FNB

Namibia Holdings

INTEGRATED ANNUAL REPORT 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.

SCOPE AND BOUNDARY

This report covers the period 1 July 2015 to 30 June 2016, with available information up to 4 August 2016

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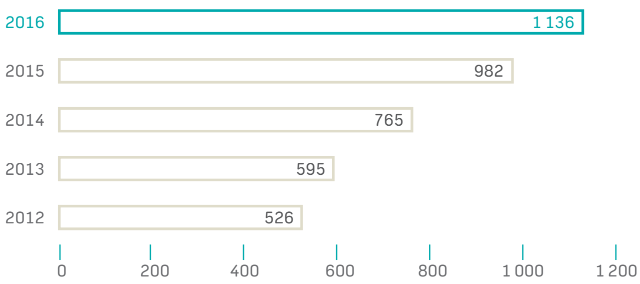
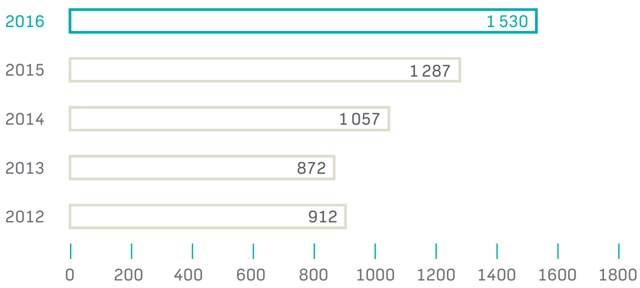
Features of the group results

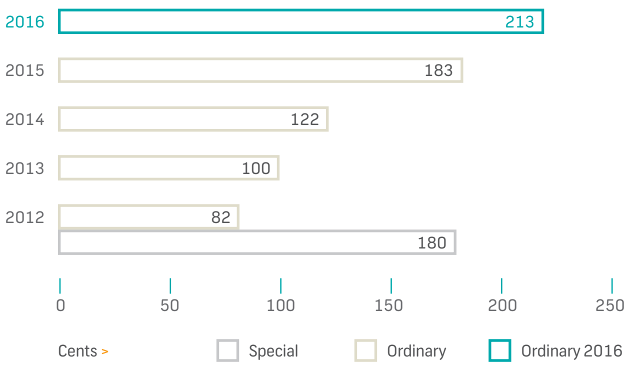
Headline earnings (N$ millions)



Net assets value per share (cents)



Dividends per ordinary share declared (cents)



N$ 1 218 million 2016
N$ 999 million 2015
Profit for the year

43.7% 2016
43.9% 2015
Cost to income ratio

3.6% 2016
3.5% 2015
Return on assets*

435.9 cents 2016
377.6 cents 2015
Headline earnings per share

N$ 34 185 million 2016
N$ 29 784 million 2015
Total assets

459.7 cents 2016
377.5 cents 2015
Basic earnings per share

4.5% 2016
5.6% 2015
Dividend yield - ordinary dividend

1 530 cents 2016
1 287 cents 2015
Net asset value per share

2.0 2016
2.0 2015
Dividend cover (times)
based on dividends declared

N$ 12 721 million 2016
N$ 8 772 million 2015
Market capitalisation

31.0% 2016
32.2% 2015
Return on equity*

213 cents 2016
183 cents 2015
Dividends per share

9.7% 2016
11.5% 2015
Earnings yield

4 754 cents 2016
3 278 cents 2015
Closing share price - ordinary

10.9 2016
8.7 2015
Price / Earnings ratio

3.2 2016
2.6 2015
Price to Book

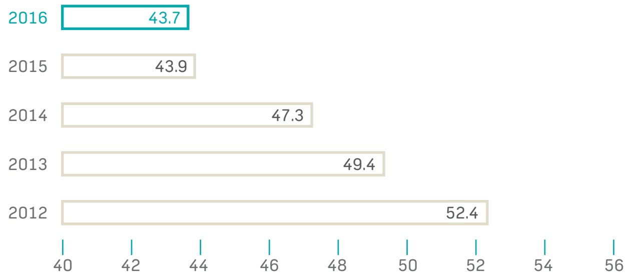
Capital adequacy v

17.8% 2016
17.4% 2015
Banking group

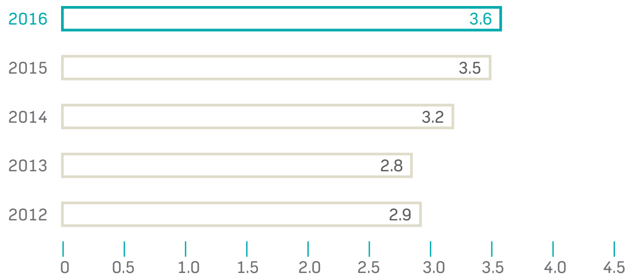
18.5% 2016
17.8% 2015
Consolidated group

39.5 2016
39.1 2015
OUTsurance - solvency margin

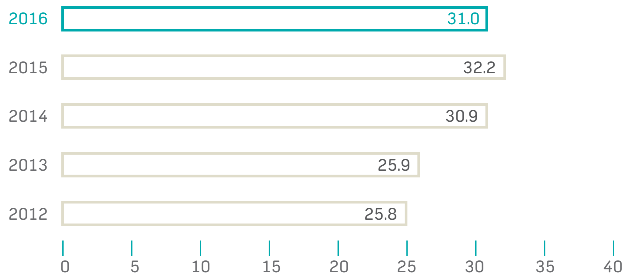
Cost to income ratio (%)



Return on average assets (%)*



Return on average equity (%)*



* Based on headline earnings

> **Understanding** FNB

- > 5 year review
- > Where we serve Namibia
- > How our clients transact
- > The business model
- > Value added statement
- > Sustainability approach to business
- > Strategic overview

> 5 year review

Statement of comprehensive income

N$ million	2016	2015	2014	2013	2012
Continuing operations					
Net interest income before impairment of advances	1 654	1 453	1 138	985	890
Impairments of advances	(48)	(50)	(18)	(23)	42
Net interest income after impairment of advances	1 606	1 403	1 120	962	932
Non-interest revenue	1 507	1 260	1 087	869	744
Net insurance income	86	72	55	48	43
Income from operations	3 199	2 735	2 262	1 879	1 719
Operating expenses	(1 417)	(1 222)	(1 070)	(944)	(884)
Net income from operations	1 782	1 513	1 192	935	835
Share of profit from associates	1	1	1	2	3
Income before tax	1 783	1 514	1 193	937	838
Indirect tax	(32)	(27)	(22)	(20)	(17)
Profit before tax	1 751	1 487	1 171	917	821
Direct tax	(533)	(488)	(386)	(309)	(282)
Profit for the year from continuing operations	1 218	999	785	608	539
Discontinued operations					
Profit attributable to discontinued operations					1
Profit after tax on sale of discontinued operations					232
Profit for the year	1 218	999	785	608	772
Other comprehensive income for the year	(14)	(16)	(1)	(5)	
Total comprehensive income for the year	1 204	983	784	603	772
Profit attributable to:					
Equity holders of the parent	1 198	982	774	597	762
Non-controlling interests	20	17	11	11	10
Total comprehensive income for the year attributable to:					
Equity holders of the parent	1 184	966	773	593	762
Non-controlling interests	20	17	11	10	10
	1 204	983	784	603	772
Reconciliation of earnings attributable to ordinary shareholders and headline earnings					
Earnings attributable to ordinary shareholders	1 198	982	774	597	762
Headline earnings adjustments:	(62)		(9)	(2)	(236)
Headline earnings	1 136	982	765	595	526

