums in place to ensure continued monitoring and mitigation of IT risk across the group. The group's IT and related frameworks are being reviewed to ensure alignment with changing business models and technology landscapes.

The board has delegated its approval and review authority for operational risk to the Enterprise Risk Management committee (ERMC), a subcommittee of the RCC committee. ERMC is responsible for monitoring the implementation of the ORMF and oversight over the management of operational risk across the group. The ORMF prescribes the authorities, governance and monitoring structures, duties and responsibilities, processes, methodologies and standards which have to be implemented and adhered to when managing operational risk.

Within operational risk, a number of key risks exist for which specialists, frameworks, policies and processes have been established. These are fraud specialists, physical security, business continuity management, legal risk and information technology risk, who provides oversight which is integrated into the broader operational risk management and governance processes.

The following table provides an overview of the operational risk categories, the specialist risk functions responsible for independent monitoring and the sub-frameworks of the Business Performance and Risk Management Framework (BPRMF) governing these.

Operational risk category	Special risk functions	Frameworks
Process Breakdowns and Issues	Operational Risk Governance	Operational Risk Management Framework
Outsourcing and Procurement	Operational Risk Governance	Operational Risk Management Framework
Financial Controls Breakdowns	Financial Accounting	Group Finance Framework
Business Continuity Risk	Business Continuity	Business Resilliance Policy
Legal Risk	Group Legal Services	Legal Risk Management Framework

Operational risk category	Special risk functions	Frameworks
Information Technology Risk Management	Information Risk Services	Information Risk Management Framework
Compliance Risk	Group Compliance	Compliance Management Framework
Fraud and Security Risk	Group Forensic	Forensic Framework
Human Resources Risk	Human Resource Functions	Human Resources Policy
Risk Insurance	Risk Insurance	Insurance Methodology

In line with international best practice, a variety of tools are employed and embedded in the assessment and management of operational risk. 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 reviews; and • results are tabled at the appropriate risk committees

Reputational risk

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

5. Capital management

The overall capital management objective is to maintain sound capital ratios to ensure confidence in the group's solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The group, therefore, maintains capitalization ratios aligned to its risk appetite and appropriate to safeguard operations and stakeholder interests.

Governance and oversight

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

- setting the capital levels appropriately to cater for business strategy and possible stressed economic conditions;
- ensuring capital is invested such to avoid double gearing; and finally
- 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 excess 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 minima by N$1 883 million

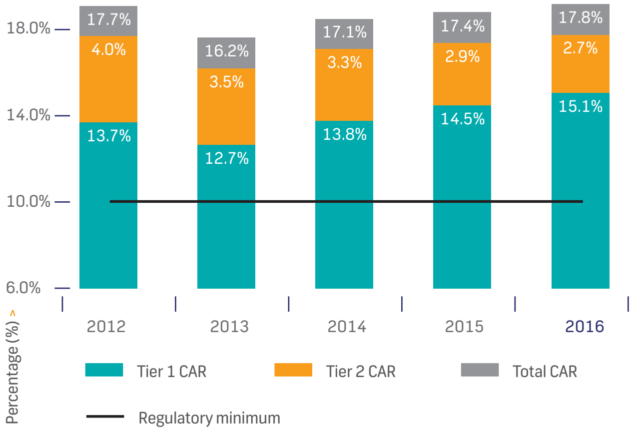
For the year under review, capital was primarily generated through earnings, net of dividend payments. No tier 2 notes were issued during the year given the strong level of capitalisation and internal targets being met.

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.

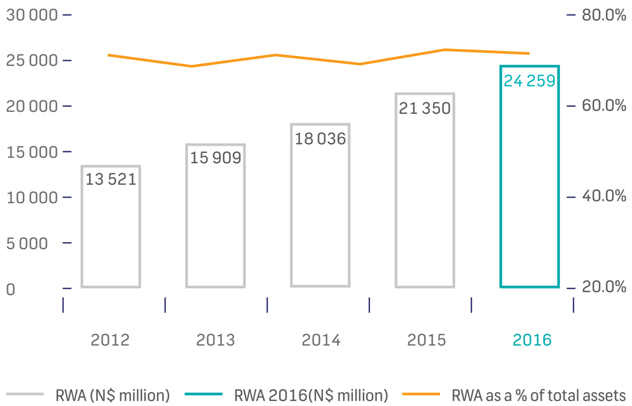
The dividend policy plays a pivotal role in the supply of Total Loss Absorbing forms of Capital and the group managed to maintain a dividend cover of 2 for the year under review (changed from 2014 cover of 2.4 to 2.0 in 2015).

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 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.

In February 2016, BoN issued a circular on Basel III implementation in Namibia. This circular spells out BoN's position on the elements of Basel III framework to be adopted in Namibia, statutory limits and requirements as well as the timeframe to be followed. Subsequent communication indicates that the Basel III process will commence in 2017.

As with the Basel II preparations, BoN will be collaborating with the industry to assess the possible impacts and adopt the proposals set forth in the Basel Committee on Banking Supervision's document "Basel III: A global framework for more resilient banks and banking systems' and contemplate those areas where Supervisory Discretion will be applied.

FNB supports the imminent adoption of Basel III by BoN. As a subsidiary of a South African banking group, FNB adopted Basel III on 1 January 2013 and has been reporting on this basis to the South African Reserve Bank (SARB). FNB is expected to meet these new requirements in line with the stated timeline, based on similar allowances and discretions as allowed for in South Africa.

Regulatory capital requirements and future developments continued

The February 2016 circular sets out the proposed regulatory capital requirements which comprise mainly of a **Pillar 1 minimum**. It seeks to introduce new capital measures in line with international trends under the Basel III capital guidance referred to as: Common Equity Tier 1 (CET), Additional Tier 1 and Tier 2. An additional requirement is also built in Tier 1 as the regulatory capital conservative buffer (CCB). This capital buffer, to be met with CET1 capital, broadly aligns with the Basel III framework.

The total minimum Tier 1 capital expected from all the above mentioned measures is set to gradually increase in phases from January 2017 at 8 percent and 9 percent in 2018 and then 9.5 percent 2019.

Similarly, the total minimum capital ratio currently at 10 percent is set to go up during the same transitional period respectively from 11 percent to 12.5 percent.

The current leverage ratio which is the non-risk sensitive ratio current minimum requirement is 6% and it is expected to be relaxed to a minimum of 3% in 2017 before surges again to 4% and 5% in 2018 and 2019 respectively. This stance from BON also follows the international trend and FNBN welcomes this relaxation and intend to continue complying with it.

Pillar 2 capital requirements

The Pillar 2 framework requires banks to hold capital in respect of risks not captured in the Pillar 1 framework and to assess risks which banks may become exposed to over a forward-looking planning horizon. The group includes these additional capital requirements in the economic capital assessment. In determining Pillar 2 capital, we conduct an annual ICAAP to determine a forward looking assessment of our capital requirements given our business strategy, risk profile, risk appetite and capital plan. This process also incorporates all the bank's risk management processes and governance framework. As a part of our ICAAP, we carry out internal stress testing of our base capital plan and concurrent macroeconomic scenarios in the context of our business and specific risk drivers are taken into account.

The ICAAP is examined by the BON as part of its supervisory review and evaluation process (SREP), which occurs periodically to enable the regulator to define the individual capital guidance or minimum capital requirements for the bank and our capital planning buffer where required. For the past years, FNB came out with a satisfactory capital buffer doing this ICAAP exercise.

Pillar 3 disclosure requirements

BID 18 sets out the Pillar 3 requirements related to market discipline and aims to make banks more transparent by requiring publication, at least annually, of wide-ranging information on their risks, and capital. As such, our Pillar 3 disclosures are included as part of the published annual financial statements, which are publicly available.

Outlook

FNB has an embedded culture of following best practice risk management processes and as such, we dynamically manage the demand for capital reflecting which reflects the changing requirements of our risk environment. This process is balanced with the expectations of the shareholder and the regulators with regards to the supply of allowable capital instruments to satisfy a required return on capital and protect the public for funds entrusted with us as an institution.

Capital adequacy of FNB

N$ million	Year ended 30 June **2016**	Year ended 30 June 2015 *
Risk weighted assets		
Credit risk	20 801	18 468
Market risk	57	59
Operational risk	3 401	2 823
Total risk weighted assets	24 259	21 350
Regulatory capital		
Share capital and share premium	1 143	1 143
Retained profits	2 643	2 090
50% investment in deconsolidated entities		
Capital impairment: intangible assets	(127)	(141)
Total tier 1	3 659	3 092
Eligible subordinated debt	390	390
50% investment in deconsolidated entities		
General risk reserve, including portfolio impairment	260	232
Total tier 2	650	622
Total tier 1 and tier 2 capital	4 309	3 714
Capital adequacy ratios		
Tier 1	15.1%	14.5%
Tier 2	2.7%	2.9%
Total	17.8%	17.4%
Tier 1 leverage ratio	10.7%	10.4%

* Comparatives have been restated to be comparable with the presentation in the current year

6. **Accounting** policies

1. Introduction and basis of preparation

1.1 Introduction

The First National Bank of Namibia Limited groups consolidated and separate 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)	Other reserves
6 Capital and reserves >	Share capital and treasury shares	Dividends	
7 Transactions with employees >	Employee benefits (section 7.1)	Share-based payment transactions (section 7.2)	

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

The following revised IFRS was adopted in the current year:

New/revised IFRS	Description of change	Impact on FirstRand group
IAS 1	The group has elected to early adopt the amendment to IAS 1 which clarified that materiality applies to the whole set of financial statements, including disclosures. In terms of the amendment, including immaterial information in the financial statements can inhibit the usefulness of disclosures.	In order to early adopt the amendment the group undertook a process of reviewing the financial statements to identify areas where disclosures were ineffective, related to immaterial items or were considered unnecessary. The following key changes were made to the group's annual financial statements as a result of the amendment: • The accounting policies have been updated to remove boilerplate disclosures, and describe how the group has applied IFRS requirements and focus on areas in IFRS where an accounting policy choice is available; • The group clarified the accounting policy around identifying provisions separately from other liabilities. Based on materiality the group also changed its policy on presentation of provisions. Provisions and creditors and accruals have been presented on the statement of financial position in a single line rather than separate lines; • The application of materiality to items resulting in aggregation or deletion of immaterial items in the notes to the financial statements; and • Changes to the flow of certain notes as well as the inclusion of the risk and capital disclosures required by IFRS in the body of the annual financial statements.

There were no other revised or new standards adopted in the current year.

1.2 Basis of preparation

The group prepares consolidated financial statements which include the assets, liabilities and results of the operations of First National Bank of Namibia Limited 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 and joint ventures. 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.

6. Accounting policies >

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 8.

Presentation of financial statements, functional and foreign currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Presentation	The group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position or in the statement of comprehensive income.
Materiality	IFRS is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality applied in preparing these financial statements.
Functional and presentation currency of the group	Namibian Dollars (N$)
Level of rounding	All amounts are presented in thousands of Namibian Dollars. The group has a policy of rounding up in increments of N$1 000. Amounts less than N$1 000 will be rounded down to N$ nil and are presented as a dash.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.
Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether they are monetary items (in which case the year-end exchange rate is applied) or non-monetary items. For non-monetary items measured at amortised cost the rate applied is the transaction date rate. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to available-for-sale financial assets the following applies: • Equity instruments are recognised in other comprehensive income as part of the fair value movement; and • Debt instruments are allocated between profit or loss (those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in the fair value).

2. Subsidiaries, associates and joint arrangements

2.1 Basis of consolidation and equity accounting

	Subsidiaries and other structured entities	Associates	Joint arrangements
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%	Between 20% and 50%
When an entity is a structured entity and control of an entity is not evidenced through shareholding, the group considers the substance of the arrangement and the group's involvement with the entity to determine whether the group has control, joint control or significant influence over the significant decisions that impact the relevant activities of the entity.			
Nature of the relationship between the group and the investee	Entities over which the group has control as defined in IFRS 10 are consolidated.	Entities over which the group has significant influence as defined in IAS 28.	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 but currently there are no joint arrangements

Separate financial statements

The group measures investments in these entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view to dispose of in the near future (within 12 months) that are measured at fair value less cost to sell in terms of IFRS 5.

Consolidated financial statements

	Subsidiaries	Associates
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting for business combinations. The excess (shortage) of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets, is recognised as goodwill or a gain on bargain purchase. Transaction costs are included in operating expenses within profit or loss when incurred.	Associates are initially recognised at cost (including goodwill) and subsequently equity accounted. The carrying amount is increased or decreased to recognise the group's share of total comprehensive income from the investee after the date of acquisition. Items that impact the investee's net asset value that don't impact other comprehensive income are recognised directly in gains less losses from investing activities within non-interest revenue.
Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset; in which case the transferred asset will be tested for impairment in accordance with the group's impairment policies.	Unrealised gains on transactions are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements		
	Subsidiaries	**Associates**
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.

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.

2.1 Basis of consolidation and equity accounting continued

Different year-end of associates
The most recent audited annual financial statements of associates are used by the group in applying the equity method of accounting for associates. These are not always drawn up to the same date as the financial statements of the group. In instances where significant events occurred between the last financial statement date of an associate and the financial statement date of the group, the effect of such events are adjusted for, where material. Where the last financial statement date of an associate was more than three months before the financial statement date of the group, the group uses the unaudited management accounts of the associate. The group has applied this principle consistently since adopting the equity accounting method for associates.

2.2 Related party transactions

Related parties of the group as defined, include:

Subsidiaries	Associates	Joint ventures	Post-employment benefit funds (pension funds)
Entities that have significant influence over the group, and subsidiaries of these entities	Key management personnel	Close family members of key management personnel	Entities controlled, jointly controlled or significantly influenced by key management personnel or their close family members

The principal shareholder of the First National Bank of Namibia Limited is FNB Namibia Holdings Limited, which principal shareholder is FirstRand EMA Holding Limited, with its ultimate holding company FirstRand Limited, incorporated in the Republic of South Africa.

Key management personnel of the group are the First National Bank of Namibia board of directors and the First National Bank of Namibia 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; • 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.
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.