5 year review >

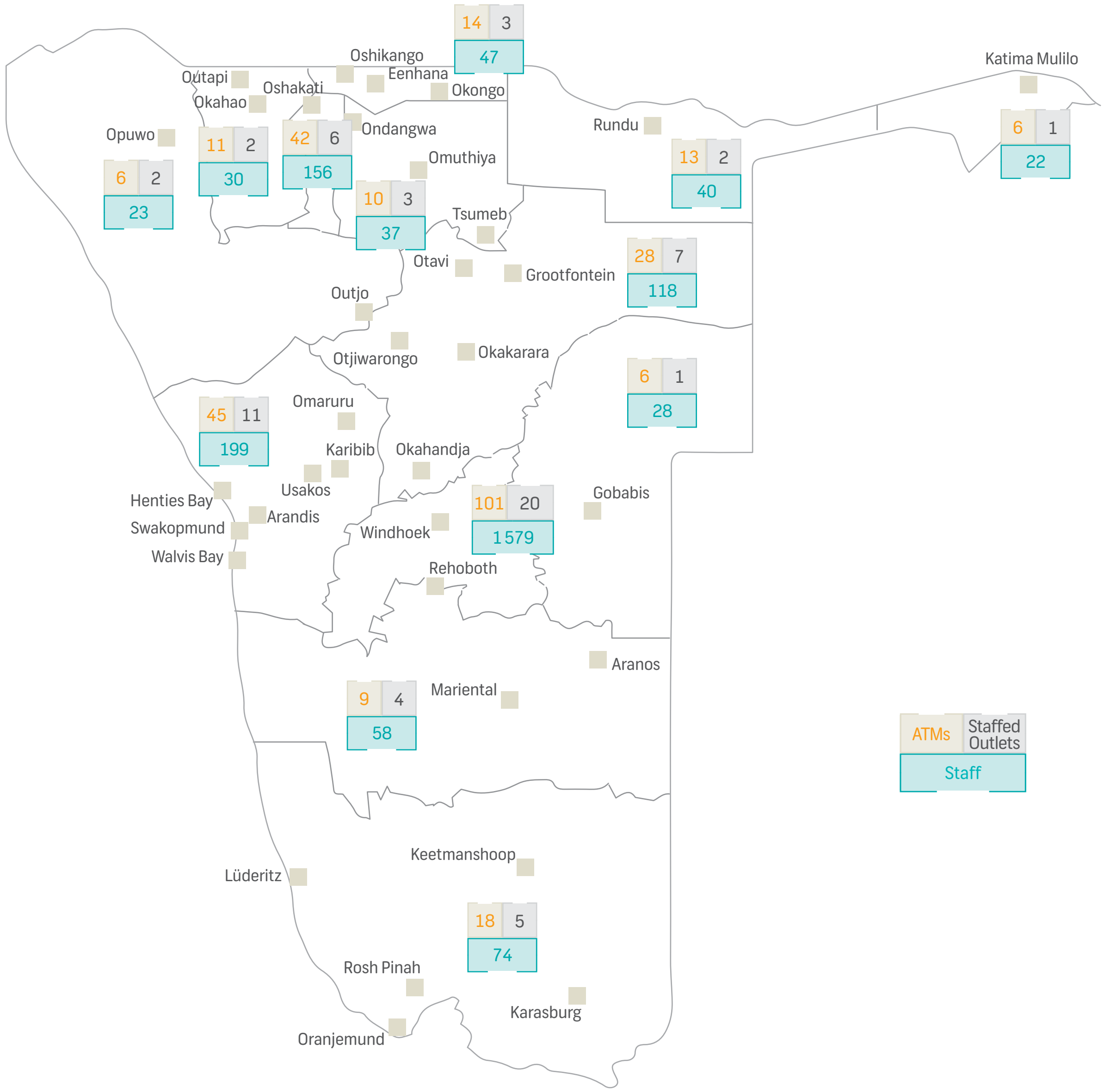
Statement of financial position

N$ million	2016	2015	2014	2013	2012
Assets					
Cash and cash equivalents	2 120	795	868	690	1 002
Due from banks and other financial institutions	1 772	1 585	1 766	1 889	1 926
Derivatives financial instruments	209	159	92	94	27
Advances	25 776	22 833	19 991	16 965	14 077
Investment securities	3 237	3 366	2 833	2 273	2 144
Other assets	1 072	1 046	706	588	522
Total assets	34 186	29 784	26 256	22 499	19 698
Equity and liabilities					
Liabilities					
Deposits	27 794	23 952	21 522	18 836	16 239
Due to banks and other financial institutions	801	1 020	813	319	48
Derivative financial instruments	219	172	109	129	60
Other liabilities	1 331	1 251	1 035	926	967
Total liabilities	30 145	26 395	23 479	20 210	17 314
Equity					
Equity attributable to equity holders of the parent	3 990	3 349	2 746	2 261	2 362
Non-controlling interests	51	40	31	28	22
Total equity	4 041	3 389	2 777	2 289	2 384
Total equity and liabilities	34 186	29 784	26 256	22 499	19 698

Ratios and selected financial information

	2016	2015	2014	2013	2012
Ratios:					
Return on assets (headline earnings on average assets) (%)	3.6	3.5	3.2	2.8	2.9
Return on equity (headline earnings on average equity) (%)	31.0	32.2	30.9	25.9	25.8
Cost to income ratio (%)	43.7	43.9	47.3	49.4	52.4
Critical mass (%)	4.1	4.3	4.1	4.2	4.5
Share statistics:					
Closing share price - ordinary (cents)	4 754	3 278	2 316	1 925	1 466
Price / Earnings ratio	10.9	8.7	7.8	8.3	5.0
Earnings yield (%)	9.7	11.5	12.9	12.0	20.1
Price to Book	3.2	2.6	2.2	2.2	1.6
Basic earnings per share (cents)	459.7	377.5	297.7	230.7	294.3
Headline earnings per share (cents)	435.9	377.6	294.7	229.9	203.1
Net asset value per share (cents)	1 530	1 287	1 057	872	912
Market capitalisation	12 721	8 772	6 197	5 151	3 923
Dividend information:					
Dividends per share - ordinary dividend declared (cents) *	213	183	122	100	82
* based on current year profits					
Dividends per share - ordinary dividend paid (cents) **	203	138	109	87	82
** based on dividends paid within financial year					
Dividend per share - special dividend (cents)					180
Dividend yield - ordinary dividend (%)	4.5	5.6	4.7	5.2	5.6
Dividend yield - special dividend (%)					12.3
Dividend cover (times) based on total dividends	2.0	2.0	2.4	2.3	0.8
Capital adequacy					
Banking group (%)	17.8	17.4	17.1	16.2	17.7
Consolidated group (%)	18.5	17.8	17.3	16.5	
OUTsurance - solvency margin	39.5	39.1	37	42.9	35.1
Number of staff	2 411	2 164	1 940	1 883	1 808

> **Where we** serve Namibia



> How our clients transact

Customer transactions

		2015	2016
BRANCHES	0%	7.9 million	7.8 million
ONLINE BANKING	11%	11.7 million	13.0 million
ATM's	14%	24.6 million	27.8 million
CELLPHONE	18%	12.4 million	14.6 million
SPEEDPOINTS	21%	8.6 million	10.4 million
EWALLETS	48%	4.5 million	6.7 million

N$ 264 billion 2016
N$ 249 billion 2015
in ELECTRONIC BANKING PAYMENTS

N$ 5.7 billion 2016
N$ 4.5 billion 2015
in SWIPE CARDS

N$ 17.1 billion 2016
N$ 15 billion 2015
in CASH WITHDRAWN AT ATMs

N$ 3.1 billion 2016
N$ 2.0 billion 2015
in EWALLETS SENT

> FNB's business model

- Shareholders have invested capital
- We take in deposits
- We have invested in a secure and convenient network across Namibia – both electronic and branches

+ Assets managed and income generated

N$2 659 million

Lending activities of N$25.7 billion
We issue loans to our client who we believe can afford to repay the money lent. Our products are based on our client needs. This create assets which generate interest income.

N$211 million

Investments N$7.3 billion
We invest in liquid assets to mainly comply with regulatory requirements for our liquid asset portfolio. This portfolio generates interest income over time and where traded investments generate fair value income.

N$1 509 million

Infrastructure N$925 million
We provide a convenient means to transact through our innovative channels. This generates either fee or commission income. Refer to page 9 to understand how customers transact with us.

N$189 million

Short term insurance operations
OUTsurance provides short terms insurance cover from which we earn premium income.

– Impairments, costs and taxes incurred

N$48 million

Provisions against loans issued
As a responsible lender we recognise the ability of customers to re-pay debt changes. We therefore provide for customers we anticipate will default.

N$1 216 million

Funding costs
Both retail and corporate clients place deposits with us which we use to lend to customers. We reward these customers by paying interest.

N$670 million

Operations
FNB's operations depend on infrastructure , IT or buildings, which incur running costs and maintenance, while we need to protect our clients and mitigate risks.

N$103 million

Insurance claims
Clients insured with OUTsurance do face losses. In the event of unforeseen events occurring claims need to be paid.

N$748 million

Employees
Our people sustain our business. We believe they are the biggest asset and are rewarded with market related costs for their services and various costs in developing and looking after their well-being.

N$565 million

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

= Income after tax

N$1 218 million

> **Value** added statement

The value FNB added by our operations

	2016 Holdings N$ million	2015 Holdings N$ million	
Income earned by providing financial services	2 870	2 413	19%
Cost of services	(1 264)	(1 010)	25%
Interest expenses	(1 216)	(960)	27%
Impairments	(48)	(50)	(4%)
Value added by financial services	1 606	1 403	14%
Non operating and other income and expenditure	981	801	22%
Value added by operations	2 587	2 204	17%

How we shared the value we created

	To expansion and growth: depreciation, deferred tax and retained income	To employees: salaries and other benefits	To providers of capital: dividends to shareholders	To government: tax paid
2016 >	836	744	529	478
	32%	29%	20%	19%
2015 >	733	644	359	468
	33%	29%	16%	22%

How we created and shared value outside our operations

v

2016
N$ 317 million
To government: taxes collected on behalf of government

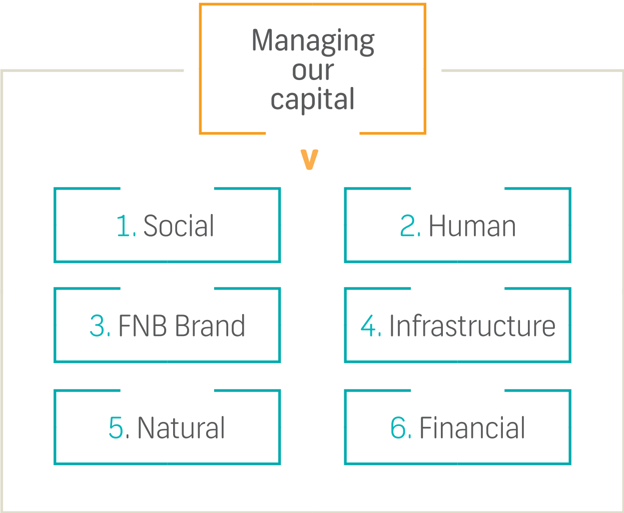
2015
N$ 284 million
To government: taxes collected on behalf of government

2016
N$ 10.3 million
To the community : 1 % of normalised profit after tax paid to the FNB Foundation

2015
N$ 7.7 million
To the community : 1 % of normalised profit after tax paid to the FNB Foundation

> **Sustainable** approach to business

We understand our approach to business and the decisions we make have an impact on the diverse components of our capital, influencing both the immediate, as well as the medium and the long term future. We therefore have governance processes in place to ensure we carefully consider the impact of decisions on our broader operating environment before implementing. The group's objective is to apply best practice, in so far that it supports the group's interpretation of the sustainability of operations. We do not seek to tick all the boxes but rather to provide stakeholders with enough relevant information to have an informed view of the sustainability of its operations.



1. Social capital

Our commitment to building enduring, mutually beneficial partnerships with our communities, customers, suppliers, government and regulators.

Corporate social responsibility

The FNB group engages in corporate social responsibility (CSR) activities in two ways: through our staff volunteer programme as well as the FNB Foundation. Our approach recognises the importance of partnering with our employees and encouraging them to participate voluntarily. Our diverse group of people help us to uplift the communities in which we operate by identifying worthy community projects in need of support in line with our CSR guidelines.

These initiatives need to support our core focus which is education; healthcare; skills development; support for disadvantaged and handicapped people; arts and culture development as well as sports and recreation. Many of the community projects our staff support involve infrastructure upgrades. This is in line with our policy of supporting community initiatives, rather than individuals, in order to benefit as many Namibians as possible.

Funds are distributed by the FNB Foundation, which administers the CSI funds and is our main vehicle to provide financial and non-financial support to destitute communities. We insist on being proactive in our pursuit to deliver CSR interventions that benefit communities from their perspective. Thus we reach out on both a corporate and individual level to those communities that we partner with.

Below is the analysis of expenditure in 2016:

Focus area	N$
Skills & Capacity Development	2,296,859
Community and Health Development	2,271,778
Educational & Financial Literacy	2,003,568
Environmental Guardianship	1,614,294
Arts and Culture	1,095,500
Sports Development	1,050,998

Please refer to the separately published FNB Foundation report on our website www.fnbnamibia.com.na for details of the various projects.

> FNB is aware of the responsibility bestowed upon the group in managing not only the financial capital invested by our shareholders

Customers
Our customers are the reason for our existence, understanding them better in terms of their financial attitudes and behaviour, ably partnering them in their choices towards wealth creation, and realistically supporting their goals in terms of advances and insurance, are the drivers of our own sustainable success.

Our customers are a focal point when considering the year ahead, and also 2025 and beyond. While looking back at the past financial year, it is our customers - their experiences, their ability to transact, to save and invest, to borrow and to insure that enabled us to grow. FNB Namibia supports the drive towards financial inclusion of all the Namibian people. We do this through specific product offerings, the CardWise Zero transactional account, eWallet, as well as the BusinessWise account.

Our customers each operate in their own context and we take this into consideration when we partner with them to ensure they get the most from their financial solutions provider. Our clients are moving more and more towards electronic service offerings, making use of Online banking, Cell phone banking, the FNB App and FNBna.mobi. These channels of self-service delivery enable our customers to do their banking 24/7, in the comfort of their own home at a lower cost ensuring the creation of value through cost savings as well as ease of use and transacting.

Suppliers
As part of our strategy to positively contribute to Namibia, we have defined preferred vendors per our procurement policy as “a supplier or contractor who is regarded by the group as the main source of specific goods or service, who can provide these goods at competitive prices and as sanctioned by the procurement committee, with whom the group wants to develop a medium/long term relationship having regard to factors such as capacity, BEE status, banking facilities, the strategic importance of the goods and or service, other competitors in the same market, it’s IT infrastructure and other important considerations based on each case”. FNB has started initiatives to monitor how much spend goes to Namibian entities. Our intention is to be able to track group wide Namibian spend and ultimately BEE spend to ensure that we remain conscious of our intention to aid the Namibian Government in its quest to transform the Namibian economy.

In the current year we were able to monitor that N$157 million was spent on local Namibian businesses. We will continue to refine our systems to ensure we are able monitor our total spend for the group and the spend on BEE entities in the future.

Government and regulators
FNB has always engaged positively with the Namibian Government and various industry forums to promote the national interest, especially on economic and social fronts. FNB is committed to the national Harambee Prosperity Plan and also supports our Government’s commitment to Agenda 2063, which promotes the socio-economic transformation of Africa.

Our close co-operation with Namfisa and Bank of Namibia ensures that FNB complies with all regulatory requirements and contributes to the development process of new regulations.

2. Human capital

Our people sustain our group

FNB has a transformation plan designed to ensure that it has the best people working for the best employer. The plan provides for an engaged workforce motivated by high internal morale to optimise business opportunities. It recognises that customers have diverse needs and it seeks to encourage and manage diversity within the organisation by introducing appropriate governance structures.

Our annual People Pillar survey is conducted during February each year. It keeps us keep in touch with how employees perceive a variety of aspects that impact on the engagement levels within the organisation. We are pleased to report that the staff engagement score has increased from 80% to 81% since the previous financial year. Feedback received from the survey is used to develop and implement strategic initiatives that will further improve employee engagement in order to drive a high performance culture.

2. Human capital continued

Culture is essential to develop an environment that drives ethics, trust, honesty and loyalty. To further embed this critical focus area, we launched our Values and Philosophy reward-and recognition campaign called FUSED. The focus of this campaign is to acknowledge and reward staff who actively live our values and philosophy and in so doing set an example to internal and external stakeholders. Each winner receives an N$1 000 gift voucher and the overall annual winners will join an all-inclusive incentive trip to an exciting destination.

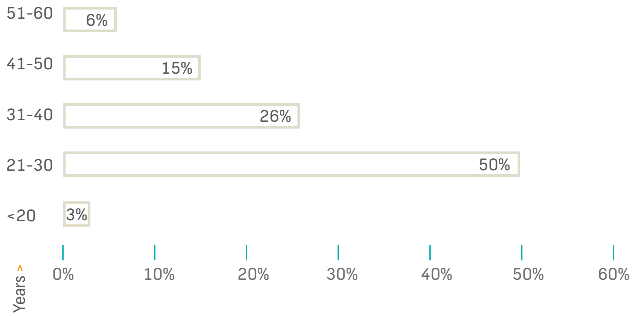
We are actively aware that we operate in an environment where diversity plays a critical role. How we manage diversity with reference to generational gaps, age, race and religion will determine the future sustainability of the organisation. We therefore invested almost N$ 1.5 million between October 2015 and May 2016 on a group wide Managing Diversity workshop to sensitize our workforce on the positive impact of a diverse workforce. All our managerial staff attended this workshop and internal facilitators will be trained to roll out the workshop to the rest of the group in the near future.

The group also has a trainee development programme. Trainees combine on-the-job experience with classroom training for three months. One hundred and sixty one trainees were taken on in the past year.

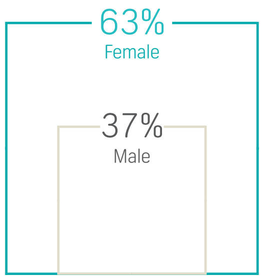
During the year 435 employees attended leadership development programmes, including MBA courses. We have worked with accredited institutions to create FNB-specific programmes to facilitate leadership development at all levels. FNB contributed N$ 7.1 million to the skills development fund of the National Training Authority this year.

Managers and staff are also exposed to a coaching programme, designed to promote a performance culture, enhance the quality of work and increase ability to transfer skills. By reducing errors and minimising work that has to be redone, we increase productivity. Further to this effort we will embark on a 360° Leadership Culture Competency Assessment to identify individual leadership styles which will be followed by individual-tailored leadership development plans which will include executive coaching in order to improve our ability to create the conditions required for a culture of performance excellence.

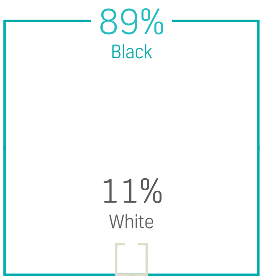
Age profile



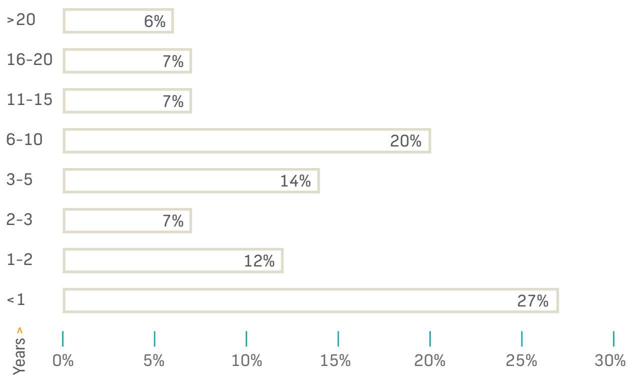
Gender profile



Race profile



Tenure profile



Successors have been identified for all our EXCO roles and detailed development plans will be drafted to ensure successors receive the required skills and competencies to develop into these critical roles. The succession management process will also be extended to all other critical and specialized roles as identified through the workforce segmentation process.

During the financial year we had our first intakes for the Graduate Development Programme. The purpose of this programme is to attract and develop students who have completed their honours degrees in specialized and identified fields. Six graduates are currently participating in the programme, undergoing intensive on-the-job and theoretical training locally and in South Africa. On successful completion of the programme the graduates will take up positions at FNB Namibia Holdings within their area of expertise. The selection process for the 2017 intake is currently underway.

Additionally, the group sponsors five undergraduate students. The bursary provides for full financial support to each student and covers all tertiary costs education, accommodation, books, travel expenses and a monthly allowance.

During the year under review a number of medical screenings (blood pressure, voluntary tuberculosis screening, cancer, and diabetes) were conducted within our various business units with the assistance of external qualified medical personnel. Our Employee Wellness Program is a comprehensive program where wellness and health assistance is provided to our employees, free of charge. All employees are provided with wallet cards with the contact details of Life Assist for ease of reference. This assistance is not only accessible to our employees but also to their spouses, children and parents if residing with the employee

Living the vision of being a great Namibian business, our aim is to embed the principles of good corporate governance in everything that we do in all our people. NamCode places great value on ethical leadership, as does the FNB group, reflected in our corporate values of: "I'm Helpful, I'm Ethical, I'm Effective, I'm Innovative and I'm Accountable". The group recently appointed an ethics manager to drive the culture of the group towards one of ethics and integrity. The group also has an ethics committee that meets every quarter.

3. FNB Brand

Offering clients an opportunity to be part of a leading brand offering innovative financial solutions.

According to Namibia's MediaMetrics Survey (2015), FNB Namibia maintained its brand leadership position as the strongest bank brand in Namibia. Premised on a simple but real approach, the FNB "how can we help you?" brand promise continues to position FNB as a helpful, value-adding partner to wide-ranging individual and national goals.

Taking time to understand first and then deliver to what our customers want and need, is core to FNB's innovative and customer centric approach to banking, investing, insuring and lending.

FNB's innovative culture is a contributor to the brand's success. This is one of our values and an integral part to being a sustainable organization and creating a better world. We encourage our employees to continuously seek ways in which to improve the way we do things, knowing that innovation is not over and above what we do, but it is in all that we do.

Through FNB Innovators we inspire employees to be creative, we teach employees how to innovate, we create a space for ideas and innovations to flourish and we enable platforms that accelerate innovation. One of the platforms created is a competition that we run annually. For 2016 we had 20 innovations (this increased from 8 innovations in 2015). These innovative solutions do not only drive our internal efficiencies, but we have been able to grow the wealth of our clients through solutions that assist them to assist their clients.

Brand appeal and consistency of experience has long been a core of FNB's value proposition to existing and prospective customers. Our brand equity is firmly premised on the concept of "help", enhancing daily relationships with customers as their banking and financial partner, as well being an inclusive lifestyle enabler to all Namibians. The strength of the FNB brand is important to the reputation of Namibia itself too, and our customers' trust positively influences international perceptions of our country as a viable investment opportunity.

4. Infrastructure

Prioritising capital investment to enable FNB to deliver financial services through convenient physical outlets as well as secure electronic delivery platforms.

FNB maintains a strong presence in Namibia of both staffed outlets as well as a digital network. The investment in our operations is over N$1.2 billion. Our buildings, including furniture, at 30 June 2016 represent an investment of N$930 million, while office and IT equipment amounted to N$300 million.

IT investments were made in the purchase of new mainframes and storage devices. This has been done to position the business for growth. Upgrades and improvements to our data centres were done to improve our green footprint and resilience. Investments were also made in the network to improve resilience and network speed as this a core enabler of our distributed business operations. These investments are thus essential to meet the demand of a growing business, mitigate risk and run and maintain world class systems with high levels of availability.

Although FNB has made good progress on changing customer behaviour to embrace our digital strategy, we acknowledge there is still a need for physical customer service points. This was illustrated by the need to open a new, second branch in Rundu as well as the construction of our new head office in Windhoek. We are aware of the global trend to reduce branches but this would only be contemplated in consultation with the community and where statistics indicate an outlet is no longer viable.

5. Natural capital

We strive to contribute positively to the future of the natural environment in which we operate.

Although our direct impact is relatively low, we continue to identify opportunities that will have a positive impact on the environment.

We are in the process of establishing a framework to define environmental objectives and performance measurement targets for future monitoring and reporting greenhouse emissions generated by our operations.