3.1 Income and expenses continued

<table>
<tr><th colspan="2">Non-interest revenue recognised in profit or loss</th></tr>
<tr><th colspan="2">Fair value gains or losses</th></tr>
<tr><td colspan="2">Fair value gains or losses of the group recognised in non-interest revenue includes the following:
• Fair value adjustments and interest on trading financial instruments including derivative instruments that do not qualify for hedge accounting in terms of IAS 39;
• A component of interest expense that relates to interest paid on liabilities which fund the group's fair value operations. Interest expense is reduced by the amount that is included in fair value income;
• Fair value adjustments on trading related financial instruments designated at fair value through profit or loss in order to eliminate an accounting mismatch, except for such instruments relating to the group's insurance and funding operations for which the interest component is recognised in interest income; and
• Any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued.</td></tr>
<tr><th colspan="2">Gains less losses from investing activities</th></tr>
<tr><td colspan="2">The following items are included in gains less losses from investing activities:
• Any gains or losses on disposals of investments in subsidiaries, associates and joint ventures;
• Any amounts recycled from other comprehensive income in respect of available-for-sale financial assets; and
• Dividend income on any equity instruments that are considered long term investments of the group. In the separate financial statements this includes dividends from subsidiaries, associates and joint ventures.</td></tr>
<tr><th colspan="2">Dividend income</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><th colspan="2">Expenses</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><td>Indirect tax expense</td><td>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.</td></tr>
</table>

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.
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 the group's 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 and measured at fair value through profit or loss.
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.

4.3 Impairment of financial assets continued

Assessment of objective evidence of impairment	An assessment of impairment is first performedindividually 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 income statement. For fair value advances, the credit valuation adjustment is charged to the income statement 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.
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.

4.3 Impairment of financial assets continued

Impairments	
Specific	Created for non-performing loans where there is objective evidence that an incurred loss event will have an adverse impact on the estimated future cash flows from the advance. Potential recoveries from guarantees and collateral are incorporated into the calculation of impairment figures.
Portfolio	Created with reference to these performing advances. The impairment provision on the performing portfolio is split into two parts: • An incurred but not reported (IBNR) provision i.e. the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified; and • The portfolio specific impairment (PSI) which reflects the decrease in estimated future cash flows for the sub segment of the performing portfolio where there is objective evidence of impairment.

Write offs
When an advance is uncollectible, it is written off against the related allowance account. Such advances are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment of advances in profit or loss.

4.4 Transfers and derecognition

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

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

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

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

4.4 Transfers and derecognition continued

<table>
<tr><th>Transaction type</th><th>Description</th><th>Accounting treatment</th></tr>
<tr><td></td><td>Transfers without derecognition</td><td></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><td rowspan="2">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>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. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting). Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.

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

Classification	Measurement
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.	
Property and equipment	
Property and equipment of the group includes: • Assets utilised by the group in the normal course of operations to provide services including free-hold 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.	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 5.3). Depreciation is recognized in profit and loss.
Intangible assets	
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.	Cost less accumulated amortisation and any impairment losses. Amortisation is on a straight line basis over the useful life of the asset. Amortisation is recognised in profit and loss.
Goodwill arising from business combinations is recognised as an intangible asset.	Refer to policy 2.1.
Provisions	
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.	

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 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.
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 shareholders 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.

Post-employment benefits	
Defined contribution plans	
Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.	
Defined benefit obligation liability	**Recognition:** The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
	Measurement: The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.
Profit or loss – as part of staff costs	• Current and past service costs calculated on the projected unit credit method; • Gains or losses on curtailments and settlements that took place in the current period; • Net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability; and
Other comprehensive income	• All other re-measurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss. • Actuarial gains or losses on long term employee benefits.
Termination benefits	
The group recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of when the group can no longer withdraw the offer of the termination benefit and when the group recognises any related restructuring costs.	
Liability for other employee benefits	
Other	The group recognises severance pay as a liability in the statement of financial position and as an expense in profit and loss. The group is required to pay employees a severance benefit in terms of the new Labour Act of 2007, when: • The employee is dismissed under certain circumstances; or • The employee dies while employed. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plan. Qualified actuaries perform annual valuations.
Leave pay	The group recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the group is based on current salary of employees and the contractual terms between the employee and the group. The expense is included in staff costs.
Bonuses	The group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

7.2 Share-based payment transactions

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

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

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

8. Critical accounting estimates, assumptions and judgements

8.1 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 30.

8.2 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 repayment s 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>

8.2 Subsidiaries, associates and joint arrangements continued

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.	

8.3 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.

8.4 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.	

Advances

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.

8.4 Financial instruments continued

Performing loans	Non-performing loans
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.	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.

8.5 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
		Other	3 - 10 years
Freehold property and property held under finance lease:			
- 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.			

8.6 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 is increased by the amount of the initial contribution.
Employee benefits - defined benefit plans	
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.
Cash settled share-based payment plans	
Determination of fair value	The liability is determined using a Black-Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: • Management's estimate of future dividends; • Historical volatility is used as a proxy for future volatility; • The risk free interest rate is used; and • Staff turnover and historical forfeiture rates are used as indicators of future conditions.

> **Annual** financial statements

7. **Statements** of comprehensive income

for the year ended 30 June

N$'000	Notes	Group		Company	
		2016	2015	**2016**	2015
Interest and similar income	2.1	**2 870 227**	2 411 806	**2 813 576**	2 363 106
Interest expense and similar charges	2.2	**(1 218 962)**	(961 887)	**(1 218 962)**	(961 887)
Net interest income before impairment of advances		**1 651 265**	1 449 919	**1 594 614**	1 401 219
Impairment of advances	10	**(47 850)**	(49 882)	**(54 775)**	(49 249)
Net interest income after impairment of advances		**1 603 415**	1 400 037	**1 539 839**	1 351 970
Non-interest revenue	3	**1 349 135**	1 177 928	**1 345 186**	1 176 116
Operating profit		**2 952 550**	2 577 962	**2 885 025**	2 528 086
Operating expenses	4	**(1 310 950)**	(1 148 870)	**(1 309 422)**	(1 158 031)
Net income from operations		**1 641 600**	1 429 092	**1 575 603**	1 370 055
Share of profit from associate after tax	13	**1 328**	558		
Profit before indirect tax		**1 642 928**	1 429 653	**1 575 603**	1 370 055
Indirect tax	5.1	**(31 232)**	(26 450)	**(30 764)**	(26 238)
Profit before direct tax		**1 611 696**	1 403 203	**1 544 839**	1 343 817
Direct tax	5.2	**(513 385)**	(462 266)	**(492 698)**	(442 832)
Profit for the year		**1 098 311**	940 937	**1 052 141**	900 985

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
Other comprehensive income				
Items that may not subsequently be reclassified to profit and loss				
Actuarial losses on post-employment benefit liabilities	(4 835)	(2 871)	(4 835)	(2 871)
Deferred income tax	1 575	947	1 575	947
	(3 260)	(1 924)	(3 260)	(1 924)
Items that may subsequently be reclassified to profit and loss				
Available-for-sale financial assets				
(Loss) / gain on available-for-sale financial assets	(12 688)	(20 282)	(12 688)	(20 282)
Deferred income tax	4 060	6 693	4 060	6 693
	(8 628)	(13 589)	(8 628)	(13 589)
Other comprehensive income for the year	(11 888)	(15 513)	(11 888)	(15 513)
Total comprehensive income for the year	1 086 423	925 424	1 040 253	885 472
Profit for the year attributable to:				
Ordinary shareholders	1 098 311	940 937	1 052 141	900 985
Total comprehensive income for the year attributable to:				
Ordinary shareholders	1 086 423	925 424	1 040 253	885 472

8. **Statements** of financial position

as at 30 June

N$'000	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Assets					
Cash and cash equivalents	7	2 093 611	769 832	2 093 611	769 832
Due by banks and other financial institutions		1 772 268	1 585 029	1 772 268	1 585 029
Derivative financial instruments	8	209 495	158 642	209 495	158 642
Investment securities	11	3 062 515	3 201 649	3 062 515	3 201 649
Advances	9	25 876 231	22 918 838	25 383 379	22 379 987
Accounts receivable	12	104 072	150 819	138 392	187 084
Investment in associate company	13	5 054	3 726	1 154	1 154
Investment in subsidiary company	14			72 261	160 906
Property and equipment	15	919 682	819 985	876 733	778 114
Intangible assets	16	127 134	141 011	127 134	141 011
Total assets		34 170 062	29 749 531	33 736 942	29 363 408
Liabilities and equity					
Liabilities					
Short trading position	19	36 927	26 693	36 927	26 693
Derivative financial instruments	8	219 454	172 188	219 454	172 188
Creditors and accruals	18	341 485	380 997	337 947	376 948
Tax liability		53 614	48 146	51 756	45 496
Deposits	17.1	28 004 707	24 059 315	28 003 862	24 058 014
Due to banks and other financial institutions	17.2	800 972	1 020 016	800 972	1 020 016
Employee benefits	20	186 924	163 549	186 924	163 549
Other liabilities	21		2 060		2 060
Deferred tax liability	22	212 550	130 234	213 859	133 905
Tier two liabilities	23	392 654	392 635	392 654	392 635
Total liabilities		30 249 287	26 395 833	30 244 355	26 391 504
Equity					
Ordinary shares	24	1	1	1	1
Share premium	24	1 142 791	1 142 791	1 142 791	1 142 791
Reserves		2 777 983	2 210 906	2 349 795	1 829 112
Total equity		3 920 775	3 353 698	3 492 587	2 971 904
Total liabilities and equity		34 170 062	29 749 531	33 736 942	29 363 408

9. **Statements** of changes in equity

for the year end 30 June

N$ '000	Share capital	Share premium	General risk reserve	Defined benefit post-employment reserve	Share-based payment reserve	Available-for-sale reserve	Retained earnings	Total equity
Group								
Balance at 1 July 2014	1	1 142 791	97 785	2 663	19 450	6 956	1 497 608	2 767 254
Total comprehensive income for the year				(1 924)		(13 589)	940 937	925 424
Profit for the year							940 937	940 937
Other comprehensive income for the year				(1 924)		(13 589)		(15 513)
Transfer to / (from) reserves			11 806				(11 806)	
Share-based payments					8 246			8 246
Transfer of vested equity options					(10 423)		10 423	
Dividends paid							(347 226)	(347 226)
Balance at 30 June 2015	1	1 142 791	109 591	739	17 273	(6 633)	2 089 936	3 353 698
Total comprehensive income for the year				(3 260)		(8 628)	1 098 311	1 086 423
Profit for the year							1 098 311	1 098 311
Other comprehensive income for the year				(3 260)		(8 628)		(11 888)
Transfer to / (from) reserves			25 821				(26 124)	(305)
Share-based payments					6 985			6 985
Transfer of vested equity options					(7 271)		7 271	
Dividends paid							(526 026)	(526 026)
Balance at 30 June 2016	1	1 142 791	135 412	(2 521)	16 987	(15 261)	2 643 366	3 920 775

9. **Statements** of changes in equity >

for the year end 30 June

N$ '000	Share capital	Share premium	General risk reserve	Defined benefit post-employment reserve	Share-based payment reserve	Available-for-sale reserve	Retained earnings	Total equity
Company								
Balance at 1 July 2014	1	1 142 791	97 785	2663	19 450	6 956	1 155 766	2 425 412
Total comprehensive income for the year				(1 924)		(13 589)	900 985	885 473
Profit for the year							900 985	900 985
Other comprehensive income for the year				(1 924)		(13 589)		(15 513)
Transfer to / (from) reserves			11 806				(11 806)	
Share-based payments					8 246			8 246
Transfer of vested equity options					(10 423)		10 423	
Dividends paid							(347 226)	(347 226)
Balance at 30 June 2015	1	1 142 791	109 591	739	17 273	(6 633)	1 708 142	2 971 904
Total comprehensive income for the year				(3 260)		(8 628)	1 052 141	1 040 252
Profit for the year							1 052 141	1 052 141
Other comprehensive income for the year				(3 260)		(8 628)		(11 888)
Transfer to / (from) reserves			25 821				(26 350)	(529)
Share-based payments					6 985			6 985
Transfer of vested equity options					(7 271)		7 271	
Dividends paid							(526 026)	(526 026)
Balance at 30 June 2016	1	1 142 791	135 412	(2 521)	16 987	(15 261)	2 215 179	3 492 587

10. Statements of cash flow
for the year end 30 June

N$'000	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Cash flows from operating activities					
Interest and similar income		2 835 746	2 371 236	2 780 691	2 323 522
Fees and commission income		1 149 264	1 005 696	1 148 829	1 005 255
Other non-interest income		196 916	168 792	193 403	167 417
Interest expense and similar charges		(1 218 962)	(961 887)	(1 218 962)	(961 887)
Total other operating expenditure		(1 160 304)	(1 026 349)	(1 159 178)	(1 035 931)
Cash flows from operating activities	26	1 802 660	1 557 488	1 744 783	1 498 375
Investment securities		139 134	(514 074)	139 134	(514 074)
Due by banks and other financial insitutions		(187 239)	181 298	(187 239)	181 298
Accounts receivable and similar accounts		44 837	(53 534)	46 782	(104 518)
Advances		(2 970 071)	(2 860 608)	(3 024 590)	(2 917 791)
Deposits		3 945 392	2 456 112	3 945 848	2 455 940
Due to banks and other financial institutions		(219 044)	206 607	(219 044)	206 607
Accounts payable and similar accounts		(111 819)	119 065	(109 570)	119 265
Tax paid		(431 139)	(451 822)	(413 527)	(432 478)
Net cash flows from operating activities		2 012 711	640 532	1 922 577	492 624
Cash flows from investing activities		(160 846)	(349 465)	(70 712)	(201 557)
Acquisition of property and equipment		(163 481)	(350 376)	(162 003)	(350 252)
Reduction in loan to subsidiary				88 656	147 784
Proceeds from sale of property and equipment		2 635	911	2 635	911
Cash flows from financing activities		(528 086)	(351 424)	(528 086)	(351 424)
Payment of finance lease liabilities		(2 060)	(4 198)	(2 060)	(4 198)
Dividends paid		(526 026)	(347 226)	(526 026)	(347 226)
Net increase in cash and cash equivalents		1323 779	(60 357)	1323 779	(60 357)
Cash and cash equivalents at beginning of the year *		769 832	830 189	769 832	830 189
Cash and cash equivalents at end of the year *	7.1	2 093 611	769 832	2 093 611	769 832

*Includes mandatory reserve deposits with central bank.

11. Notes to the annual financial statements
for the year end 30 June

1. Accounting policies

The accounting policies of the group are set out on pages 22 to 48.

2. Analysis of interest income and interest expense

N$'000	Group		Company	
	2016	2015	**2016**	2015
2.1 Interest and similar income				
Interest on:				
- Advances	2 545 941	2 076 514	2 490 689	2 029 117
- Cash and short term funds	91 279	98 941	91 279	98 941
- Investment securities	210 853	199 500	210 853	199 499
- Unwinding of discounted present value on non performing loans (note 10)	6 782	13 314	5 867	13 026
- Unwinding of discounted present value on off-market advances	1 910	5 978	1 910	5 978
- Impaired advances	(12 326)	(3 720)	(12 130)	(4 037)
- Net release of deferred fees and expenses	25 788	21 279	25 108	20 582
Interest and similar income	2 870 227	2 411 806	2 813 576	2 363 106
Interest and similar income can be analysed as follows:				
- Instruments at fair value	210 853	199 500	210 853	199 499
- Instruments at amortised cost	2 659 374	2 212 306	2 602 723	2 163 607
Interest and similar income	2 870 227	2 411 806	2 813 576	2 363 106

2. Analysis of interest income and interest expense continued

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
2.2 Interest expense and similar charges				
Interest on:				
- Deposits from banks and financial institutions	48 076	34 664	48 076	34 664
- Current accounts	111 157	115 445	111 157	115 445
- Savings deposits	12 131	10 205	12 131	10 205
- Call deposits	230 899	237 876	230 899	237 876
- Term deposits	272 440	194 230	272 440	194 230
- Negotiable certificates of deposits	511 346	338 142	511 346	338 142
- Tier two liabilities	32 913	31 325	32 913	31 325
Interest expense and similar charges	1 218 962	961 887	1 218 962	961 887
Interest expense and similar charges can be analysed as follows:				
- Instruments at amortised cost	1 218 962	961 887	1 218 962	961 887

3. Non-interest revenue

N$'000	Group		Company	
	2016	2015	**2016**	2015
3.1 Fees and commissions				
- Card commissions	**131 262**	105 327	**131 262**	105 327
- Cash deposit fees	**110 408**	153 440	**110 408**	153 440
- Commissions: bills, drafts and cheques	**27 783**	36 866	**28 162**	36 866
- Bank charges	**976 817**	806 180	**976 017**	805 696
- Fiduciary fees	**646**	986	**646**	986
	1 246 916	1 102 799	**1 246 495**	1 102 315
Fee and commission expense:				
- Transaction processing fees	**(69 877)**	(68 154)	**(69 891)**	(68 110)
- Cash sorting handling and transportation charges	**(18 971)**	(18 751)	**(18 971)**	(18 751)
- Card and cheque book related		(4 908)		(4 908)
- ATM commissions paid	**(5 888)**	(2 650)	**(5 888)**	(2 650)
- Other	**(2 916)**	(2 639)	**(2 916)**	(2 639)
Fee and commission expense	**(97 652)**	(97 102)	**(97 666)**	(97 058)
Net fees and commission income	**1 149 264**	1 005 697	**1 148 829**	1 005 257

Certain of the above fees relates to the fact that the group provides custody and trustee services to third parties.

	Group 2016	Group 2015	Company 2016	Company 2015
3.2 Fair value income				
Foreign exchange trading	**114 631**	91 173	**114 631**	91 173
Treasury trading operations				
- Debt instruments trading	**5 135**	5 208	**5 135**	5 208
- Derivatives revaluation	**(1 920)**	(5 149)	**(1 920)**	(5 149)
- Other	**2 500**	4 814	**2 500**	4 814
Designated at fair value through profit or loss	**52 887**	59 709	**52 887**	59 709
	173 233	155 755	**173 233**	155 755

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

3. Non-interest revenue continued

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
3.3 Gains less losses from investing activities				
- Gains and losses on realisation of available-for-sale financial assets		(198)		(198)
- Gains on investment securities designated at fair value through profit or loss	14 304	10 867	14 304	10 867
	14 304	10 669	14 304	10 669
3.4 Other non-interest revenue				
- Rental income	5 911	1 414	2,349	
- Other income	7 057	4 455	7 105	4 497
- Gain and lossses on sale of property and equipment	(634)	(62)	(634)	(62)
	12 334	5 807	8 820	4 435
Total non-interest revenue	1 349 135	1 177 928	1 345 186	1 176 116
Non interest revenue, analysis by category.				
3.5 Non-interest revenue	1 349 135	1 177 928	1 345 186	1 176 116
Fee and commission income: Instruments at amortised cost	1 149 264	1 005 697	1 148 829	1 005 257
Fair value income: Held for trading	120 346	95 848	120 346	95 848
Fair value income: Designated at fair value through profit or loss	67 191	70 576	67 191	70 576
Other non interest income: Non financial assets and liabilities	12 334	5 807	8 820	4 435

4. Operating expenses

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
Auditors' remuneration				
- Current year	5 183	4 308	4 895	4 078
- Fees for other services	555	598	555	598
Auditors' remuneration	5 737	4 906	5 450	4 676
Operating lease charges				
- Properties	37 393	37 438	41 354	37 502
- Equipment	13 561	9 824	13 458	9 786
Operating lease charges	50 954	47 262	54 812	47 288
Direct staff costs				
- Salaries, wages and allowances	540 074	452 316	540 074	452 316
- Off-market staff loans amortisation	1 910	5 978	1 910	5 978
- Contributions to employee funds	125 447	107 230	125 447	107 230
Defined contribution schemes: pension	55 788	47 567	55 788	47 567
Defined contribution schemes: medical	69 659	59 663	69 659	59 663
- Severance pay provision: death in service (note 20)	721	760	721	760
- Post-retirement medical expenses (note 20)	3 170	2 713	3 170	2 713
- Social security levies	1 965	1 775	1 965	1 775
- Training levies	6 651	6 048	6 651	6 048
- Share-based payments (note 25)	13 324	16 550	13 324	16 550
Direct staff costs	693 262	593 370	693 262	593 370
- Other	3 783	6 997	3 783	6 997
Total staff costs	697 045	600 367	697 045	600 367

4. Operating expenses continued

	Group		Company	
	2016	2015	**2016**	2015
Other operating costs				
– Advertising and marketing	53 407	52 892	53 407	52 892
– Amortisation of intangible assets (note 16)	13 876	15 612	13 876	15 612
– Computer and processing related costs	196 394	167 725	196 270	167 598
– Depreciation (note 15)	60 516	45 708	60 118	45 282
– Insurance	7 634	7 826	7 493	7 673
– Legal fees	8 684	8 006	8 681	7 915
– Postage	3 938	4 206	3 924	4 191
– Printing and stationery	15 482	14 871	15 480	14 870
– Professional fees	7 364	12 299	7 333	12 297
– Property and maintenance related expenses	68 137	57 872	64 174	55 768
– Telecommunications	18 601	17 193	18 598	17 192
– Travel and accommodation	16 215	12 621	16 215	12 621
– Total directors' emoluments	6 195	13 008	6 195	13 008
– Other expenditure	80 771	66 496	80 352	78 781
Other operating costs	557 214	496 335	552 116	505 700
Total operating expenses	1 310 950	1 148 870	1 309 422	1 158 031

5. Taxation

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
5.1 Indirect tax				
Value-added tax (net)	23 555	19 145	23 087	18 934
Stamp duties	7 677	7 305	7 677	7 304
Total indirect tax	31 232	26 450	30 764	26 238
5.2 Direct tax				
Namibian normal tax				
- Current				
Current year	424 880	418 027	406 554	398 862
- Deferred				
Current year	88 505	44 239	86 144	43 970
Total direct tax	513 385	462 266	492 698	442 833
Tax rate reconciliation – Namibian normal tax	%	%	%	%
Effective rate of tax	32.10%	32.94%	32.15%	32.95%
Total tax has been affected by:				
- Non-taxable income	0.07%	0.06%	0.09%	0.05%
- Non deductable amounts	(0.43%)		(0.50%)	
- Tax rate change	0.26%		0.26%	
Standard rate of tax	32.00%	33.0%	32.0%	33.0%

The income tax rate of 33% was reduced to 32% in 2016.

6. Analysis of assets and liabilities

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies on page 22 to page 48 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore by measurement basis:

Group

N$'000	2016						
	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
Assets							
Cash and cash equivalents			2 093 611				2 093 611
Due by banks and other financial institutions			1 772 268				1 772 268
Derivative financial instruments	209 495						209 495
Advances		491 903	25 384 328				25 876 231
Investment securities	101 061	181 578		2 779 876			3 062 515
Accounts receivable			15 138				15 138
Non-financial assets						1 140 804	1 140 804
Total assets	310 556	673 481	29 265 345	2 779 876		1 140 804	34 170 062
Liabilities							
Deposits					28 004 707		28 004 707
Due to banks and other financial institutions					800 972		800 972
Short trading position					36 927		36 927
Derivative financial instruments	219 454						219 454
Creditors and accruals					30 810		30 810
Tier two liabilities					392 654		392 654
Non-financial liabilities						763 763	763 763
Total liabilities	219 454				29 266 070	763 763	30 249 287

6. Analysis of assets and liabilities continued

Group

N$'000	2015						
	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
Assets							
Cash and cash equivalents			769 832				769 832
Due by banks and other financial institutions			1 585 029				1 585 029
Derivative financial instruments	158 642						158 642
Advances		519 585	22 399 253				22 918 838
Investment securities	34 502	257 274		2 909 874			3 201 650
Accounts receivable			23 499				23 499
Non-financial assets						1 092 041	1 092 041
Total assets	193 144	776 859	24 777 613	2 909 874		1 092 041	29 749 531
Liabilities							
Deposits					24 059 315		24 059 315
Due to banks and other financial institutions					1 020 016		1 020 016
Short trading position	26 693						26 693
Other liabilities					2 060		2 060
Derivative financial instruments	172 188						172 188
Creditors and accruals					76 862		76 862
Tier two liabilities					392 635		392 635
Non-financial liabilities						646 064	646 064
Total liabilities	198 881				25 550 888	646 064	26 395 833

6. Analysis of assets and liabilities continued

Company

N$'000	2016						
	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
Assets							
Cash and cash equivalents			2 093 611				2 093 611
Due by banks and other financial institutions			1 772 268				1 772 268
Derivative financial instruments	209 495						209 495
Advances		491 903	24 891 476				25 383 379
Investment securities	101 061	181 578		2 779 875			3 062 514
Accounts receivable			15 020				15 020
Non-financial assets						1 200 655	1 200 655
Total assets	310 556	673 481	28 772 375	2 779 875		1 200 655	33 736 942
Liabilities							
Deposits					28 003 862		28 003 862
Due to banks and other financial institutions					800 972		800 972
Short trading position	36 927						36 927
Derivative financial instruments	219 454						219 454
Creditors and accruals					30 828		30 828
Tier two liabilities					392 654		392 654
Non-financial liabilities						759 658	759 658
Total liabilities	256 381				29 228 316	759 658	30 244 355

6. Analysis of assets and liabilities continued

Company

N$'000	2015						
	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
Assets							
Cash and cash equivalents			769 832				769 832
Due by banks and other financial institutions			1 585 029				1 585 029
Derivative financial instruments	158 642						158 642
Advances		519 585	21 860 402				22 379 987
Investment securities	34 502	257 274		2 909 873			3 201 649
Accounts receivable			26 422				26 423
Non-financial assets						1 241 846	1 241 846
Total assets	193 144	776 859	24 241 686	2 909 873		1 241 846	29 363 408
Liabilities							
Deposits					24 058 014		24 058 014
Due to banks and other financial institutions					1 020 016		1 020 016
Short trading position	26 693						26 693
Other liabilities	172 188						172 188
Derivative financial instruments					76 866		76 865
Creditors and accruals					392 635		392 635
Tier two liabilities					2 060		2 060
Non-financial liabilities						643 032	643 032
Total liabilities	198 881				25 549 590	643 032	26 391 504

7. Cash and cash equivalents

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
Coins and bank notes	569 716	481 319	569 716	481 319
Balances with central bank	1 523 895	288 513	1 523 895	288 513
	2 093 611	769 832	2 093 611	769 832
Mandatory reserve balances included in above:	318 905	288 504	318 905	288 504

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank in terms of the Banking Institutions Act, 1998 (No 2 of 1998). These deposits bear little or no interest.

Fair value

The carrying value approximates the fair value of total cash and short term funds.

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

8. Derivative financial instruments 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. 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, overtime.

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.

Further information pertaining to the risk management of the group is set out in note 32.

	Group and company 2016			
	Assets		Liabilities	
N$'000	Notional	Fair value	Notional	Fair value
Currency derivatives	2 225 963	206 636	1 907 695	206 294
Interest rate derivatives	2 102 308	2 859	2 573 578	13 160
Total held for trading	4 328 271	209 495	4 481 273	219 454

	Group and company 2015			
	Assets		Liabilities	
	Notional	Fair value	Notional	Fair value
Currency derivatives	2 088 761	142 272	2 019 969	142 345
Interest rate derivatives	4 390 500	16 370	1 894 305	29 843
Total held for trading	6 479 261	158 642	3 914 274	172 188

9. Advances

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
Notional value of advances	26 101 504	23 114 541	25 603 764	22 563 114
Contractual interest suspended	(32 157)	(23 323)	(29 720)	(21 064)
Gross value of advances	26 069 347	23 091 218	25 574 044	22 542 050
Sector analysis				
Agriculture	848 851	1 043 593	848 851	1 043 593
Financial institutions	243 042	377 728	243 042	377 728
Building and property development	2 272 151	2 820 987	2 272 151	2 820 987
Government and public authorities	1 535 006	1 227 664	1 535 006	1 227 664
Individuals	16 292 839	11 745 984	15 797 536	11 196 816
Manufacturing and commerce	2 797 487	3 831 190	2 797 487	3 831 190
Mining	375 307	506 737	375 307	506 737
Transport and communication	392 011	463 263	392 011	463 263
Other services	1 312 653	1 074 071	1 312 653	1 074 071
Gross value of advances	26 069 347	23 091 218	25 574 044	22 542 049
Impairment of advances (note 10)	(193 116)	(172 380)	(190 665)	(162 062)
Net advances	25 876 231	22 918 838	25 383 379	22 379 987
Geographic analysis (based on credit risk)				
Namibia	25 876 231	22 918 838	25 383 379	22 379 987

9. Advances continued

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
Category analysis				
Card loans	233 240	186 604	233 240	186 604
Overdrafts and cash managed accounts	2 632 859	2 650 963	2 632 859	2 650 963
Instalment sales	3 289 151	3 065 090	3 289 151	3 065 090
Lease payments receivable	281 708	316 573	281 708	316 573
Home loans	11 815 280	10 681 774	11 319 977	10 132 605
Term loans	6 972 655	5 319 474	6 972 655	5 319 474
Preference share advance		25 500		25 500
Investment bank term loans	517 934	552 035	517 934	552 035
Assets under agreement to resell	36 230	27 087	36 230	27 087
Other	290 290	266 118	290 290	266 118
Gross value of advances	26 069 347	23 091 218	25 574 044	22 542 049
Impairment of advances (note 10)	(193 116)	(172 380)	(190 665)	(162 062)
Net advances	25 876 231	22 918 838	25 383 379	22 379 987
Portfolio analysis				
Designated at fair value through profit and loss	491 903	519 585	491 903	519 585
Loans and receivables	25 384 328	22 399 253	24 891 476	21 860 402
	25 876 231	22 918 838	25 383 379	22 379 987

Fair value

The fair value of advances is set out in note 30

A maturity analysis of advances is set out in note 32 and is based on the remaining periods to contractual maturity from the year-end.