Current initiatives to informally diminish our carbon footprint include:

- Receipt-less option at our ATMs, electronic statements, paper recycling and video conferencing.
- Paper usage. We have installed printers in our new head office building which monitor how many pages of paper are printed by each staff member every month. This information is shared and this awareness is encouraging staff to reduce printing.
- Solar power plants. These are operating at selected business outlets and have cut reliance on the national grid by over 50%. FNB intends to continue supporting alternative energy sources as opportunities in building projects arise. An 81 KWP plant comprising of 540 panels is functioning in the new head office building. Prosperita and our Disaster Recovery site also have solar panels.
- In the current year FNB Business loans to the value of N$223 million were approved for water, electricity and related industries.
- FNB has embraced the national call to save water with initiatives on how staff can save water. Water awareness saving posters can be seen in all our buildings, encouraging our staff to use water wisely.
- Water-efficient fittings and grey water recycling were used throughout the Windhoek building.

6. Financial capital

Optimising capital to ensure a sustainable business.

The management of financial resources, defined as capital, funding and liquidity, and risk appetite, is critical to the achievement of FNB's stated growth and return targets and is driven by the group's overall risk appetite. As such, the group sets financial and prudential targets through different business cycles and scenarios. The group is expected, at a defined confidence level, to deliver on its commitments to the providers of capital.

The management of the group's financial resources, is executed through Group Treasury and is independent of the operating business units. This ensures the required level of discipline is applied in the allocation of financial resources and pricing of these resources. This also ensures that Group Treasury's mandate is aligned with the business growth, return and volatility targets, in order to deliver shareholder value.For detailed information refer to the Capital management report on pages 76 to 78.

> **Strategic** overview

Last year we presented our vision for 2020. It is designed to ensure a sustainable business which creates long-term stakeholder value.

We call it our P4 strategy. The strategy rests on four pillars – People, Partnerships, Profit and Planet.

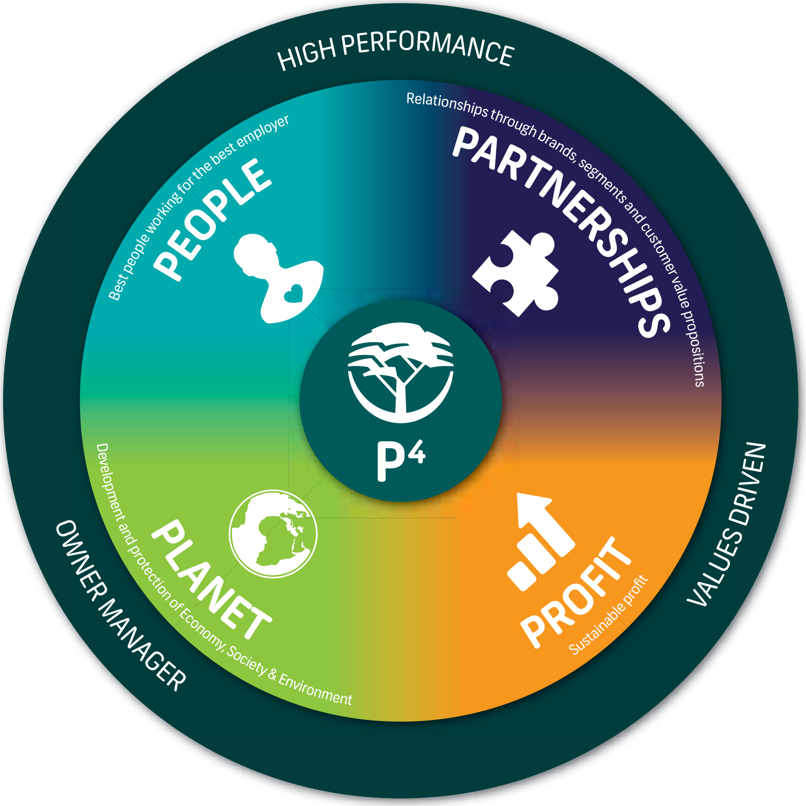
When devising our strategic plan we considered all our **stakeholders** - individuals and entities that have an interest in our organisation's sustainability and can be affected by things that we do.

Building a sustainable business model is central to our plan. Our success is attributable to our strategic focus. We know we must identify new markets, find new customers, invent new products, diversify revenue streams. We will take every opportunity to cross-sell between brands, segments and group companies.

We will continue to use technology to increase efficiency.

We will make sure that we comply with all new regulations.

And we will anticipate new competitors, research their strategies and defend our market share in profitable market segments.



> PEOPLE

Best people working for the best employer

CULTURE		
High Performance	**Owner Manager**	**Values Driven**
Disciplined People Disciplined Thinking Disciplined Action	Create an environment where people think and act like owners	Employees are trusted to do the right thing
TRUST		

Our **People** strategy is based on developing employees who share our values and feel a personal responsibility for the success of the business. We make sure they have a clear channel of contribution. We want them to live our culture because it dictates how we do business.

We are committed to transparency in all dealings with stakeholders because transparency breeds trust.

Who we engage with

- Employees
- Union

How we engage

- On-going programme for new employees
- Human resources business partners
- Interactions with union
- Administrative web-based employee portal
- Electronic communications channels and a weekly internal publication
- Face-to-face interactions
- Regular interactions with senior management
- Learning and development programmes
- Performance management process
- Junior exco

Targets

Best people working for the best employer
Achieved through:

- Maintaining employee engagement levels
- Encouraging employees to innovate
- Rewarding employees who are service orientated
- Rewarding employees for living the values
- Robust and fair performance management process

Measuring our progress for 2016

- **Group Engagement Survey:** The FNB Namibia Group scored 80%. Engagement is the measure of pride, passion and energy of employees. An engagement score of more than 75% is a strength.
  Number of internal innovations 2016: 20 implemented ideas against 8 in 2015
- During the year we re-launched our **values campaign**, designed **to enhance** our values of Helpfulness, Ethics, Innovation, Effective Service and Accountability. The group rewards employees identified by their peers for living the values.
- Our consumer customer opinion survey revealed that service delivery has remained consistent year on year at 85%.

> PARTNERSHIPS

Creating rewarding relationships through brands, market segmentation and customer value propositions.

Because we value the relationships we establish with all our Partners, including our customers, we continue to navigate the changing competitive environment. Our focus is on:

- Simplifying and consolidating our customer value propositions (VPs);
- Enhancing these propositions through innovative and electronic-based solutions ;
- Simplifying fee structures; and
- Diversifying revenue streams by increasing focus on investment and insurance products.

We focus on targeted growth segments superior customer service and skills training for staff.

FNB Namibia Holdings Group Customer
PERSON / ENTERPRISE

WHO?

V

CUSTOMER CONTEXT

CONTEXT?

V

Insure | Borrow

Transact | Invest

Λ

WHAT?

ON DEMAND / PRO-ACTIVE || UNASSISTED / ASSISTED

Who we engage with

- Customers

How we engage

- Face to face contact
- Tele and internet communications
- Client surveys
- Call Centre (Helpline and complaints)
- Market research publications
- Customer focus group interactions
- Social media
- Marketing and advertising

Targets

- Affordable and accessible banking
- Adding value with new products and even better services
- Grow primary banking relationships
- Defend and grow market share
- Maintain digital platform availability
- Grow points of presence (Branch and digital platforms)
- Introduce technology to simplify banking

Measuring our progress for 2016

Refer to How are Customers transact on page 9.

Strategic overview >

> PROFITS

Creating a sustainable business

The group focuses on building a portfolio of businesses delivering integrated financial services to Namibians. Appropriate frameworks balance risk, growth and returns. We envisage Sustainable Profit will be generated not only by organic growth but also through improved efficiencies.

New laws and regulations continue to impact risk and compliance management, and we continue to strengthen the risk team where necessary. We are looking to introduce technology to make compliance and monitoring more efficient.

Who we engage with

- Shareholders
- Investors
- Analysts
- Other stakeholders

How we engage

- Prompt results' announcements
- NSX and JSE news service
- Financial results presentation
- Integrated annual report
- Annual general meeting
- Meetings with analysts

Targets

- Maintain ROE
- Retain sound dividend returns
- Manage cost to income ratio
- Maintain sound capital levels

Measuring our progress for 2016

Refer to CFO report and financial highlights

> PLANET

Developing and protecting the economy, environment and society

We achieve our **Planet** strategy through internal practices, the FNB Foundation and the staff volunteer programme. We consider the environment when dealing with our supplier networks. Our infrastructure team looks at ways to improve our environment footprint and promote sustainable resource use. We support Namibian products and services.

Who we engage with

- Government and regulators
- International development partners
- NGO's and community and wild life support based organizations
- Customers, employees and suppliers

How we engage

- Participation in industry forums
- Economic feedback sessions
- Publishing Industry statistics
- Client interaction
- Educational programmes
- Support for NGOs and community and environmental based organisations
- Bursary schemes and Interactions with schools
- Interactions with suppliers