9. Advances continued

N$'000 Analysis of Instalment sales and lease payments receivable	Group and company 2016		
	Within 1 year	Between 1 and 5 years	Total
Lease payments receivable	127 374	194 063	321 437
Suspensive sale Installments receivable	1 794 653	2 117 881	3 912 534
	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

N$'000	Group and company 2015		
	Within 1 year	Between 1 and 5 years	Total
Lease payments receivable	214 255	144 915	359 170
Suspensive sale Installments receivable	1 639 620	1 969 025	3 608 645
	1 853 875	2 113 940	3 967 815
Less : Unearned finance charges	(325 211)	(257 569)	(582 780)
Total	1 528 664	1 856 371	3 385 035

The group and company have 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.

9. 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 call 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.

The collateral is valued at inception of the credit agreement and subsequently in specific circumstances for example, when the advance becomes a non performing loan or when the group is to sell the asset on auction. Collateral is valued frequently.

The valuation at inception is based on physical inspection.

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

	Group and company			
	2016		2015	
N$'000	Performing	Non performing	Performing	Non performing
Installment sales and lease payments receivable	1 402	5 848	813	8 747
Home loans	8 774	69 259	14 693	68 820
	10 176	75 107	15 506	77 567

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 represent 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.

10. Impairment of advances

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.

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").

Analysis of movement in impairment of advances per class of advance

	Group 2016							
N$'000	Card loans	Overdrafts and cash managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	1 734	57 653	45 926	24 351	42 716	172 380	49 767	122 613
Amounts written off	(2 091)	(4 010)	(7 950)	(846)	(4 919)	(19 816)	(19 816)	
Unwinding of discounted present value on non performing loans		(559)		(6 016)	(206)	(6 781)	(6 781)	
Net new impairments created / (released)	1 842	5 467	5 992	18 148	15 884	47 333	44 040	3 293
Closing balance	1 485	58 551	43 968	35 637	53 475	193 116	67 210	125 906
Increase / (decrease) in provision	1 842	5 467	5 992	18 148	15 884	47 333	44 040	3 293
(Recoveries) / write-offs of bad debts	(1 017)	4 428	(1 209)	(168)	(1 517)	517	517	
Impairment charge / (release) recognised in the statement of comprehensive income	825	9 895	4 783	17 980	14 367	47 850	44 557	3 293

10. Impairment of advances continued

N$'000	Card loans	Overdrafts and cash managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
	Group 2015							
Opening balance	1 241	45 363	39 690	19 628	40 936	146 858	43 208	103 650
Amounts written off	(823)	(9 729)	(3 662)	(846)	(2 570)	(17 630)	(17 630)	
Unwinding of discounted present value on non performing loans		(624)		(11 996)	(694)	(13 314)	(13 314)	
Net new impairments created / (released)	1 316	22 643	9 898	17 565	5 044	56 466	37 503	18 963
Closing balance	1 734	57 653	45 926	24 351	42 716	172 380	49 767	122 613
Increase / (decrease) in provision	1 316	22 643	9 898	17 565	5 044	56 466	37 503	18 963
(Recoveries) / write-offs of bad debts	(236)	(3 213)	(1 810)	(618)	(707)	(6 584)	(6 584)	
Impairment (release) / loss recognised in the statement of comprehensive income	1 080	19 430	8 088	16 947	4 337	49 882	30 919	18 963

10. Impairment of advances continued

Analysis of movement in impairment of advances per class of advance

	Company 2016							
N$'000	Card loans	Overdrafts and cash managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	1 734	57 653	45 926	14 033	42 716	162 062	47 624	114 438
Amounts written off	(2 091)	(4 010)	(7 950)	(307)	(4 919)	(19 277)	(19 277)	
Unwinding of discounted present value on non performing loans		(559)		(5 102)	(206)	(5 867)	(5 867)	
Net new impairments created / (released)	1 842	5 467	5 992	24 561	15 884	53 746	42 501	11 245
Closing balance	1 485	58 551	43 968	56 601	53 475	190 664	64 981	125 683
Increase / (decrease) in provision	1 842	5 467	5 992	24 561	15 884	53 746	42 501	11 245
(Recoveries) / write-offs of bad debts	(1 017)	4 428	(1 209)	344	(1 517)	1 029	1 029	
Impairment charge / (release) recognised in the statement of comprehensive income	825	9 895	4 783	24 905	14 367	54 775	43 530	11 245

10. Impairment of advances continued

N$'000	Company 2015							
	Card loans	Overdrafts and cash managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	1 241	45 363	39 690	9 679	40 936	136 909	41 434	95 475
Amounts written off	(823)	(9 729)	(3 662)	(871)	(2 570)	(17 655)	(17 655)	
Unwinding of discounted present value on non performing loans		(624)		(11 708)	(694)	(13 026)	(13 026)	
Net new impairments created / (released)	1 316	22 643	9 898	16 933	5 044	55 834	36 871	18 963
Closing balance	1 734	57 653	45 926	14 033	42 716	162 062	47 624	114 438
Increase / (decrease) in provision	1 316	22 643	9 898	16 933	5 044	55 834	36 871	18 963
(Recoveries) / write-offs of bad debts	(236)	(3 213)	(1 810)	(618)	(707)	(6 585)	(6 585)	
Impairment (release) / loss recognised in the statement of comprehensive income	1 080	19 430	8 088	16 315	4 337	49 249	30 286	18 963

10. Impairment of advances continued

Group

N$'000	2016 Total value net of interest in suspense	2016 Security held	2016 Specific impairments
Non-performing lendings by sector			
Agriculture	2 364	2 039	325
Financial institutions	317	(14)	331
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	5 729	3 664
Other	13 535	9 552	3 983
Total non-performing lendings	251 366	184 156	67 210
Non-performing lendings by category			
Card loans	1 052	(112)	1 164
Overdrafts and management accounts	20 845	10 545	10 300
Instalment sales	20 184	4 513	15 671
Lease payments receivable	2 992	2 169	823
Home loans	152 720	126 631	26 089
Term loans	53 573	40 410	13 163
Total non-performing lendings	251 366	184 156	67 210
Geographical split:			
Namibia	251 366	184 156	67 210

10. Impairment of advances continued

Group

N$'000	2015 Total value net of interest in suspense	2015 Security held	2015 Specific impairments
Non-performing lendings by sector			
Agriculture	1 193		1 193
Financial institutions	647	647	
Building and property development	17 497	12 735	4 762
Individuals	107 232	76 052	31 180
Manufacturing and commerce	15 247	7 765	7 482
Mining			
Transport and communication	2 590	137	2 453
Other	2 824	126	2 697
Total-non performing lendings	147 230	97 462	49 767
Non-performing lendings by category			
Card loans	1 257	4	1 253
Overdrafts and management accounts	12 433	4 790	7 643
Instalment sales	21 098	2 603	18 495
Lease payments receivable	533		533
Home loans	101 645	83 485	18 160
Term loans	10 264	6 580	3 683
Total non-performing lendings	147 230	97 462	49 767
Geographical split:			
Namibia	147 230	97 462	49 767

10. Impairment of advances continued

Company

	2016		
	Total value net of interest in suspense	Security held	Specific impairments
Non-performing lendings by sector			
Agriculture	2 364	2 040	324
Financial institutions	317	(14)	331
Building and property development	30 159	25 596	4 563
Individuals	176 384	131 939	44 445
Manufacturing and commerce	12 603	5 088	7 515
Mining	345	188	157
Transport and communication	9 393	5 729	3 664
Other	13 535	9 552	3 983
Total non-performing lendings	245 100	180 118	64 982
Non-performing lendings by category			
Card loans	1 052	(112)	1 164
Overdrafts and management accounts	20 845	10 545	10 300
Instalment sales	20 184	4 513	15 671
Lease payments receivable	2 992	2 169	823
Home loans	146 454	122 592	23 862
Term loans	53 573	40 411	13 162
Total non-performing lendings	245 100	180 118	64 982
Geographical split:			
Namibia	245 100	180 118	64 982

10. Impairment of advances continued

Company

	2015		
	Total value net of interest in suspense	Security held	Specific impairments
Non-performing lendings by sector			
Agriculture	1 193		1 193
Financial institutions	647	647	
Building and property development	17 497	12 735	4 762
Individuals	100 966	71 928	29 038
Manufacturing and commerce	15 247	7 765	7 482
Mining			
Transport and communication	2 590	137	2 453
Other	2 824	128	2 696
Total-non performing lendings	140 964	93 340	47 624
Non-performing lendings by category			
Card loans	1 257	4	1 253
Overdrafts and management accounts	12 433	4 790	7 643
Instalment sales	21 098	2 603	18 495
Lease payments receivable	533		533
Home loans	95 379	79 361	16 018
Term loans	10 264	6 582	3 682
Total non-performing lendings	140 964	93 340	47 624
Geographical split:			
Namibia	140 964	93 340	47 624

11. Investment securities

Group and company N$'000	Group and Company	
	2016	2015
At fair value through profit and loss – designated		
Unit trusts	181 578	257 274
At fair value through profit and loss – held for trading		
Other government and government guaranteed stock	94 004	30 065
Treasury bills	7 057	4 436
	101 061	34 501
Available-for-sale		
Other government and government guaranteed stock	831 925	752 214
Treasury bills	1 947 951	2 157 660
	2 779 876	2 909 874
Valuation of investments		
Market value of listed investments	925 929	782 279
Directors valuation of unlisted investments	2 136 586	2 419 370
Total valuation	3 062 515	3 201 649

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

Refer to note 30, 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 is N$2 780million (2015: N$2 910 million).

12. Accounts receivable

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
Accounts receivable				
- Items in transit	47 295	82 818	82 209	119 614
- Deferred staff costs	45 310	40 856	45 310	40 856
- Other accounts receivable	11 467	27 145	10 873	26 614
Total	104 072	150 819	138 392	187 084

The carrying value of accounts receivable approximates the fair value.

The credit quality of the above balances is provided in the risk management note 32.

13. Investment in associate company

Details of investments in unlisted associate company

Group and Company

N$'000	Nature of relationship	Place of business	Ownership %	Year end
Unlisted investment				
Namclear (Pty) Ltd	Interbank clearing house	Windhoek	25	31 Dec

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

Effective holdings and carrying amounts in unlisted associate company

13. Investment in associate company continued

N$'000	Group carrying amount		Investment at cost less impairments	
	2016	2015	**2016**	2015
Unlisted investment				
Namclear (Pty) Ltd	5 054	3 726	1 154	1 154

Detail information of unlisted associate company

	Namclear (Pty) Ltd		Namclear (Pty) Ltd	
	Unaudited June 2016	Unaudited June 2015	**Unaudited June 2016**	Unaudited June 2015
Opening balance	3 726	3 168	1 154	1 154
Share of profits	1 328	558		
Closing balance	5 054	3 726	1 154	1 154
Valuation				
Unlisted investment at directors' valuation	5 054	3 726	1 154	1 154

13. Investment in associate company continued

Summarised financial information of associate company

N$'000	Group Namclear (Pty) Ltd Unaudited June 2016	Group Namclear (Pty) Ltd Unaudited June 2015
Statement of financial position		
Non-current assets	38 765	36 580
Current assets	19 651	9 421
Non-current liabilities	(22 949)	(27 818)
Current liabilities	(16 412)	(3 891)
Equity	19 055	14 292
Statement of comprehensive income		
Revenue	23 886	17 284
Profit for the period	2 743	1 577
Total comprehensive income for the period	2 743	1 577
Total share of profits from associate company	1 328	558

Refer to note 29 for details of related party balances and transactions.

14. Investment in subsidiary company

Significant subsidiary	Nature of business	Date of acquisition	Country of incorporation	Listed/ unlisted	Effective holding % 2016	Effective holding % 2015
Swabou Investments (Pty) Ltd	Home loans	1 July 2003	Namibia	Unlisted	100	100
Number of shares issued: 2 of 0.5 cents each (2015: 2 of 0.5 cents each)						

N$'000	Aggregate income of subsidiary (before tax)		Total indebtness		Total investment	
	2016	2015	2016	2015	2016	2015
Swabou Investments (Pty) Ltd	64 709	86 385	72 261	160 906	72 261	160 906

Interest paid by Swabou Investments (Pty) Ltd to First National Bank of Namibia Ltd totalled N$ 4.3 million (2015: N$12.7 million).

15. Property and equipment

Group

N$'000	Freehold land and buildings	Leasehold property	Equipment	Total
Carrying amount at 1 July 2014	362 275	11 174	148 963	522 412
Additions	264 636	537	85 203	350 376
Transfer between classes	(21 955)	7 147	14 808	
Depreciation charge for year		(4 759)	(40 949)	(45 708)
Transfers to repairs and maintenance	(6 127)			(6 127)
Disposals	(322)		(646)	(968)
Carrying amount at 30 June 2015	598 507	14 099	207 379	819 985
Additions	37 224	2 825	123 432	163 481
Transfer between classes				
Depreciation charge for year	(4 590)	(4 825)	(51 101)	(60 516)
Transfers to repairs and maintenance				
Disposals		(3)	(3 265)	(3 268)
Carrying amount at 30 June 2016	631 141	12 096	276 445	919 682

15. Property and equipment continued

Company

N$'000	Freehold land and buildings	Leasehold property	Equipment	Total
Carrying amount at 1 July 2014	322 178	11 175	146 888	480 241
Additions	264 633	540	85 079	350 252
Transfer between classes	(21 952)	7 144	14 808	
Depreciation charge for year		(4 759)	(40 524)	(45 282)
Transfers to repairs and maintenance	(6 127)			(6 127)
Disposals	(322)		(646)	(968)
Carrying amount at 30 June 2015	558 410	14 099	205 605	778 116
Additions	35 748	2 825	123 430	162 003
Transfer between classes				
Depreciation charge for year	(4 590)	(4 825)	(50 703)	(60 118)
Transfers to repairs and maintenance				
Disposals		(3)	(3 265)	(3 268)
Carrying amount at 30 June 2016	589 568	12 096	275 067	876 733

16. Intangible assets

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
Trademarks				
Gross amount	380 713	380 713	354 099	354 099
Less: Accumulated amortisation	(301 548)	(290 102)	(274 935)	(263 488)
	79 165	90 611	79 165	90 611
Movement in trademarks – carrying amount				
Opening balance	90 611	102 056	90 611	102 056
Amortisation (note 4)	(11 445)	(11 445)	(11 445)	(11 445)
Closing balance	79 165	90 611	79 165	90 611
FNB Namibia Trademark	79 165	90 611	79 165	90 611
	79 165	90 611	79 165	90 611
Software				
Gross amount	46 516	46 516	46 516	46 516
Less: Accumulated amortisation	(46 513)	(44 082)	(46 513)	(44 082)
	3	2 434	3	2 434
Movement in software – carrying amount				
Opening balance	2 434	6 601	2 434	6 601
Additions				
Amortisation (note 4)	(2 431)	(4 167)	(2 431)	(4 167)
Closing balance	3	2 434	3	2 434
Goodwill – carrying amount	47 967	47 967	47 967	47 967
Total closing balance of intangible assets	127 134	141 011	127 134	141 011

17. Deposits and current accounts continued

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
17.1 Deposits				
At amortised cost				
- Current accounts	10 053 437	9 514 151	10 052 592	9 512 854
- Call deposits	5 140 823	4 604 425	5 140 823	4 604 425
- Savings account	607 449	611 933	607 449	611 933
- Term deposits	5 000 144	3 557 225	5 000 144	3 557 225
- Negotiable certificates of deposit	7 202 854	5 771 577	7 202 854	5 771 577
	28 004 707	24 059 315	28 003 862	24 058 014
Geographic analysis (based on counterparty risk)				
Namibia	28 004 707	24 059 315	28 003 862	24 058 014

The fair values of deposits and current accounts is set out in note 30.

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
17.2 Due to banks and other financial institutions				
At amortised cost				
Due to banks and financial institutions				
- In the normal course of business	800 972	1 020 016	800 972	1 020 016
	800 972	1 020 016	800 972	1 020 016
Geographic analysis (based on counterparty risk)				
Namibia	800 972	1 020 016	800 972	1 020 016

The fair values of deposits and current accounts is set out in note 30.

18. Creditors and accruals

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
Accounts payable and accrued liabilities	147 839	190 041	144 301	185 991
Items in transit	193 646	190 956	193 646	190 957
	341 485	380 997	337 947	376 948

All amounts are expected to be settled within twelve months.
The carrying value of creditors and accruals approximates fair value.

19. Short trading positions

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
Government and government guaranteed stock	36 927	26 693	36 927	26 693
Short trading securities	36 927	26 693	36 927	26 693

Short trading positions are carried at fair value.

20. Employee benefits

N$'000		Group and company 2016	Group and company 2015
Staff related accruals	20.1	131 473	119 518
Cash settled share-based payment liability*		10 907	5 969
Post-employment benefit liabilities	20.2	44 544	38 062
Closing balance		186 924	163 549

* Refer to note 25 for more detail on the cash settled share-based payment schemes.

20. Employee benefits continued

20.1 Staff related accruals

The staff related accruals consists mainly of the accrual for leave pay and staff bonuses.

N$'000	Group and company	
	2016	2015
Opening balance	119 518	106 573
- Charge to profit or loss	57 519	46 470
- Utilised	(45 564)	(33 525)
Closing balance	131 473	119 518

20.2 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 employers' share of continuation member 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.

20. Employee benefits continued

20.2 Post-employment benefit liabilities continued

The actuarial valuations are done on an annual basis.

	Group and company					
	2016			2015		
N$'000	Medical	Severance Pay	Total	Medical	Severance Pay	Total
Present value of unfunded liabilities	39 729	4 815	44 544	33 660	4 402	38 062
Post-employment liabilities	39 729	4 815	44 544	33 660	4 402	38 062
The amounts recognised in the statement of comprehensive income are as follows:						
Profit and loss portion						
Current service cost	203	376	579	183	313	496
Interest cost	2 967	346	3 313	2 530	315	2 845
Total included in staff costs (note 4)	3 170	722	3 892	2 713	628	3 341
Recognised in other comprehesnsive income						
Actuarial gains and losses recognised	4 837	87	4 924	2 993	(122)	2 871
Total included in staff costs	4 837	87	4 924	2 993	(122)	2 871
Movement in post-employment liabilities						
Present value at the beginning of the year	33 660	4 402	38 062	29 655	3 871	33 526
Current service cost	203	376	579	183	313	496
Interest cost	2 967	346	3 313	2 530	315	2 845
Benefits paid	(1 938)	(396)	(2 334)	(1 701)	23	(1 678)
Transfer of liability between business units					2	2
Re-measurements : Recognised in OCI						
- Actuarial (gains) losses from changes in demographic assumptions	4 837	87	4 924	2 993	(122)	2 871
Present value at the end of the year	39 729	4 815	44 544	33 660	4 402	38 062

20.2 Post-employment benefit liabilities continued

The actuarial valuations are done on an annual basis.

N$'000	Group and company					
	2016			2015		
	Medical	Severance Pay	Total	Medical	Severance Pay	Total
The principal actuarial assumptions used for accounting purposes were:						
Discount rate (%)	10.46%	10.47%		8.58%	8.01%	
Medical aid inflation (%)	9.66%			8.00%		
Salary inflation (%)		9.65%			7.52%	
Male	36			42		
Female	71			67		
Employees covered	107	2 064		109	1 910	

20.3 Pension fund

N$'000	Group and company	
	2016	2015
Employer contributions to pension fund	55 376	47 232
Employer contributions to pension fund - executive directors	412	335
Total employer contributions to pension fund (note 4)	55 788	47 567
Employee contributions to pension fund	21 192	21 192
Total contributions	76 980	68 759
Number of employees covered	2 064	1 910

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 2015 and indicated that the fund was in a sound financial position.

The pension fund is a related party to the group.

21 Other liabilities

N$'000	Group and company 2016	2015
Finance lease liability		2 060
Total other liabilities		2 060

21.1 Finance lease liabilities

N$'000	Group and company 2016	2015
Finance lease liabilities		
Not later than 1 year		2 099
Later than 1 year and not later than 5 years		
Total finance lease liabilities		2 099
Future finance charges on finance leases		(39)
Present value of finance lease liability		2 060
Not later than 1 year		2 060
Later than 1 year and not later than 5 years		
Total finance lease liabilities		2 060

21.2 Leasing arrangements

The group leased various information technology equipment under a finance lease. The lease term is 3 years with no escalation clauses. The group has the option to pay a reduced secondary term charge or to purchase the equipment at its market value. The lease terms do not contain restrictions on the group's activities concerning dividends or additional funding.

22. Deferred tax liability

N$'000	Group		Company	
	2016	2015	**2016**	2015
The movement on the deferred tax account is as follows:				
Taxable temporary differences				
- Balance at the beginning of the year	202 515	165 250	208 429	164 885
- Originating temporary differences	90 744	37 265	84 346	43 544
- Tax rate adjustment	(4 139)		(4 042)	
Total credit balance	289 120	202 515	288 733	208 429
Deductible temporary differences				
- Balance at the beginning of the year	(72 281)	(71 615)	(74 524)	(67 310)
- Reversing temporary differences	2 398	(666)	2 346	(7 214)
- Tax rate adjustment	(6 687)		(2 696)	
Total debit balance	(76 570)	(72 281)	(74 874)	(74 524)
Net balance for the year for entities with deferred tax liabilities	212 550	130 234	213 859	133 905
Charge through profit and loss	88 505	44 239	86 144	43 970
Deferred tax on other comprehensive income	(5 594)	(7 640)	(5 594)	(7 640)
Total	82 911	36 599	80 550	36 330

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

23. Tier two liabilities

N$'000				Group and company	
				2016	2015
Subordinated debt instruments	**Interest rate**	**Final maturity date**	**Note**		
FNB X22 fixed rate notes	8.88%	29 March 2022	ii	110 000	110 000
FNB J22 floating rate notes	Three-month JIBAR + 1.65%	29 March 2022	iii	280 000	280 000
Accrued interest				2 654	2 635
Total				392 654	392 635

(i) The 8,88% fixed rate notes may be redeemed in full at the option of the group on 29 March 2017. Interest is paid semi-annually in arrear on 29 March and 29 September of each year.

(ii) The three-month JIBAR plus 1,65% floating rate notes may be redeemed in full at the option of the group on 29 March 2017. Interest is paid quarterly on 29 March, 29 June, 29 September and 29 December of each year.

These 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 30, fair value of financial instruments for the methodologies used to determine the fair value of tier two liabilities.

24. Share capital and share premium

N$'000	Group and company 2016	2015
Authorised		
4 000 (2015: 4 000) ordinary shares with a par value of N$1 per share	4	4
Issued and fully paid up		
1 200 (2015: 1 200) ordinary shares with a par value of N$1 per share	1	1
Share premium	1 142 791	1 142 791

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

The issued share capital is fully paid up.

24.1 General risk reserves

N$'000	2016	2015
First National Bank of Namibia Limited - Credit risk reserve	135 412	109 591
	135 412	109 591

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

25. Remuneration schemes

N$'000	Group and company 2016	2015
The charge to profit or loss for share-based payments is as follows:		
FNB Namibia	6 985	8 246
FirstRand conditional share plan	6 339	8 304
Charge against staff costs (note 4)	13 324	16 550

Share option schemes

FNB Namibia Holdings Ltd options are equity settled, except for the FirstRand Limited share appreciation scheme 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.

25. 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 (CPI'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:

Expired Schemes

2012 (CPTs met- vested in September 2015) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds South African nominal GDP plus 3% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2012 to the financial year end immediately preceding the vesting date. In addition NIACC must be positive over the three-year performance period.

Currently Open

2013 (vests in 2016) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds the South African nominal GDP plus 1.5% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2013 to the financial year-end immediately preceding the vesting date. In addition NIACC must be positive over the three-year performance period.

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.

25. Remuneration schemes continued

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

	Group and company			
	FNB Share Incentive Trust		FirstRand conditional share plan	
N$'000	**2016**	2015	**2016**	2015
Weighted average exercise price (N$)	721 - 2 452	721 - 2 452		
Expected volatility (%)	402 - 16	402 - 16	25	25
Expected option life	5	5	3	3
Expected risk free rate (%)	5.81 - 7.69	5.81 - 7.69	7.36 - 8.06	4.82 - 7.07
Share option schemes				
Number of options in force at the beginning of the year ('000)	9 296	8 832	198	250
Granted at prices (cents)	721 - 2 452	721 - 1 932		
Number of options granted during the year ('000)		2 359	533	43
Granted at prices ranging between (cents)		2 452		
Number of options exercised/released during the year ('000)	(1 761)	(1 305)	(4)	(54)
Market value range at the date of exercise/release (cents)	2 351 - 3 231	2 351 - 3 231		
Number of options cancelled/lapse during the year ('000)	(627)	(590)	(44)	(41)
Granted at prices ranging between (cents)	823 - 2 452	1 236 - 2 452		
Number of options in force at the end of the year ('000)	6 908	9 296	683	198
Granted at prices ranging between (cents)	721 - 2 452	721 - 2 452		
Options are execercisable over the following periods: ('000) (first date able to release)				
Financial year 2016		1 465		
Financial year 2017	357	1 280		
Financial year 2018	2 061	2 061		
Financial year 2019	2 215	2 215		
Financial year 2020	2 275	2 275		
	6 908	9 296		

26. Cash flow information

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
Reconciliation of operating profit to cash flows from operating activities				
Profit before tax	1 611 696	1 403 203	1 544 839	1 343 817
Adjusted for:				
- Depreciation, amortisation and impairment costs	74 394	61 320	73 996	60 895
- Transfer to repairs and maintenance		(6 127)		(6 127)
- Impairment charge / (reversal) on advances	47 850	49 882	54 775	49 249
- Provision for post-employment benefit obligations	3 495	(1 667)	3 495	(1 667)
- Other employment accruals	57 519	46 470	57 519	46 470
- Creation and revaluation of derivative financial instruments	(3 587)	(3 705)	(3 587)	(3 705)
- Profit on sale of property and equipment	634	62	634	62
- Share-based payment costs	13 324	16 550	13 324	16 550
- Unwinding of discounted present value on non-performing loans (note 10)	(6 782)	(13 314)	(5 867)	(13 026)
- Unwinding of discounted present value on off-market advances (note 2.1)	(1 910)	(5 978)	(1 910)	(5 978)
- Net release of deferred fee and expenses	(25 787)	(21 279)	(25 109)	(20 581)
- Transfer from revaluation reserve: available-for-sale financial assets		198		198
- Off-market staff loans amortisation (note 4)	1 910	5 978	1 910	5 978
- Share of loss / (profit) from associate company	(1 328)	(558)		
- Indirect tax (note 5)	31 232	26 450	30 764	26 238
Cash flows from operating activities	1 802 660	1 557 488	1 744 783	1 498 375

27. Contingencies and commitments

N$'000	Group and company 2016	Group and company 2015
Contingencies		
Guarantees *	1 243 106	999 308
Letters of credit	22 970	66 713
Total contingencies	1 266 076	1 066 021
Irrevocable unutilised facilities	4 916 248	4 926 719
Committed capital expenditure **	22 305	93 374
Total contingencies and commitments	6 182 324	5 992 740

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

** Commitments in respect of capital expenditure and long term investments approved by directors.

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.