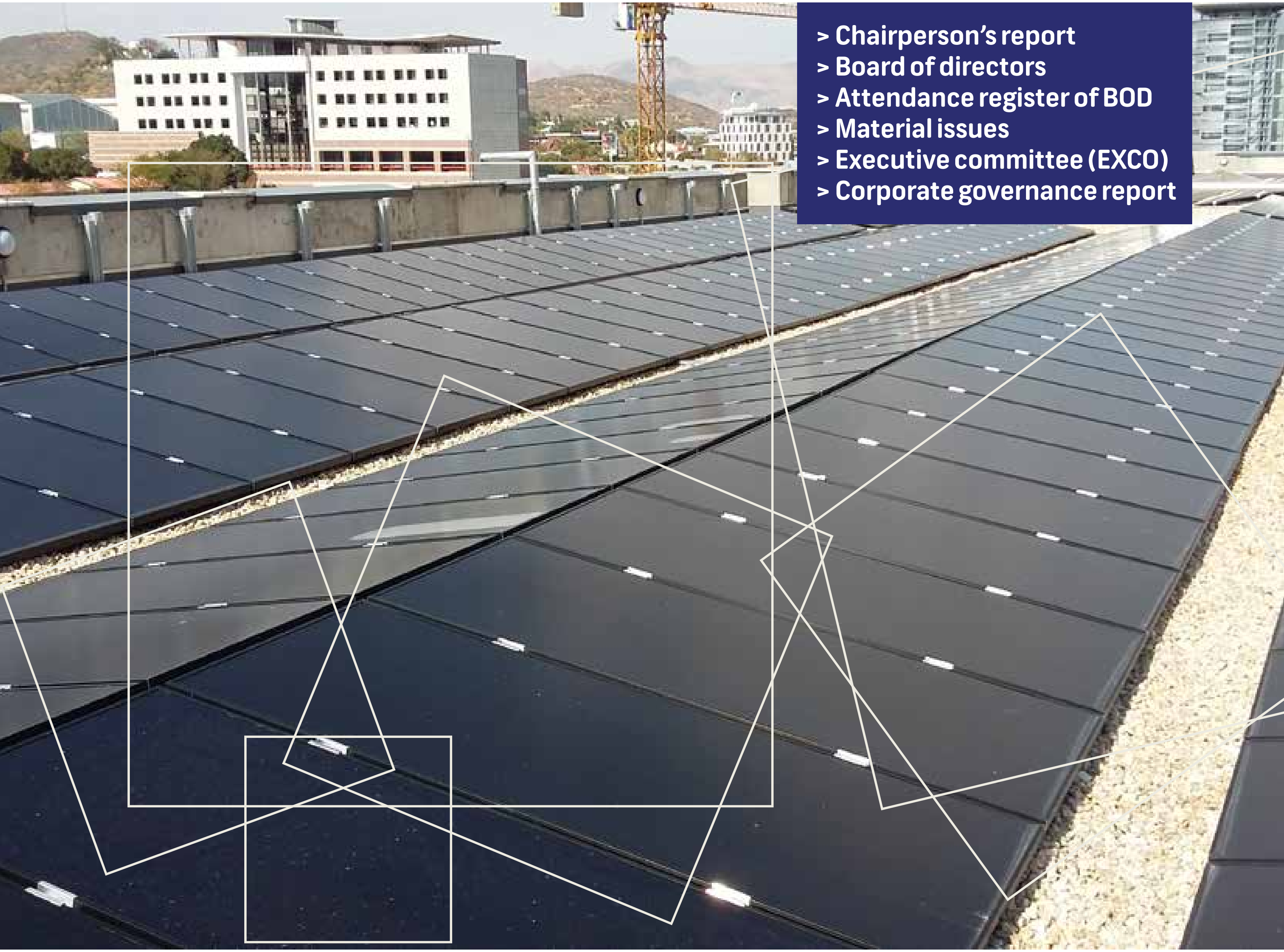
Targets

- Maintain solid relationships with regulators
- Remain transparent in dealings with government and regulators
- Promote financial literacy and responsible lending
- Targeted customer education initiatives
- Support CSI initiatives through FNB Foundation
- Offer internal and external bursaries
- Committed to equal employment opportunities
- Support local suppliers when possible
- Practice responsible environment resource management
- Staff involvement in assisting communities through volunteering

Measuring our progress for 2016

Refer to our sustainable approach to business report

> **Leadership** and governance



> **Chairperson's** report

Challenging as the business environment undoubtedly is, the continued success of our business model is reflected throughout this report. Thanks to the sound legacy left by former chairperson Claus Hinrichsen, your company stands on solid foundations and has again been able to produce pleasing results. Since my appointment as chairperson in April 2016 – after 16 years as a board member – I and my fellow directors are committed to taking the execution of the FNB group's strategy to even greater heights in the next five years.

The role of the board is to ensure that the business remains sustainable, compliant and profitable in order to create value for all stakeholders. On-going transformation in a tough business environment has seen the FNB Group adapting well to a changing political and regulatory environment. Increasing regulations have become part of doing business. FNB welcomes a well regulated financial sector, although compliance has added to our operating costs. We also need to guard against an inherent fear of violating regulations, which could impede business growth.

FNB is acutely aware of the changing playing field in the financial services industry. Not only are non-traditional players entering our competitive space, but the number of banks has increased from the traditional big four to 10 in the last four years. Competition has inspired our innovative culture. We are determined to ensure that the FNB group remains at the forefront of service delivery and superior products and solutions, which enable our customers to transact, borrow, save, invest and insure.

The country's financial transformation agenda is echoed in our own determination to diversify the management of the FNB group. Group-wide diversity management training continues annually.

Shareholder returns

Adding value to shareholders attests to our success. The final dividend for the year ended 30 June 2016 is N$1.22, bringing the total dividend declared for the 2016 financial year to N$2.13 (2015: N$1.83) per ordinary share. FNB shares remain one of the most sought-after investments in Namibia and the increase of 45% in the share price to N$47.54 reflects the value of the investment.

Harambee the FNB Group Way

As a responsible corporate citizen we remain committed to activities aligned to national plans. Our corporate social responsibility programmes and partnerships support education, community development, social welfare, environmental sustainability, skills and capacity building and arts and culture. Our activities complement the UN Global Compact by focussing on drives to end hunger and eradicate poverty.

Our business practices are designed to support the national Harambee Prosperity Plan. Through the FNB Foundation and our substantial sponsorship programme, we aim to encourage economic advancement and promote the social progression of fellow Namibians. The FNB group wants to help build a Namibian nation that values peace, reconciliation, security and stability. We believe that effective governance, economic advancement, infrastructure development and relationship building will serve to reinforce our position as an all-inclusive Namibian financial-services provider.

FNB also supports government's commitment to Agenda 2063, promoting the socio-economic transformation of Africa. This programme includes new sustainable development goals which are universal. It calls on all countries to address the root causes of poverty through development work for all. Through the FNB Foundation we will continue to support community programmes dealing with health, environment, skills, education, sports, as well as art and culture. Beneficiaries receive funding from 1% of the group's profit after tax every year in order to build a better world. In addition, our staff volunteer programme recognises the importance of partnering with our employees and encouraging them to participate voluntarily.

FNB continues to find ways to cater for the unbanked population. More than ever, we are now driven to create a society in which access to financial services is available to all.

Outlook

While the global economy continues to expand, recovery remains fragile. Stresses in several large emerging market economies show no signs of abating. These constraints will continue to be a drag on growth over the longer term. Highly indebted governments, corporates and households will all struggle to significantly reduce their debt, increasing the risk of financial market stress and negative economic consequences, thus inviting future policy mistakes. Developed economies show trend-like growth over the medium term with mounting downside risks as poor corporate earnings limit new business growth and employment creation.

The domestic economy expanded by 5.3% last year. However headwinds are mounting and growth is expected to fall to 3.1% in 2016. Water shortages are constraining growth in agriculture, mining and manufacturing. With the completion of several projects, construction activity will slow. Employees in most of these sectors stand to see income growth ease as inflation rises and interest costs go up.

Despite the anticipated slowdown, we remain cautiously optimistic about the medium-term outlook for Namibia. The economy should eventually benefit from substantial infrastructure upgrades and greater commodity production. Improved transport networks, with increased electricity, port and water storage capacity, ought to position the country as an efficient regional logistics hub in the long haul. Investment growth will eventually drive economic recovery and enable every Namibian to realise their potential and prosper in accordance with inherent abilities and in the spirit of the President's exciting Harambee Prosperity Plan.

Thank you

Finally, I would like to thank my co-directors for their confidence in electing me as chairperson. I also thank our government, regulators, shareholders and clients for allowing us to continue exceeding your expectations through our Partnership, Profit, People and Planet strategy.

Many thanks to the dedicated FNB team for a cohesive effort achieved through living the FNB Group values and their continuing high performance. I remain confident that our partnerships with all Namibians will ensure that we remain the preferred financial services house in Namibia.

Inge Ingenesia Zaamwani-Kamwi
Chairperson

> **Board** of directors

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Inge Zaamwani-Kamwi

(Chairperson)

Independent
non-executive director

Appointed April 2003

Qualifications: LLB (Hons) London; LLM - Dundee

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

FNB group committee membership: Directors' Affairs and Governance Committee

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

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Leonard Haynes

Non-executive director

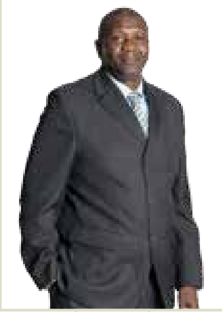
Appointed April 2013

Qualifications:
B Com (Hons), MBA

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

FNB group committee membership: Remuneration Committee, Audit Committee, Risk, Capital and Compliance, Directors' Affairs and Governance Committee (Alternate)

FirstRand group directorships: First National Bank of Ghana Ltd (Alternate), First National Bank of Lesotho Ltd (Chairman), FNB Zambia Ltd (CEO)



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Christiaan Haikali

Independent
non-executive director

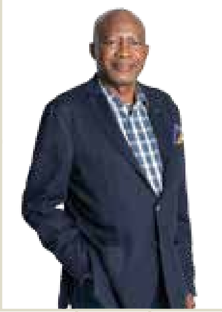
Appointed February 2006

Qualifications: BBA

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

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

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



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Mwahafar Ndilula

Independent
non-executive director

Appointed November 2005

Qualifications: MPA/DDA

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

External directorship: Namcot Diamonds (Pty) Ltd, Sovereign Investments (Pty) Ltd, Sovereign Properties (Pty) Ltd, Sovereign Asset Management (Pty) Ltd

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Ebrahim Motala

Non-executive director

Appointed May 2016

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

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

FNB group committee membership: Remuneration Committee

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

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Oscar Capelao

Chief Financial Officer

Executive director

Appointed March 2016

Qualifications: BCom Hons (Accounting), CA

FNB group directorships & Trusteeship: FNB Namibia Holdings Limited, First National Bank of Namibia Limited, OUTsurance Insurance Company of Namibia Ltd, FNB Namibia Unit Trusts Ltd, Swabou Investments (Pty) Ltd, Talas Properties (Windhoek) (Pty) Ltd, RMB Investments (Pty) Ltd, FNB Nominees Namibia (Pty) Ltd, FNB Staff Assistance Trust

External directorship: National Housing Enterprise, Namibian Stock Exchange

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Sarel van Zyl

Chief Executive Officer

Executive director

Appointed December 2014

Qualifications: BBA, MBA

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

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Jabulani Khethe

Non-executive director

Appointed August 2006

Qualifications: BCom (Banking), MBA

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

FNB group committee membership: Directors' Affairs and Governance Committee

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

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Petrus Nevonga

Independent non-executive director

Appointed May 2003

Qualifications: PG Diploma in Bus Admin, BTech, Dip: HR Management

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

External directorships & Trusteeships: Namibia Grape Company (Pty) Ltd, Effort Investment Holdings (Pty) Ltd, Endombo Enterprises (Pty) Ltd, Esindano, Pharmaceutical (Pty) Ltd, Tulongeni Fishing (Pty) Ltd, Punctual Investments (Pty) Ltd, Sovereign Capital (Pty) Ltd, NAPWU Investment Trust, Namibia Grape Company Social Trust

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Stuart Moir

(Deputy-Chairperson)

Independent non-executive director

Appointed November 2005

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

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

FNB group committee membership: Audit Committee, Risk, Capital and Compliance, Remuneration Committee, Directors' Affairs and Governance Committee, FNB Employee Share Incentive Trust

External directorships & Trusteeships: Stimulus Investments Ltd, The Namibia Procurement Fund I, The Namibia Procurement Fund II