Group and company leasing arrangements:

N$'000	2016			2015		
	Within 1 year	Between 1 and 5 years	After 5 years	Within 1 year	Between 1 and 5 years	After 5 years
Office premises	28 490	44 784	5 104	24 223	38 000	3 525
	28 490	44 784	5 104	24 223	38 000	3 525

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% (2015: 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.

28. Collateral pledged and held

N$'000	2016	2015
28.1 Collateral taken possession of and recognised on the statement of financial position in accounts receivable, note 12:		
Property	2 685	7 136
Total	2 685	7 136
28.2 Collateral pledged		
The group has pledged assets as security for the following liabilities:		
Derivatives (note 8)		
Currency derivative	182 387	13 262
Interest rate derivative	12 812	88 454
	195 199	101 716
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 RMB credit facility over the limit. These transactions are conducted under the terms and conditions that are usual and customary to standard credit facilities.		
Assets pledged to secure the above liabilities are carried at and included under the following:		
Due from banks and other financial institutions	357 820	83 620

29. Related parties

First National Bank of Namibia Limited is 100% (2015: 100%) owned by FNB Namibia Holdings Limited.
FNB Namibia Holdings Limited is listed on the Namibian Stock Exchange and is 58.4% (2015: 58.4%) owned by FirstRand Emerging Markets, with its ultimate holding company FirstRand Limited, which is incorporated in Republic of South Africa, listed on the JSE Limited and on the NSX. Refer to section 2.2 of the accounting policies.

29.1 Subsidiary

Details of interests in the subsidiary are disclosed in note 14.

29.2 Associate

Details of the investment in the associate company are disclosed in note 13.

29.3 Details of transactions with relevant related parties appear below:

N$'000	2016	2015
Related party balance		
Advances		
Parent	917 612	563 569
Fellow subsidiaries	180 022	85 146
Associate	19 578	23 505
Derivative instruments: assets		
Parent	26 580	34 520
Other deposits and loans		
Parent	795 915	757 998
Fellow subsidiaries	(22 682)	(69 036)
Associate	12 856	4 312
Derivative instruments: liabilities		
Parent	194 727	3 577

29. Related parties continued

N$'000	2016	2015
Related party transactions		
Interest paid to (received from) related parties		
Parent	(17 084)	(39 359)
Fellow subsidiaries	(5 040)	2 339
Associate	(1 903)	(2 157)
Non interest revenue		
Parent	2 748	12 802
Fellow subsidiaries	1 889	1 920
Associate	27	
Non interest expenditure		
Parent	176 517	154 026
Fellow subsidiaries	4 840	28 661
Associate	11 908	8 149
Dividends paid		
Parent	526 026	347 226

29. Related parties continued

29.4 Key management personnel

N$'000 Loans and advances	Group and company 2016	2015
Advances	35 490	26 199
No impairment has been recognised for loans granted to key management (2015: nil). Mortgage loans are repayable monthly over 20 years.		
Current and credit card accounts	(6 182)	(2 735)
Instalment finance	3 938	3 054
Shares and share options held		
Share options held by members of key management	1 067	1 583
Key management compensation		
Cash package	19 323	21 566
Retirement contribution	3 102	2 689
Performance related benefits	12 569	8 018
Share-based payments	3 805	2 874
Total compensation	38 799	35 147

A listing of the board of directors of the group appears in the directors report.

29.5 Post-employment benefit plan

Refer note 20.2 on detail disclosure of the movements on the post-employment benefit liabilities. The Pension Fund is a related party to the group, refer note 20.3.

One member of key management is entitled to the post-employment medical benefit and contributions will only be made on retirement. The liability raised for post-retirement medical benefits includes this member.

30. Fair value measurements

30.1 Valuation methodology

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

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

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

Recurring fair value measurements
Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets, including investment properties and commodities, 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.

30. Fair value measurements continued

30.1 Valuation methodology continued

Non-financial assets

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.

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where fair value less costs to sell is the recoverable amount, IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date, and IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under point 30.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

30.2 Fair value hierarchy and measurements

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

Where a valuation model is applied and the group cannot mark-to-market, it applies a mark-to-model approach, subject to prudent valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. When applying mark-to-model, an extra degree of conservatism is applied. The group will consider the following in assessing whether a mark-to-model valuation is appropriate:

30. Fair value measurements continued

30.2 Fair value hierarchy and measurements continued

- 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.

Measurement of assets and liabilities at level 2

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
		Derivative financial instruments	
- Option contracts	Option pricing model	The Black Scholes model is used.	Strike price of the option; market related discount rate; forward rate and cap and floor volatility.
- Swaps	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and curves
- Forward rate agreements	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and curves
- Forward contracts	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves

30. Fair value measurements continued

30.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Loans and advances to customers			
- Investment banking book*	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
- Other loans and advances	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves
Investment securities and other investments			
- Equities/bonds listed in an inactive market	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 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. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves

30. Fair value measurements continued

30.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
		Investment securities and other investments continued	
- Unlisted bonds	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period. . In the event that credit spreads are observable for a counterparty, the bonds are classified as level 2 of the fair value hierarchy.	Market interest rates and curves
- Unlisted equities	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
- Negotiable certificates of deposit	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
- Treasury Bills	BESA bond pricing model	The BESA bond pricing model uses the BESA mark to market bond yield.	Market interest rates and curves
- Non-recourse investments	Discounted cash flows	The future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by the legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate in the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rates and curves

30. Fair value measurements continued

30.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
		Deposits	
- Call and non-term deposits	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
- Non-recourse deposits	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected for changes in the applicable credit ratings of the assets.	Market interest rates and foreign exchange rates; credit inputs
- Other deposits	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
Other liabilities and Tier 2 liabilities	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	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

30. Fair value measurements continued

30.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 3

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
		Derivative financial instruments	
- Option contracts	Option pricing model	The Black Scholes model is used.	Volatilities
- Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as stock prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities
		Loans and advances to customers	
- Investment banking book*	Discounted cash flows	The group has elected to designate the investment banking book of advances at fair value through profit or loss. Credit risk is not observable and could have 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. 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.	Credit inputs

30. Fair value measurements continued

30.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
		Loans and advances to customers continued	
– Other loans and advances	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the group has classified loans and advances to customers in level 3 of the fair value hierarchy.	Credit inputs
		Investment securities and other investments	
– Equities/bonds listed in an inactive market	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 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. Where the valuation technique incorporates observable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
– Unlisted bonds	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Credit inputs

30. Fair value measurements continued

30.2 Fair value hierarchy and measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
		Investment securities and other investments continued	
- Unlisted equities	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.	Growth rates and P/E ratios
		Deposits	
- Deposits that represent collateral on credit linked notes	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins are used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Growth rates and P/E ratios
- Other deposits	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
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	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.

30. Fair value measurements continued

30.2 Fair value hierarchy and measurements continued

For non-recurring fair value measurements, the fair value measurements are determined on a case by case basis as they occur within each reporting period. 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 such transactions for the current year or prior year.

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

The following table presents the financial instruments recognised at fair value in the statement of financial position of the group.

	Group and company			
	2016			
N$'000	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Investment securities (note 11)		3 062 515		3 062 515
Advances (Note 9)			491 903	491 903
Derivative financial instruments (note 8)		209 495		209 495
Total financial assets measured at fair value		3 272 010	491 903	3 763 913
Liabilities				
Recurring fair value measurements				
Derivative financial instruments (note 8)		219 454		219 454
Short Trading Position (Note 19)	36 927			36 927
Total financial liabilities measured at fair value	36 927	219 454		256 381

30. Fair value measurements continued

The following table presents the financial instruments recognised at fair value in the statement of financial position of the group.

N$'000	Group and company 2015			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Investment securities (note 11)		3 201 649		3 201 649
Advances (Note 9)			519 585	519 585
Derivative financial instruments (note 8)		158 642		158 642
Total financial assets measured at fair value		3 360 291	519 585	3 879 876
Liabilities				
Recurring fair value measurements				
Derivative financial instruments (note 8)		172 188		172 188
Short Trading position (note 19)	26 693			26 693
Total financial liabilities measured at fair value	26 693	172 188		198 881

During the reporting period ending 30 June 2016 (30 June 2015), there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

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

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

30. Fair value measurements continued

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 level 3 fair value instruments

N$'000	Fair value on June 2015	Purchases/ (sales)/issues/ (settlements)	Gains or losses recognised in profit and loss	**Fair value on June 2016**
Assets				
Advances	519 585	(80 569)	52 887	491 903

N$'000	Fair value on June 2014	Purchases/ (sales)/issues/ (settlements)	Gains or losses recognised in profit and loss	Fair value on June 2015
Assets				
Advances	538 583	(78 707)	59 709	519 585

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive income. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$ 545 734 (2015: N$571 544) and using more negative reasonable possible assumptions to N$ 446 510 (2015: N$467 627).

30. Fair value measurements continued

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.

N$'000	2016 Gains or (losses) recognised in profit and loss	2016 Gains or (losses) recognised in other comprehensive income	2016 Total gains or loss
Assets			
Advances	52 887		52 887
Total financial assets classified at level 3	52 887		52 887

N$'000	2015 Gains or (losses) recognised in profit and loss	2015 Gains or (losses) recognised in other comprehensive income	2015 Total gains or loss
Assets			
Advances	59 709		59 709
Total financial assets classified at level 3	59 709		59 709

30. Fair value measurements continued

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

N$'000	Group 2016 Carrying amount	Group 2016 Fair value	Company 2016 Carrying amount	Company 2016 Fair value	Fair value hierachy
Assets					
Total advances at amortised cost	3 041 692	3 024 123	2,982,636	2 965 408	Level 2
Total advances at amortised cost	22 342 636	22 213 582	21 908 840	21 782 292	Level 3
Liabilities					
Total deposits and current accounts	28 004 707	28 022 173	28 003 862	28 021 327	Level 2
Tier two liabilities	392 654	391 047	392 654	391 047	Level 2

N$'000	Group 2015 Carrying amount	Group 2015 Fair value	Company 2015 Carrying amount	Company 2015 Fair value	Fair value hierachy
Assets					
Total advances at amortised cost	22 399 254	22 134 943	21 860 402	21 572 804	Level 2
Liabilities					
Total deposits and current accounts	24 059 314	24 057 737	24 058 014	24 019 221	Level 2
Tier two liabilities	392 635	392 905	392 635	393 987	Level 2

30. Fair value measurements continued

Day one profit or loss

In accordance with the group's accounting policies, if there are significant unobservable inputs used in a valuation technique of a financial instrument, the financial instrument is recognised at the transaction price and any day one profit is deferred. The balance relates to Advances designated at fair value through profit or loss.

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

	Group and company	
N$'000	**2016**	2015
Unrecognised profit at the beginning of the year	4 873	8 587
Additional profit on new transactions		
Recognised in profit or loss during the year	(3 671)	(3 714)
Unrecognised profit at the end of the year	1 202	4 873

Loans and receivables 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 change in credit risk attributable to these instruments.

	Group and company	
N$'000	**2016**	2015
	Carrying value	
Included in advances	491 903	519 585

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.

31. Financial instruments subject to offsetting, mater netting arrangements 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 liabilities have been presented on the net amount in the statement of financial position.

32. Risk management

The unaudited risk report of the FNB Namibia group appears on pages 6 to 17 of the said annual report, which is appended as a separate document to this set of financial statements. The reported 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 the key risk areas of the group are approved by the Board, while operational policies and controls procedures are approved by the relevant risk committees. The main financial risks that the business is exposed to are detailed in this note.

32. Risk management continued

32.1 Maximum exposure to credit risk

Total exposure

N$'000	Group 2016	Group 2015	Company 2016	Company 2015
Cash and cash equivalents	1 523 895	288 513	1 523 895	288 513
- Balances with central banks	1 523 895	288 513	1 523 895	288 513
Due by banks and other financial institutions	1 772 268	1 585 029	1 772 268	1 585 029
Advances	25 876 230	22 918 838	25 359 962	22 379 987
- Card loans	231 756	164 167	231 756	164 167
- Overdraft and managed accounts	2 574 308	2 614 013	2 574 307	2 614 012
- Instalment sales and lease receivables	3 526 891	3 335 736	3 526 890	3 335 736
- Home loans	11 779 641	10 657 423	11 263 375	10 118 573
- Term loans	6 919 180	5 276 758	6 919 180	5 276 758
- Investment bank term loans	517 934	552 035	517 934	552 035
- Advances under agreement to resell	36 230	27 087	36 230	27 087
- Preference share advance		25 500		25 500
- Other	290 290	266 119	290 290	266 119
Derivative financial instruments	209 495	158 642	209 495	158 642
Debt investment securities	3 062 515	3 201 649	3 062 515	3 201 648
- Listed investment securities	925 928	782 279	925 928	782 279
- Unlisted investment securities	2 136 586	2 419 370	2 136 586	2 419 370
Accounts receivable	58 762	109 963	93 082	146 321
Amounts not recognised (in the statement of financial position)	6 182 324	5 992 740	6 182 324	5 992 740
Guarantees	1 243 106	999 308	1 243 106	999 308
Letters of credit	22 970	66 713	22 970	66 713
Irrevocable commitments	4 916 248	4 926 719	4 916 248	4 926 719

32. Risk management continued

32.2 FR rating mapping to international and national rating scales

The group categorises current exposures according to an internal rating scale, the FR ratings, ranging from FR 1 to FR 100, with the FR 1 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*
FR 27 - 91	3.73%	AAA to B-
Above FR 91		Below B-

* Indicative mapping to international rating scale of Fitch and S&P.