> **Attendance register** of the board and committees

Name of Director	Board	Meetings attended/ scheduled	Audit Committee	Meetings attended/ scheduled	Risk, Capital and Compliance Committee	Meetings attended/ scheduled	Directors' Affairs and Governance Committee	Meetings attended/ scheduled	Remuneration Committee	Meetings attended/ scheduled
CJ Hinrichsen (Chairperson) INED	Chairperson Retired 31/12/2015	2/2						1/1	Member	1/1
II Zaamwani-Kamwi (Chairperson) INED	Chairperson Appointed chairperson 14/4/2016	3/4	Member Resigned 14 /4/2016	1/4	Member Resigned 14 /4/2016	1/4	Member Resigned as chairperson 14 /4/2016	2/3	Member Resigned as chairperson/ member 14 /4/2016	1/1
SH Moir INED	Deputy Chairperson	4/4	Chairperson	4/4	Chairperson	4/4	Chairperson Appointed chairperson 14/5/2016	1/1	Member	2/2
CLR Haikali INED	Director	4/4	Member Appointed 29/1/2016	1/4			Member	3/3	Chairperson Appointed chairperson 14/4/2016	2/2
JR Khethe NED	Director	4/4					Member	3/3		
MN Ndilula INED	Director	4/4								
PT Nevonga INED	Director	4/4								
SJ Van Zyl (CEO) ED	Director	4/4								
JR Formby NED	Director Resigned 31/5/2016	0/4							Member	0/2
JJ Comalie INED	Director Resigned 28/10/ 2015	1/1	Member	1/1	Member	1/1				
LJ Haynes NED	Director	4/4	Member	4/4	Member	4/4	Member	3/3	Member	2/2
OLP Capelao (CFO) ED	Director Appointed 1/3/2016	1/1								
ES Motala NED	Director Appointed 31/5/2016	0							Member Appointed 31/5/2016	0

Attendance indicated against meetings each director eligible to attend, considering retirement, resignation or appointment dates.

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

> **Material** issues

The board of directors has the ultimate responsibility to monitor responses to material issues.

Material issues are those we believe could impact our ability to create value over the medium and long-term. Managing how our business responds to material issues determines how successful we will be in achieving business objectives and long-term targets.

Stakeholders expect us to balance and manage the risks and opportunities of our material issues to continually deliver value and meet expectations.

Our approach

To identify material issues, the group uses the following processes to determine the things that could significantly impact sustainability in the short, medium and long term. We review these issues regularly in the context of the macroeconomic environment, changing business environment, social context, emerging trends and feedback from stakeholders.

Processes used to identify material issues

- Issues that arise during our strategic planning process which could affect strategic objectives
- Matters covered in executive committee meetings
- Matters covered in reports submitted to the board of directors for discussion and approval
- Outcomes of our internal risk assessment processes
- Priority interests of key stakeholders

We have identified the following material issues and our responses

Material issue	Response	For more information
1. Managing through the economic cycles Creating a resilient business to ensure continued sustainable growth	• Remain profitable within our risk appetite framework • Manage business risks • Forecast macroeconomic metrics to inform our strategic planning process • Grow responsibly and within the right market segments • Adequately manage our cost base	CEO Report CFO report Risk report
2. New competition and market disruptors Understanding the competitive environment and ensuring a relevant business model to be able to compete	• Offering value added products, tailored for customer needs • Delivering quality service to customers • Continually innovate through technology and improved efficiencies • Execute our digital channel strategy	Understanding FNB: How our clients transact and FNB's business model

Material issues >

We have identified the following material issues and our responses continued

Material issue	Response	For more information
3. **Regulatory environment** Increased regulatory environment and the costs associated to comply	• Working closely with regulators to understand evolving frameworks, and that we plan, manage and report timeously and appropriately • Comply with all relevant legislation and regulations • Instil a compliance mind-set in the organisation • Sound management of capital and liquidity	Chairperson's report CEO's report Risk report Capital management report
4. **Diversified people and bridging skills gaps** Ensure that we have a diverse and equipped workforce to execute on our strategies.	• Compliance with employment equity legislation and targets • Responsible recruitment and remuneration practices • proactive talent and succession planning • Fair and transparent performance management linked with personal development plans • Learning and development programmes • Leadership development	Sustainable approach to business report
5. **Diversifying income streams** Deliver a fully integrated financial service to the market.	• Deliver our core suite of products well. • Focus on cross selling of products and services across the group, especially within the Invest and Insure pillars of the business • Innovation	Our business model Growth in customers, transactions and volumes CEO's report
6. **Continued growth trajectory** Deliver on our value propositions to clients	• Alignment of strategy across the organisation and robustly monitor implementation • Collaboration across brands, segments, business units and legal entities • Focus on creating process enhancement and efficiencies • Acting ethically to maintain the trust of customers • Balance sheet and margin management	CEO report CFO report Risk report
7. **Project capacity and implementation** Balance investment in people and technology	• Robust strategic planning and effective prioritisation of projects • Proper project management frameworks and processes • Implementation of priority projects	CEO report

> **Group** executive committee (EXCO)

The executive committee is the most senior executive decision-making body in the group. It is chaired by the chief executive officer and comprises the chief operating officer, chief financial officer, treasurer and other members of senior management.

Exco is tasked with presenting the group's strategies for the short, medium and long term vision to the board for deliberation and approval. Authority has been delegated by the board to implement strategies approved by the board and provide regular feedback to the board on execution and progress in fulfilling board targets.

Exco also takes responsibility for managing the effective control of the day to day operational activities of the group. Meetings are held monthly, although ad hoc meetings are scheduled should the need arise.

Exco has the following sub-committees:

- Asset, liability and capital committee
- Procurement committee
- Enterprise risk management committee
- Ethics committee
- Policy committee

> EXCO

Conrad Dempsey
(40)
Head RMB
CA (Namibia), CA (SA), CGMA, AMCT, M. Philosophy

Tracy Eagles
(46)
Chief Marketing Officer
Higher Diploma in Education, BA, MBA

Sarel Van Zyl
(54)
Chief Executive Officer
BBA, MBA

Martha Murorua
(43)
Executive Officer Consumer
Nat. Dip (Commence), B. Acc., MBA

Francois Booysen
(50)
Head of Credit
B.Comm, CIA, GIA (SA), CFSA, CCSA, CAIB(SA), SMDP

Steve Coetzee
(54)
Executive Officer Points of Presence
MDP, SMDP, various certificates in Retail Banking

Johan van der Westhuizen
(52)
Executive Officer Business
B.Com, HDE, CAIB (SA), Post Graduate Diploma in Financial Planning

Oscar Capelao
(37)
Chief Financial Officer
BCom Hons (Accounting), CA (Namibia), CA (SA),

Andrew Kanime
(41)
Chief Human Resources Officer
B.Admin, B.Tech, B.Acc, MBA

Louis Potgieter
(53)
Chief Operating Officer
CA (SA)

Michelle Van Wyk
(40)
Treasurer
B.Acc; B.Acc Hons; CA (Namibia), CA (SA)

Elmarie Cilliers
(52)
Executive Officer WesBank
Certificate in Banking, MBiA (SA), SMDP

Dixon Norval
(57)
Executive Officer Premium
BA Hons – MA, MBA

Johan du Plessis
(44)
Chief Risk Officer and Ethics Officer
B.Compt (Hons), CTA, CRA

> **Corporate** governance report

- > Report of the directors' affairs and governance committee
- > Report of the audit committee chairperson
- > Report of the risk, capital and compliance committee
- > Report of the remuneration committee

FNB Namibia Holdings group ensures compliance with all relevant legislation and frameworks including the Companies Act No. 28 of 2004, NamCode on Corporate Governance, NSX Listings Requirements, the Banking Institutions Act No. 2 of 1998 as amended and other best practice regulations flowing from both local and international authorities. The group endorses the NamCode on Corporate Governance and is satisfied that the group has applied the principles of NamCode consistently during the year under review.

Board changes during the financial period

During the period under review Mr. CJ Hinrichsen, the chairperson of the board retired after serving as the chairperson of the FNB Namibia Holdings Ltd and First National Bank of Namibia Ltd boards for the past five years. Mr Hinrichsen successfully set the ethical tone for the board, providing overall leadership to the board without limiting the principle of collective responsibility for board decisions.

Ms. JJ Comalie resigned from the boards of FNB Namibia Holdings Limited and First National Bank of Namibia Ltd effective 29 October 2015. The resignation was accepted due to Ms. JJ Comalie's pending executive appointment in a banking institution authorised under the Banking Institutions Act to conduct banking business.

Mr. OLP Capelao was appointed as an executive director effective 1 March 2016. The appointment ensures that there is more than one point of contact between the board and the management and is in line with NamCode principle C2.18.12.

The board elected Mrs. II Zaamwani-Kamwi as chairperson of the FNB Namibia Holdings Ltd and First National Bank of Namibia Ltd boards effective 14 April 2016. Mrs. II Zaamwani-Kamwi is an independent non-executive director and has been tasked with providing the direction necessary for an effective board.

Mr. SH Moir was appointed as deputy-chairperson effective 14 April 2016.

Mr. JR Formby resigned effective 31 May 2016, the resignation was due to his appointment as chief executive of Rand Merchant Bank (RMB), a division of FirstRand Bank Limited.

Mr. ES Motala was appointed as a non-executive director effective 31 May 2016, Mr. ES Motala is the RMB Head of Africa (excluding South Africa)

The chairperson of the board

FNB Namibia Holdings Ltd has an independent non-executive director as the chairperson of the board. The role of the chairperson is separate from that of the chief executive officer. The chairperson of the board is responsible for setting the ethical tone for the board and providing overall leadership to the board without limiting the principle of collective responsibility for board decisions.

Composition of the board

As at 30 June 2016 the FNB board of directors consists of 10 directors, 5 of whom are independent non-executive, 3 of whom are non-executive and 2 of whom are executive.

This composition comprises a balance of power, with a majority of non-executive directors. The majority of non-executive directors are independent, which reduces the possibility of conflicts of interest and promotes objectivity. There is an appropriate balance of power and authority on the board.

Independence of directors

The board considers the following 5 directors to be independent:

Mrs. II Zaamwani-Kamwi (chairperson)
Mr. SH Moir (deputy chairperson)
Mr. CLR Haikali
Mr. PT Nevonga
Mr. MN Ndilula

The independence of the directors is assessed at the directors' affairs and governance committee. The committee has regard to independence factors as set out in NamCode, including years of service, and whether there are any factors that are likely to affect the director's judgment.

> **Corporate** governance report

Mr. JR Khethe, Mr. ES Motala and Mr. LJ Haynes are deemed to be non-executive directors due to their full-time employment within FirstRand group.

Mr. SJ Van Zyl is the chief executive officer of the company and Mr. OLP Capelao is the chief financial officer, both of whom are executive directors.

The number and stature of independent non-executive directors serving on the board ensures that enough independence is applied when making significant decisions.