32. Risk management continued

32.3 Credit quality

The table below presents an analysis of the credit quality of neither past due nor impaired (i.e. performing) advances (refer to note 32.2 for the FR rating mapping to international and national rating scales):

Group

N$'000	Total neither past due nor impaired	Card loans	Overdraft and managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Investment bank term loans	Preference share advance	Other
2016									
FR 27 - 91	24 972 663	230 874	2 606 665	3 543 615	10 919 065	6 828 385	517 934		326 126
Above FR 91	11 179	1 314	5 349	4 068	23	29			395
Total	24 983 842	232 188	2 612 014	3 547 683	10 919 088	6 828 414	517 934		326 521
2015									
FR 27 - 91	22 294 110	184 987	2 638 715	3 314 026	10 053 110	5 232 531	552 035	25 500	293 206
Above FR 91	28 753	358	23 944	3 596	850	5			
Total	22 322 863	185 345	2 662 659	3 317 622	10 053 960	5 232 536	552 035	25 500	293 206

32. Risk management continued

32.3 Credit quality continued

Credit quality of financial assets other than advances neither past due nor impaired

Group

N$'000	Investment securities	Derivatives	Cash and short term funds	Due from banks and other financial institutions	Accounts receivable	Total
International scale mapping (National equivalent):						
2016						
AAA to BB- (A to BBB)	3 062 515	209 495	1 523 895	1 772 268	15 138	6 583 311
Unrated						
Total	3 062 515	209 495	1 523 895	1 772 268	15 138	6 583 311
2015						
AAA to BB- (A to BBB)	3 201 649	158 642	288 513	1 585 029	23 498	5 257 331
Unrated						
Total	3 201 649	158 642	288 513	1 585 029	23 498	5 257 331

32. Risk management continued

32.3 Credit quality continued

The table below presents an analysis of the credit quality of neither past due nor impaired (i.e. performing) advances (refer to note 32.2 for the FR rating mapping to international and national rating scales):

Company

N$'000	Total neither past due nor impaired	Card loans	Overdraft and managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Investment bank term loans	Preference share advance	Other
2016									
FR 27 - 91	24 483 627	230 874	2 606 665	3 543 614	10 430 030	6 828 385	517 934		326 126
Above FR 91	11 179	1 314	5 349	4 068	23	29			395
Total	24 494 806	232 188	2 612 014	3 547 682	10 430 053	6 828 414	517 934		326 521
2015									
FR 27 - 91	21 751 207	184 989	2 614 586	3 338 152	9 497 183	5 245 557	552 035	25 500	293 206
Above FR 91	28 753	358	23 944	3 596	850	5			
Total	21 779 960	185 347	2 638 530	3 341 748	9 498 033	5 245 562	552 035	25 500	293 206

32. Risk management continued

32.3 Credit quality continued

Credit quality of financial assets other than advances neither past due nor impaired

Company

N$'000	Investment securities	Derivatives	Cash and short term funds	Due from banks and other financial institutions	Accounts receivable	Total
International scale mapping (National equivalent):						
2016						
AAA to BB- (A to BBB)	3 062 515	209 495	1 523 895	1 772 268	15 020	6 583 192
Unrated						
Total	3 062 515	209 495	1 523 895	1 772 268	15 020	6 583 192
2015						
AAA to BB- (A to BBB)	3 201 649	158 642	288 513	1 585 029	26 422	5 260 255
Unrated						
Total	3 201 649	158 642	288 513	1 585 029	26 422	5 260 255

32. Risk management continued

32.4 Credit risk management continued

Group

N$'000	Age analysis: Neither past due nor impaired	Past due but not impaired: 1 - 30 days	Past due but not impaired: One instalment	Past due but not impaired: Two instalments	Impaired	Total
2016						
Advances						
- Card loans	232 188				1 052	233 240
- Home loans	10 919 088		647 824	95 646	152 720	11 815 278
- Instalment sales and lease receivables	3 547 683				23 176	3 570 859
- Investment bank term loans	517 934					517 934
- Overdraft and managed accounts	2 612 014				20 845	2 632 859
- Preference share advance						
- Term loans	6 828 414		79 279	11 390	53 573	6 972 656
- Other	326 521					326 521
Sub total	24 983 842		727 103	107 036	251 366	26 069 347
Accounts receivable						
- Items in transit	47 295					47 295
- Deferred Staff cost	45 310					45 310
- Other accounts receivable	11 467					11 467
Sub total	104 072					104 072
Total	25 087 914		727 103	107 036	251 366	26 173 419

32. Risk management continued

32.4 Credit risk management continued

Group

N$'000	Age analysis					
	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 - 30 days	One instalment	Two instalments		
2015						
Advances						
- Card loans	185 345				1 257	186 602
- Home loans	10 053 960		501 095	38 099	101 645	10 694 799
- Instalment sales and lease receivables	3 317 622		14 913	3 370	21 631	3 357 536
- Investment bank term loans	552 035					552 035
- Overdraft and managed accounts	2 662 659				12 433	2 675 092
- Preference share advance	25 500					25 500
- Term loans	5 232 537		55 640	8 008	10 264	5 306 449
- Other	293 206					293 206
Sub total	22 322 863		571 648	49 477	147 230	23 091 218
Accounts receivable						
- Items in transit	82 818					82 818
- Deferred staff cost	40 856					40 856
- Other accounts receivable	27 145					27 145
Sub total	150 819					150 819
Total	22 473 682		571 648	49 477	147 230	23 242 037

32. Risk management continued

32.4 Credit risk management continued

Company

N$'000	Age analysis: Neither past due nor impaired	Past due but not impaired: 1 - 30 days	Past due but not impaired: One instalment	Past due but not impaired: Two instalments	Impaired	Total
2016						
Advances						
- Card loans	232 188				1 052	233 240
- Home loans	10 430 053		647 824	95 646	146 454	11 319 977
- Instalment sales and lease receivables	3 547 683				23 176	3 570 859
- Investment bank term loans	517 934					517 934
- Overdraft and managed accounts	2 612 014				20 845	2 632 859
- Preference share advance						
- Term loans	6 828 414		79 279	11 390	53 573	6 972 656
- Other	326 521					326 521
Sub total	24 494 807		727 103	107 036	245 100	25 574 046
Accounts receivable						
- Items in transit	82 209					82 209
- Deferred Staff cost	45 310					45 310
- Other accounts receivable	10 873					10 873
Sub total	138 392					138 392
Total	24 633 199		727 103	107 036	245 100	25 712 438

32. Risk management continued

32.4 Credit risk management continued

Company

N$'000	Age analysis: Neither past due nor impaired	Past due but not impaired: 1 - 30 days	Past due but not impaired: One instalment	Past due but not impaired: Two instalments	Impaired	Total
2015						
Advances						
- Card loans	185 347				1 257	186 604
- Home loans	9 498 033		501 095	38 099	95 379	10 132 606
- Instalment sales and lease receivables	3 341 748		14 913	3 370	21 631	3 381 662
- Investment bank term loans	552 035					552 035
- Overdraft and managed accounts	2 638 530				12 433	2 650 963
- Preference share advance	25 500					25 500
- Term loans	5 245 562		55 640	8 008	10 264	5 319 474
- Other	293 206					293 206
Sub total	21 779 960		571 648	49 477	140 964	22 542 050
Accounts receivable						
- Items in transit	119 614					119 614
- Deferred Staff cost	40 856					40 856
- Other accounts receivable	26 614					26 614
Sub total	187 084					187 084
Total	21 967 044		571 648	49 477	140 964	22 729 134

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

32. Risk management continued

32.5 Liquidity risk management

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

	Group			
	2016			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	2 093 611	2 093 611		
Due by banks and other financial institutions	1 772 268	1 772 268		
Derivative financial instruments	209 495	209 495		
Advances	25 876 231	3 874 344	2 424 570	19 577 317
Investment securities	3 062 515	1 062 988	986 024	1 013 503
Accounts receivable	15 138	15 138		
Financial assets	33 029 258	9 027 844	3 410 594	20 590 820
Non financial assets	1 140 804			
Total assets	34 170 062			
Equity and liabilities				
Deposits	28 004 707	20 605 589	5 516 445	1 882 673
Due to banks and other financial institutions	800 972	79 263	107 122	614 587
Short trading position	36 927	36 927		
Derivative financial instruments	219 454	219 454		
Creditors and accruals	30 810	30 810		
Other liabilities				
Tier two liabilities	392 654	2 654		390 000
Financial liabilities	29 485 524	20 974 697	5 623 567	2 887 260
Non financial liabilities	763 763			
Total liabilities	30 249 287			
Total equity	3 920 775	3 920 775		
Total equity and liabilities	34 170 062	24 891 430		
Net liquidity gap		(11 946 851)	(2 221 973)	17 703 559
Cumulative liquidity gap		(11 946 851)	(14 159 824)	3 543 735

32. Risk management continued

32.5 Liquidity risk management continued

	Group			
	2015			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	769 832	769 832		
Due by banks and other financial institutions	1 585 029	1 585 029		
Derivative financial instruments	158 642	158 642		
Advances	22 918 838	3 836 900	1 796 974	17 284 964
Investment securities	3 201 649	829 926	1 053 831	1 317 892
Accounts receivable	23 498	23 498		
Financial assets	28 657 489	7 203 828	2 850 805	18 602 856
Non financial assets	1 092 043			
Total assets	29 749 531			
Equity and liabilities				
Deposits	24 059 315	18 013 588	4 310 340	1 735 387
Due to banks and other financial institutions	1 020 016	307 048	86 588	626 380
Short trading position	26 693	26 693		
Derivative financial instruments	172 188	172 188		
Creditors and accruals	76 862	76 862		
Other liabilities	2 060	1 041	1 019	
Tier two liabilities	392 635	2 635		390 000
Financial liabilities	25 749 770	18 600 055	4 397 947	2 751 767
Non financial liabilities	646 063			
Total liabilities	26 395 833			
Total equity	3 353 698	3,353,698		
Total equity and liabilities	29 749 531	21 953 753		
Net liquidity gap		(11 396 226)	(1 547 142)	15 851 089
Cumulative liquidity gap		(11 396 226)	(12 943 368)	2 907 722

32. Risk management continued

32.5 Liquidity 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.

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

	Group			
	2016			
	Term to maturity			
N$'000	Total amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	28 654 765	20 643 900	5 558 891	2 451 974
Due to banks and other financial institutions	800 972	186 386	207 002	407 584
Short trading position	36 927	36 927		
Derivative financial instruments	219 454	219 454		
Creditors and accruals	30 810	30 810		
Other liabilities				
Tier two liabilities	572 998	11 190	139 961	421 847
Financial liabilities	30 315 926	21 128 667	5 905 854	3 281 405
Off statement of financial position				
Financial and other guarantees	1 266 077	59 452	94 396	1 112 229
Facilities not drawn	4 916 248	4 916 248		

32. Risk management continued

32.5 Liquidity risk management continued

N$'000	Group			
	2015			
	Term to maturity			
	Total amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	25 443 852	18 924 903	4 503 525	2 015 424
Due to banks and other financial institutions	1 189 440	314 386	108 207	766 847
Short trading	26 693	26 693		
Derivative financial instruments	172 188	172 188		
Creditors and accruals	76 862	76 862		
Other liabilities	2 099	1 049	1 050	
Tier two liabilities	608 083	10 338	21 247	576 498
Financial liabilities	27 519 217	19 526 419	4 634 029	3 358 769
Off statement of financial position				
Financial and other guarantees	1 066 022	505 026	560 996	
Facilities not drawn	4 926 719	4 926 719		

32. Risk management continued

32.5 Liquidity risk management continued

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

	Company			
	2016			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	2 093 611	2 093 611		
Due by banks and other financial institutions	1 772 268	1 772 268		
Derivative financial instruments	209 495	209 495		
Advances	25 383 379	3 381 492	2 424 570	19 577 317
Investment securities	3 062 515	1 062 988	986 024	1 013 503
Accounts receivable	15 020	15 020		
Financial assets	32 536 288	8 531 874	3 410 594	20 590 820
Non financial assets	1 200 654			
Total assets	33 736 942			
Equity and liabilities				
Deposits	28 003 862	20 604 744	5 516 445	1 882 673
Due to banks and other financial institutions	800 972	79 264	107 122	614 587
Short trading position	36 927	36 927		
Derivative financial instruments	219 454	219 454		
Creditors and accruals	30 828	30 828		
Tier two liabilities	392 654	2 654		390 000
Financial liabilities	29 484 697	20 973 871	5 623 567	2 887 260
Non financial liabilities	759 658			
Total liabilities	30 244 355			
Total equity	3 492 587	3 492 587		
Total equity and liabilities	33 736 942	24 462 416	5 623 567	2 680 257
Net liquidity gap		(12 438 996)	(2 212 973)	17 703 559
Cumulative liquidity gap		(12 438 996)	(14 651 969)	3 051 591

32. Risk management continued

32.5 Liquidity risk management continued

N$'000	Company 2015 Term to maturity Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	769 832	769 832		
Due by banks and other financial institutions	1 585 029	1 585 029		
Derivative financial instruments	158 642	158 642		
Advances	22 379 987	3 298 049	1 796 974	17 284 964
Investment securities	3 201 649	829 926	1 053 831	1 317 892
Accounts receivable	26 422	26 422		
Financial assets	28 121 561	6 667 900	2 850 805	18 602 856
Non financial assets	1 241 848			
Total assets	29 363 409			
Equity and liabilities				
Deposits	24 058 015	18 012 288	4 310 340	1 735 387
Due to banks and other financial institutions	1 020 016	307 048	86 588	626 380
Short trading position	26 693	26 693		
Derivative financial instruments	172 188	172 188		
Creditors and accruals	76 866	76 866		
Other liabilities	2 060	1 041	1 019	
Tier two liabilities	392 635	2 635		390 000
Financial liabilities	25 748 473	18 598 759	4 397 947	2 751 767
Non financial liabilities	643 032			
Total liabilities	26 391 505			
Total equity	2 971 905			
Total equity and liabilities	29 363 409	18 598 759	4 397 947	2 751 767
Net liquidity gap		(11 930 859)	(1 547 142)	15 851 089
Cumulative liquidity gap		(11 930 859)	(13 478 001)	2 373 088

32. Risk management continued

32.5 Liquidity risk management continued

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

N$'000	Company			
	2016			
	Term to maturity			
	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	28 654 765	20 643 900	5 558 891	2 451 974
Due to banks and other financial institutions	800 972	186 386	207 002	407 584
Short trading position	36 927	36 927		
Derivative financial instruments	219 454	219 454		
Creditors and accruals	30 828	30 828		
Tier two liabilities	572 998	11 190	139 961	421 847
Financial liabilities	30 315 944	21 128 685	5 905 854	3 281 405
Off statement of financial position				
Financial and other guarantees	1 266 077	59 452	94 396	1 112 229
Facilities not drawn	4 916 248	4 916 248		

32. Risk management continued

32.5 Liquidity risk management continued

	Company			
	2015			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	25 443 852	18 924 903	4 503 525	2 015 424
Due to banks and other financial institutions	1 189 440	314 386	108 207	766 847
Short trading position	26 693	26 693		
Derivative financial instruments	172 188	172 188		
Creditors and accruals	76 866	76 866		
Other liabilities	2 099	1 049	1 050	
Tier two liabilities	608 083	10 338	21 247	576 498
Financial liabilities	27 519 221	19 526 423	4 634 029	3 358 769
Off statement of financial position				
Financial and other guarantees	1 066 022	505 026	560 996	
Facilities not drawn	4 926 719	4 926 719		

32. Risk management continued

32.6 Foreign currency

The table below summarise the group's assets and liabilities at carrying amounts, categorised by currency, as at the end of reporting period.