Board nomination and succession

The board has an approved and formalised board appointment and succession process for the recruitment of directors that takes cognisance of the skills and experience of the current and prospective directors. The appointment process is formal and a matter for the board as a whole, assisted by the directors' affairs and governance committee.

Board succession planning has received particular focus and will continue to receive focus to ensure that the board composition comprises the appropriate mix of skills and experience. The directors' affairs and governance committee met three times during the year.

With the retirement of Mr. CJ Hinrichsen as group chairperson in 2015 and in line with the board's succession plans, the directors' affairs and governance committee, in consultation with the full board, led the process to identify a candidate who would ensure the group's continued success. Having undertaken a rigorous process, the directors' affairs and governance committee concluded that Mrs. II Zaamwani-Kamwi was the suitable candidate for the position and recommended her appointment to the board, which recommendation was unanimously approved.

The committees' priority for the upcoming financial year will be to continue to identify suitably qualified proposed independent non-executive directors, evaluate the respective nominations while taking into account the regulatory requirements and recommend same for board approval.

Board and committee evaluation

The directors' affairs and governance committee evaluated the board's effectiveness during the year, along with that of its committees and individual directors. The outcomes of which were escalated to the board, the results of which are as follows:

Theme	Key outcome and action
Effectiveness of the Boards and Committees	The board of directors and respective committee members are of the opinion that based on the deliberations that the respective directors and committee members perform their duties to the best of their abilities. The boards and committees will continue to ensure the effective functioning of the boards and committees.
Board and Committee Composition	The directors' affairs and governance committee and board shall continue to identify suitably qualified proposed independent non-executive directors. The directors affairs and governance committee shall continue to take cognisance of independence, demographics and diversity (which applies to, inter alia, academic qualifications, technical expertise, relevant industry knowledge, nationality, age, race and gender diversity at board level) when identifying suitable candidates. The directors' affairs and governance committee shall continue its role, overseeing and making recommendations to the board on potential candidates to ensure that the board has the appropriate composition

Theme	Key outcome and action
Board and Committee Meeting Contributions (Contributions of each board member)	The individual director assessments confirmed that the individual directors: • Have devoted adequate time for the board and committee meetings. Where deviations exist the board shall assess the suitability of the affected director, their commitments outside the board and whether they failed to attend more than 75% of the meetings of the board. In such instances it is the duty of the board chairperson to impress on them the need to ensure that they are able to discharge their duties on the board at all times. • Have the appropriate level of experience and skills. • Have applied judgment independent of management. • Bring external judgment on issues of strategy, performance and resources. • Contribution to the board discussions takes cognisance of the long-term strategic objectives of the company. • Show commitment to strong corporate governance and ethics by words and actions.

The board will monitor progress in implementing action plans that emanated from the evaluation and ensure the continued functioning of the boards and committees.

Governance structure within the group

Each board committee of FNB Namibia Holdings Ltd has a clearly defined set of responsibilities supporting the long-term success of the group. The tools used to apply good governance in FNB Namibia Holdings Ltd remain in use and can be summarised as follows:

- Governance framework, which prescribes the authorities, governance and monitoring structures, duties and responsibilities, processes, methodologies and standards which have to be implemented and adhered to in order for the boards to discharge their obligations in this regard.
- Formalised charters and mandates of accountability that articulate the purpose, standing and authority of the various committees.
- Director performance reviews against set objectives and mandates at individual, board or committee level.
- Group wide ethics programme for leadership, management and people management policies and processes.

The group further appoints executive and non-executive directors to subsidiary boards while recognising that directors have a fiduciary responsibility to each company. The appropriate representation of the group is considered with clear regard for regulatory requirements and the best interest of each subsidiary company. The assessment process on nomination to committees is delegated to the directors' affairs and governance committee.

The board has reporting mechanisms from its subsidiaries and approved delegated levels of authority, which are reviewed on a regular basis.

Rotation and re-election of directors in terms of the articles of association

All non-executive directors are subject to retirement by rotation and re-election by shareholders periodically, with a third of the directors rotating annually in accordance with the articles of association. The reappointment of non-executive directors is not automatic and is subject to performance and eligibility. This ensures that a balance is maintained in continuity in board membership, subject to performance and eligibility for re-election. The articles ensure a staggered rotation of non-executive directors, so as to retain valuable skills, maintain continuity of knowledge and experience.

The re-appointment of the following directors, who retire in terms of the articles of the company, will be discussed at the general meeting of the company:

Mrs. II Zaamwani-Kamwi, independent non-executive director
Mr. MN Ndilula, independent non-executive director
Mr. SH Moir, independent non-executive director
Mr. CLR Haikali, independent non-executive director

Board and committee meetings attendance

The board accepted the apology of directors as indicated in the summary of attendance on page 26 and assures stakeholders that it has assessed the workload and commitment of all directors to serve on the board. The board assessed the suitability, commitments outside the board duties of directors who did not attend more than 75% of the meetings of the board and accepted their apology while impressing on them the need to ensure that they are able to discharge their duties on the board at all times.

Access to management and company resources

Board members have access to accurate, relevant and timely information. The board members have full and unrestricted access to management and all group information and resources. They are also entitled to seek independent professional advice and or training at the group's expense in support of their duties. Directors meet separately with management without the attendance of executive directors as well as with professional advisors without management's presence. Professional advisors, officers or members of staff whose input may be required, are invited to attend meetings at the discretion of the chairperson. These invitees have no votes at these meetings.

Group company secretary

The group company secretary is suitably qualified and experienced. She is, inter alia, responsible for the duties stipulated in the Companies Act 28 of 2004, The Banking Institutions Act 2 of 1998 (as amended), NamCode and the NSX listing requirements. The board of directors has unrestricted access to the group company secretary.

Auditor's independence

The group's annual financial statements have been audited by the independent auditors, Deloitte & Touche. The group is satisfied that the auditors continue to observe the highest level of business and professional ethics. It has no reason to believe that they have not at all times acted with unimpaired independence. The audit committee has confirmed the independence of the external auditors for the reporting period. The audit committee is satisfied that the auditors' independence was not prejudiced as a result of any previous appointment as auditor.

Details of fees paid to the external auditors are disclosed in the notes of the financial statements, together with details of non-audit services and the fees paid in respect thereof.

Group's compliance with regulatory requirements

As the group's main business is diversified into banking and non-banking financial service provision, the banking business is regulated by the Bank of Namibia in terms of the Banking Institutions Act No 2 of 1998, as amended and determinations passed in terms thereof, while the short-term insurance, insurance brokerage and unit trusts businesses are regulated by the Namibia Financial Institutions Supervisory Authority ("NAMFISA") in terms of different legislation. FNB Namibia Holdings Limited is also listed on the Namibia Stock Exchange ("NSX"), and therefore obliged to comply with the Stock Exchanges Control Act of 1985, NamCode on Corporate Governance and the listing requirements of the exchange.

The board is satisfied that the group has not suffered any material losses for non-compliance with all these laws and regulations for the past year.

Financial statements

The directors are responsible for monitoring and approving the financial statements to ensure that they fairly present the group's affairs and the profit or loss at the end of the financial year. The independent auditors are responsible for expressing an opinion on the fairness with which these financial statements represents the financial position of the group.

The financial statements in this report have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS") and in the manner required by the Namibian Companies' Act and the Namibian Stock Exchange. They are based on appropriate accounting policies that have been consistently applied, except as indicated, and which are supported by reasonable and prudent judgments and estimates.

Communication with shareholders

FNB Namibia Holdings Ltd recognises that effective communication with stakeholders is essential to good governance and to this end the group distributes information to shareholders through the Securities Exchange News Service (SENS), the national print media and its website to ensure transparent and effective communication with shareholders in order to build and maintain relationships. Following the publication of its financial results, it engages with investors and analysts both locally and internationally to present the results and answer questions in respect thereof.

Shareholders are encouraged to attend the annual general meeting and participate in the affairs of their company.

Share dealings

Directors, executives, participants in the share option schemes, or persons who may have knowledge of price sensitive information may not trade in the company's shares during the closed period as defined in terms of the NSX rules. This prohibition also covers periods where the company is trading under cautionary announcements. Additional closed periods may be invoked by the board.

The mandatory closed periods are as follows:

- 1 January annually until the date of publication of the FNB Namibia holdings Ltd interim results; and
- 1 July annually until the date of publication of the FNB Namibia Holdings Ltd annual results.

All dealings in shares by the directors require prior clearance to deal by the board chairperson, and are disclosed on SENS. Records of directors' advices of intention to deal and the clearance letters issued are filed with the group company secretary. Directors are obliged to disclose the information required to enable the publications of an announcement on SENS as soon as possible after dealing. Details of trades in shares by staff members who may have access to price sensitive information is also disclosed to the group remuneration committee.

Board committees

The board has delegated certain functions to structured and effective committees to assist the directors in the discharge of their duties and responsibilities. All committees have formal terms of references and report to the board. At company level the following board committees exist:

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

Corporate governance report >

> Report of the directors' affairs and governance committee

This is a committee of the board of FNB Namibia Holdings Ltd with the prime objective to assist the board in discharging its responsibilities respect of:

- Annually assess and document whether the process of corporate governance implemented by the company successfully achieves the objectives determined by the board;
- Determine and evaluate the adequacy, efficiency and appropriateness of the corporate governance structures of the group and their processes;
- Regularly review the necessity for the existing board committees and the necessity for further committees whether permanent or whether ad-hoc for the purpose of completing a specific brief;
- The maintenance of a board directorship continuity programmes including:
  - the continuity of non-executive directors;
  - the regular review of the competence of the board of directors, including the skills, experience and other qualities required to enhance the effectiveness of the board; and
  - the selection and appointment of new directors;
- The committee reviews the structure and composition of the boards of significant operating companies within the group.
- Is the vocal point of the ethical governance of the group and monitors the implementation of the Code of Ethics.

Directors' development

The success of FNB Namibia Holdings Ltd is intimately connected to the effectiveness of its board. FNB Namibia Holdings Ltd recognises the board is made up of directors that have extensive knowledge and experience within their specific disciplines. In order for the board to discharge its duties in managing the boards in an effective and efficient manner, directors need to stay up-to-date with any new developments as well as engage in continuous professional development. With this in mind the directors' affairs and governance committee and board approved a formal induction and on-going training programme for the directors.

Attendance of members for the year under review is detailed on page 26 in the report.

Members: Mr. SH Moir (Chairperson), Mrs. II Zaamwani-Kamwi, Mr. CLR Haikali, Mr. JR Khethe and Mr. LJ Haynes (alternate)

SH Moir
Chairperson

> **Report** of the audit committee chairperson

Role
The audit committee fulfils a vital role in corporate governance and ensuring the integrity of integrated reporting and internal financial controls. The audit committee further assists the board to comply with its duties in terms of section 42 of the Banking Institutions Act 2 of 1998, read together with chapter 3 on the NamCode on corporate governance. The audit committee serves as a committee of the board, overseeing integrated reporting, however the board retains the ultimate decision making ability on such matters.