	Group				
	2016				
	Currency concentration				
N$'000	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	2 093 611	2 044 110	38 942	9 342	1 215
Due by banks and other financial institutions	1 772 268	1 179 757	516 693	74 606	1 212
Derivative financial instruments	209 495	24 912	129 270	14 723	40 590
Advances	25 876 231	25 119 105	757 126		
Investment securities	3 062 515	3 062 515			
Accounts receivable	15 138	15 138			
Financial assets	33 029 256	31 445 537	1 442 031	98 671	43 017
Non financial assets	1 140 806	1 140 806			
Total assets	34 170 062	32 586 343	1 442 031	98 671	43 017
Equity and liabilities					
Deposits	28 004 707	28 004 707			
Due to banks and other financial institutions	800 972	43 949	757 023		
Short trading position	36 927	36 927			
Derivative financial instruments	219 454	37 823	128 267	13 395	39 969
Creditors and accruals	30 810	30 810			
Tier two liabilities	392 654	392 654			
Financial liabilities	29 485 524	28 546 870	885 290	13 395	39 969
Non financial liabilities	763 763	763 763			
Total liabilities	30 249 287	29 310 634	885 290	13 395	39 969
Total equity	3 920 775	3 920 775			
Total equity and liabilities	34 170 062	33 231 408	885 290	13 395	39 969

32. Risk management continued

32.6 Foreign currency continued

	Group				
	2015				
	Currency concentration				
N$'000	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	769 832	693 060	51 159	6 868	18 745
Due by banks and other financial institutions	1 585 029	570 534	931 719	73 903	8 873
Derivative financial instruments	158 642	90 311	51 092	11 475	5 764
Advances	22 918 838	22 177 062	741 776		
Investment securities	3 201 649	3 201 649			
Accounts receivable	23 498	23 498			
Financial assets	28 657 488	26 756 114	1 775 746	92 246	33 383
Non financial assets	1 092 043	1 092 043			
Total assets	29 749 531	27 848 157	1 775 746	92 246	33 383
Equity and liabilities					
Deposits	24 059 315	22 784 457	889 486	381 899	3 473
Due to banks and other financial institutions	1 020 016	278 393	741 623		
Short trading position	26 693	26 693			
Derivative financial instruments	172 188	104 789	50 624	11 082	5 693
Creditors and accruals	76 862	76 862			
Other liabilities	2 060	2 060			
Tier two liabilities	392 635	392 635			
Financial liabilities	25 749 770	23 665 889	1 681 733	392 981	9 166
Non financial liabilities	646 063	646 063			
Total liabilities	26 395 833	24 311 952	1 681 733	392 981	9 166
Total equity	3 353 698	3 353 700			
Total equity and liabilities	29 749 531	27 665 650	1 681 733	392 981	9 166

32. Risk management continued

32.6 Foreign currency continued

The table below summarise the company's assets and liabilities at carrying amounts, categorised by currency, as at the end of reporting period.

	Company				
	2016				
	Currency concentration				
N$'000	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	2 093 610	2 044 111	38 942	9 342	1 215
Due by banks and other financial institutions	1 772 268	1 179 757	516 693	74 606	1 212
Derivative financial instruments	209 495	24 912	129 270	14 723	40 590
Advances	25 383 379	24 626 253	757 126		
Investment securities	3 062 515	3 062 515			
Accounts receivable	15 020	15 020			
Financial assets	32 536 287	30 952 568	1 442 031	98 671	43 017
Non financial assets	1 200 655	1 200 655			
Total assets	33 736 942	32 153 223	1 442 031	98 671	43 017
Equity and liabilities					
Deposits	28 003 862	28 003 862			
Due to banks and other financial institutions	800 972	43 949	757 023		
Short trading position	36 927	36 927			
Derivative financial instruments	219 454	37 823	128 267	13 395	39 969
Creditors and accruals	30 828	30 828			
Tier two liabilities	392 654	392 654			
Financial liabilities	29 484 697	28 546 158	885 175	13 395	39 969
Non financial liabilities	759 658	759 658			
Total liabilities	30 244 355	29 305 816	885 175	13 395	39 969
Total equity	3 492 587	3 492 587			
Total equity and liabilities	33 736 942	32 798 403	885 175	13 395	39 969

32. Risk management continued

32.6 Foreign currency continued

N$'000	Company				
	2015				
	Currency concentration				
	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	769 832	693 060	51 159	6 868	18 745
Due by banks and other financial institutions	1 585 029	570 534	931 719	73 903	8 873
Derivative financial instruments	158 642	158 642			
Advances	22 379 987	21 638 211	741 776		
Investment securities	3 201 649	3 201 649			
Accounts receivable	26 422	26 422			
Financial assets	28 121 561	26 288 517	1 724 654	80 771	27 619
Non financial assets	1 241 847	1 241 847			
Total assets	29 363 408	27 530 364	1 724 654	80 771	27 619
Equity and liabilities					
Deposits	24 058 014	22 783 156	889 486	381 899	3 473
Due to banks and other financial institutions	1 020 016	278 393	741 623		
Short trading position	26 693	26 693			
Derivative financial instruments	172 188	104 789	50 624	11 082	5 693
Creditors and accruals	76 866	76 866			
Other liabilities	2 060	2 060			
Tier two liabilities	392 635	392 635			
Financial liabilities	25 748 468	23 664 592	1 681 733	392 981	9 166
Non financial liabilities	643 035	643 032			
Total liabilities	26 391 504	24 307 620	1 681 733	392 981	9 166
Total equity	2 971 904	2 971 904			
Total equity and liabilities	29 363 408	27 279 524	1 681 733	392 981	9 166

32. Risk management continued

32.7 Repricing

The repricing profile of the group's books is depicted in the table below. Items are allocated to time periods with reference to the earlier of the next contractual interest rate repricing date and the maturity date

	Group				
	2016				
	Repricing profile				
N$'000	Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	34 170 062	29 651 354	1 084 834	1 369 551	2 064 323
Total equity and liabilities	34 170 062	24 772 146	3 928 561	639 352	4 830 002
Net repricing gap		4 879 208	(2 843 727)	730 199	(2 765 679)
Cumulative repricing gap		4 879 208	2 035 481	2 765 679	

	Group				
	2015				
	Repricing profile				
N$'000	Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	29 749 531	24 905 772	1 528 868	1 155 105	2 159 786
Total equity and liabilities	29 749 531	22 374 795	3 020 500	275 740	4 078 496
Net repricing gap		2 530 977	(1 491 632)	879 365	(1 918 710)
Cumulative repricing gap		2 530 977	1 039 345	1 918 710	

32. Risk management continued

32.7 Repricing continued

N$'000	Company 2016 Repricing profile Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	33 736 942	29 651 354	1 084 834	1 369 551	1 631 203
Total equity and liabilities	33 736 942	24 772 146	3 928 561	639 352	4 396 883
Net repricing gap		4 879 208	(2 843 727)	730 199	(2 765 679)
Cumulative repricing gap		4 879 208	2 035 481	2 765 679	

N$'000	Company 2015 Repricing profile Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	29 363 408	24 905 772	1 528 868	1 155 105	1 773 664
Total equity and liabilities	29 363 408	22 374 795	3 020 500	275 740	3 692 374
Net repricing gap		2 530 977	(1 491 632)	879 365	(1 918 710)
Cumulative repricing gap		2 530 977	1 039 345	1 918 710	

32. Risk management continued

32.8 Average balances and effective interest rates

Group

N$'000	2016 Average balance N$'000	2016 Average rate %	2016 Interest income/ expense N$'000	2015 Average balance N$'000	2015 Average rate %	2015 Interest income/ expense N$'000
Assets						
Cash and cash equivalents, including balance with banks	3 072 126	3.0	91 279	3 525 763	2.8	98 941
Advances	24 724 196	10.4	2 568 095	21 485 104	9.8	2 113 365
Investment securities	2 912 018	7.2	210 853	3 046 554	6.5	199 500
Interest-earning assets	30 708 340	9.3	2 870 227	28 057 421	8.3	2 411 806
Non-interest-earning assets	1 488 889			980 936		
Total Assets	32 197 229	8.9	2 870 227	29 038 357	8.3	2 411 806
Liabilities						
Deposits and current accounts, balance due to banks	27 259 615	4.4	1 186 049	24 888 463	3.7	930 563
Tier two liabilities	394 104	8.4	32 913	393 968	8.0	31 325
Interest-earning liabilities	27 653 719	4.4	1 218 962	25 282 431	3.6	961 887
Non-interest-earning bearing liabilities	893 005			609 570		
Total liabilities	28 546 724	4.3	1 218 962	25 892 001	3.7	961 887
Total equity	3 650 505			3 047 401		
Total equity and liabilities	32 197 229	3.8	1 218 962	28 939 402	3.3	961 887

32. Risk management continued

32.8 Average balances and effective interest rates continued

Company

N$'000	2016 Average balance N$'000	2016 Average rate %	2016 Interest income/ expense N$'000	2015 Average balance N$'000	2015 Average rate %	2015 Interest income/ expense N$'000
Assets						
Cash and cash equivalents, including balance with banks	3 072 126	3.0	91 279	3 525 763	2.8	98 941
Advances	24 318 222	10.3	2 511 444	20 916 235	9.8	2 046 706
Investment securities	2 912 018	7.2	210 853	3 046 554	6.5	199 500
Interest-earning assets	30 302 366	9.3	2 813 576	27 488 551	8.5	2 345 147
Non-interest-earning assets	1 894 863			960 685		
Total Assets	32 197 229	8.7	2 813 576	28 449 236	8.2	2 345 147
Liabilities						
Deposits and current accounts, balance due to banks	27 259 615	4.4	1 186 049	24 887 301	3.7	930 562
Tier two liabilities	394 104	8.4	32 913	393 968	8.0	31 325
Interest-earning liabilities	27 653 719	4.4	1 218 962	25 281 268	3.8	961 887
Non-interest-earning bearing liabilities	893 005			476 810		
Total liabilities	28 546 724	4.3	1 218 962	25 758 078	3.7	961 887
Total equity	3 650 505			2 691 158		
				a		
Total equity and liabilities	32 197 229	3.8	1 218 962	28 449 236	3.4	961 887

32. Risk management continued

32.9 Sensitivity analysis

Net interest income sensitivity

Assuming no management intervention, a parallel 200 (2015: 200) basis point increase in all yield curves would increase the forecast net interest income for the next year by N$196.9 million (2015: N$157.3 million), while a parallel decrease in all yield curves would decrease the forecast income by N$ 205.3 million (2015: N$164.9 million).

Foreign currency risk sensitivity analysis

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

33. 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)	**Amendments to IAS 7 under the Disclosure Initiative** 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 group but introduce additional disclosures.	Annual periods commencing on or after 1 January 2017
IAS 12 (amended)	**Amendments to IAS 12 for the recognition of deferred tax assets for unrealised losses** 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. The group is in the process of assessing the impact on the group; however, a significant impact is not anticipated as a result of Namibian tax laws.	Annual periods commencing on or after 1 January 2017

33. Standards and interpretations issued but not yet effective continued

<table>
<tr><th>Standard</th><th>Impact assessment</th><th>Effective date</th></tr>
<tr><td>IAS 28 (amended) and IFRS 10</td><td>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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.</td><td>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.</td></tr>
<tr><td>IFRS 2</td><td>Share-Based Payment amendments
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 for cashsettled sharebased payment transactions;.
• The classification of sharebased payment transactions with net settlement features for withholding tax obligations; and
• Accounting for a modification to the terms and conditions of a sharebased payment that changes the transaction from cashsettled to equitysettled.

FirstRand group currently only has cash-settled share-based payment schemes. 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. FirstRand does not expect the retrospective amendments to have a material impact on the schemes currently in place.</td><td>Annual periods commencing on or after 1 January 2018</td></tr>
</table>

33. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 2	**Share-Based Payment amendments** 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 for cashsettled sharebased payment transactions;. • The classification of sharebased payment transactions with net settlement features for withholding tax obligations; and • Accounting for a modification to the terms and conditions of a sharebased payment that changes the transaction from cashsettled to equitysettled. FirstRand group currently only has cash-settled share-based payment schemes. 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. FirstRand 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

33. 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: • The 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 the significant changes to the asset's credit risk and the expected loss that will arise in the event of default. • The 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. However, if fair value is elected then changes in the fair value as a result of changes in own credit risk should be recognised in other comprehensive income. • The 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 that was previously stipulated. IFRS 9 also allows for rebalancing of the hedge and the deferral of costs of hedging. 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. In order 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 what the amount will be.	Annual periods commencing on or after 1 January 2018

33. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 15	**Revenue** 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	**Leasses** IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The group is in the process of assessing the impact that 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
Annual Improvements	**Improvements to IFRS** The IASB issued the Annual Improvements 2012-2014 Cycle. The annual improvements project includes amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34. 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 2016

Let us help save the 40% water Windhoek needs to save

Watering Gardens – only trees, shrubs & perennials every 2nd week. No lawns, flowers, vegetables

Washing Cars – only allowed at certified car washes – nothing at home, not even a bucket.

Pool covers are mandatory – no filling or topping up of private pools from municipal connection

No water features, fountains, ponds are to be operated or filled

Try to limit household consumption to less than 150 litres per day

In this building

Close tap while you wash your hands

Toilets – select correct flush cycle

Any other ideas you have? Please share with BMS at bms@fnbnamibia.com.na **Thanks!**

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