Composition of the audit committee
Mr. SH Moir (Chairperson), Mr. CLR Haikali, and Mr. LJ Haynes

The independence of the audit committee is paramount. The audit committee is composed of three directors, two of whom are independent. The chairperson of the audit committee is an independent non-executive director. One of the members, Mr. LJ Haynes, is non-executive director in terms of the NamCode definition due to his role at FNB International a division within the governance structure of the majority shareholder. The board is of the opinion that his specialist skills, experience, knowledge of the group and the value that these bring to the audit committee deliberations warrant his on-going membership. The committee's collective skills are appropriate to oversee integrated reporting.

The biographical information of the members of the audit committee is contained on page 24 of the annual report. The period for which the audit committee members have served is as follows:

Mr. SH Moir	2006 – 2015
Mr. LJ Haynes	2012 – 2015
Mr. CLR Haikali	2016

The chief executive officer, chief financial officer, head of internal audit, chief risk officer, head of compliance and external auditors attend all meetings in an ex-officio capacity. The board chairperson attends the audit committee by invitation. The external auditors and head internal auditor meet independently on an annual basis and as and when required.

Discharge of audit committee duties
The committee can confirm that the financial information contained in the integrated annual report accurately reflects the information reported to it by management. The audit committee discharged its duties in respect of FNB Namibia Holdings Ltd by:

- Ensuring the expertise, resources and experience of the financial management function;
- Ensuring integrity, reliability and accuracy of the financial statements, the accounting practices and the internal financial management function;
- Evaluating the adequacy and effectiveness of internal audit assurance functions;
- Maintaining transparent and appropriate relationships with the external auditors;
- Reviewing the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors. Ensuring that the appointment of the external auditors complies with the Companies Act, Banking Institutions Act and other relevant legislation;
- Ensuring that there is adequate reliance placed on effective internal, external and management assurance providers;
- Ensuring that the integrated sustainability reporting obligations are met;
- Satisfying itself that the external auditor was independent of the company and determining the nature and extent of non-audit services;
- Understanding how the board and the external auditor evaluate materiality for integrated reporting purposes;
- Considering and approving the internal audit charter and recommending same for board approval.

Report of the audit committee chairperson >

Audit committee charter
The committee has a board approved audit committee charter. The audit committee charter informs the various audit committee meeting agendas and the committee is satisfied that its responsibilities have been executed for the year in terms of the charter.

Financial statements
The audit committee reviews and comments on the financial statements, the accounting practices and the internal financial control of the company and reports to the board thereon. It provides assurance on the integrity and completeness of the company's financial report. Changes in accounting policies are presented in detail to facilitate understanding of accounting practices for complex areas.

Stakeholders are herewith assured that the accounting policies and practices within the group are in compliance with IFRS and regulatory requirements.

Combined assurance
The committee ensured the application of a combined assurance model which provides a coordinated approach to all assurance activities within the group. The committee confirms that it is satisfied that the relationship between internal and external assurance providers is conducive to the attainment of assurance objectives of assurance providers.

Integrated reporting
The committee has reviewed the integrated report. The committee anticipated that with continual evolvement of integrated reports generated at management level and with the independent review the role of the committee would change significantly during the ensuing year.

The committee approved the integrated report and recommended same to the board for approval.

Internal audit function
The internal audit function forms a critical pillar in the provision of independent assurance. The committee assures stakeholders of the independence and effective functioning of the internal audit function in adequately discharging its function during the year under review.

Annual general meeting
The chairperson of the audit committee will be in attendance at the Annual General Meeting (AGM) to confirm the audit committee report and encourages stakeholders to forward questions for consideration by the committee and the external auditors.

The committee assures stakeholders that:

- The committee has reviewed a documented assessment including key assumptions, prepared by management of the going concern status of the company had has accordingly confirmed to the board that the company will be a going concern for the foreseeable future;
- The financial statements of the group accurately reflect the financial position and records of the group;
- Effective accounting practices and policies have been maintained;
- The skills and resources of the internal audit and finance functions are adequate and all requirements have been met;
- Requirements for improvements in Internal controls in certain of the business areas have been identified as noted in the risk report, while internal controls of the group have been effective in all other material respects during the year under review.;
- The skills, experience and overall performance of the external auditor was acceptable and it recommends to shareholders that Deloitte be re-appointed as external auditors of the group for 2016/17 financial year. The committee assures the stakeholders that it met its obligations in all material respects;
- The committee met its statutory obligations;
- No other responsibilities other than those set out in the charter were assigned to it by the board.

SH Moir
Chairperson

> **Report** of the risk, capital and compliance committee

The risk, capital and compliance committee (RCCC) is a subcommittee of the board and assists the board in discharging its responsibility in the comprehensive governance of risk. The prime objective of the committee is to assist the FNB Namibia Holdings Ltd board in discharging its duties and responsibilities in terms of the management of risk, compliance and capital across the FNB Namibia Holdings Ltd group.

The group's risk, capital and compliance committee has complied with its terms of reference and objectives set for the period. Stakeholders are referred to pages 62 to 74 for a detailed discussion in the risk report.

Composition of the RCCC
The committee consists of an independent non-executive director and a non-executive director. The committee's membership has a thorough understanding of risks and risk management. Amongst the attendees are the chief executive officer, the chief financial officer, chief risk officer, head of compliance and the head of internal audit who attend meetings in an ex-officio capacity.

Members: Mr. SH Moir (Chairperson) and Mr. LJ Haynes

The biographical information of the members of the risk, capital and compliance committee is set out on page 24 of the annual report.

RCCC activities
The RCCC undertook the following during the year:

- Receiving and reviewing the reports of the chief risk officer, which highlights key risks of the company including IT and compliance related risks;
- Reviewing the risk assessments, risk monitoring reports, management responses and challenging the effectiveness thereof;
- Determining risk appetite of the group and its subsidiaries and monitoring compliance thereto;
- Ensuring that sufficient resources, systems are in place to identify and monitor and mitigate risk;
- Ensuring the effective management of credit and concentration risk;
- Ensuring and maintaining an Internal Capital Adequacy Assessment Process ("ICAAP"); and
- Setting risk tolerance levels while considering risk factors and the ongoing changes in the risk environment.

The committee assures stakeholders that:

- The committee has maintained a reporting system that enables the committee to monitor changes in the group's risk profile; and
- It met its obligations in terms of the charter in all material respects.

SH Moir
Chairperson

> Report of the remuneration committee

Role

The remuneration committee (Remco) is primarily responsible for ensuring that an appropriate and best-in class remuneration governance framework is in place in order to ensure that our high performing people are appropriately remunerated in order to ensure that they are at all times energized to continue sustaining our group through superior performance. The committee is overall accountable for providing governance oversight over all forms of remuneration and reward for non-executive directors, executive directors, senior management and all employees.

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

Composition

Remco is chaired by an independent non-executive director and is constituted by non-executive directors, majority of whom are independent. The chief executive officer, the chief financial officer and the chief human resources officer attend all committee meetings in an ex officio capacity and are recused when matters that affect them are discussed.

Remuneration governance framework

At the core of the group's remuneration framework is recognition and reward for superior performance and sustainable value creation. The group has implemented a Performance Management System (PMS) which is used to manage performance at individual, team, business unit and group levels relative to targets set at each of these levels.

The group performance management process commences with an annual performance planning process whereby an annual operating business plan is developed informed by the group's long-term strategic blueprint. The board of directors sets strategic priority areas for the particular financial year derived from the group's long-term strategy. Based on such priority areas, an overall group scorecard is agreed upon between the board and the management team setting out group performance targets for the year. Group targets are set within the group's overall risk appetite.

The performance management framework requires that management produce positive net income after cost of capital (NIACC). Another way of looking at NIACC is the amount of earnings left after shareholders and other capital providers are paid for their investment at the prescribed level. Management only starts to share thereafter.

The group's reward philosophy is underpinned by the performance management framework and is fully aligned to the group's strategic objectives, namely:

- deliver long-term value;
- deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and
- maintain balance sheet strength.

Remco is contented to note that the group's reward philosophy as encapsulated in the following remuneration components is fully aligned to the group's core purpose:

Report of the remuneration committee >

Guaranteed pay
Guaranteed pay is designed to attract and retain human resources in line with the skills requirements of the role and is benchmarked relative to skills, experience, performance and complexity of the role.

An individual's guaranteed pay is determined by:

- the appropriate salary range matched to the role using market benchmarks (pay for the role); and
- The value he/she adds to FNB Namibia Holdings (pay for the person) in relation to the expected outcomes for a specific position/role.

Annual salary increases are determined using a bottom-up approach where business units propose individual salary increases based on individual employee performance. These proposals are reviewed and approved by Remco in the context of individual and business unit performance, inflation and specific industry practices and trends as well as current economic environment.

Additionally, benchmarking forms the cornerstone of determining employees' guaranteed pay and is conducted against the financial services industry and other companies in the market with similar market capitalization, using independent industry salary surveys on a regular basis. The following independent salary surveys are used to benchmark against the market:

- PwC Remchannel®;
- Global Remuneration Solutions; and
- Other ad hoc salary surveys.

This approach ensures that guaranteed pay packages are competitive allowing FNB Namibia Holdings to attract and retain the right calibre of employee for the position.

Short-term incentive (STI) awards
A short-term incentive scheme is in place to reward and incentivize achievement of annually agreed individual, business unit and group performance objectives and strategic priorities.

Individual performance is formally assessed at least once a year, measured against specific quantitative financial and qualitative non-financial performance criteria. Specific quantitative performance measures include, amongst others the following:

- ROE;
- earnings growth and NIACC;
- performance within overall group risk appetite;
- quality of earnings;
- audit findings; and
- operational losses.

Examples of qualitative non-financial measures include teamwork, client-focus, innovation, progress implementing key control projects and delivery on socioeconomic development objectives.

STI awards are funded from the group's STI pool which is decided upon annually by Remco based on the group's profitability, performance metrics, business unit profitability, risk taken within risk appetite compared to realized returns and sustainable future profitability. The size of the STI pool and its allocation within the group takes current and potential future risks into account. These include:

- the cost and quantum of capital required to support risks taken;
- liquidity risk assumed in the conducting of business; and
- consideration of the timing and certainty of the realisation of accrued, but as yet unrealised, accounting profits included in current earnings.

STI awards recognise individual performance and overall contribution to business-unit performance. As such employees who fail to attain set minimum performance targets do not participate in the STI scheme.

Report of the remuneration committee >

The awards are discretionary and paid in cash with the primary objective of rewarding superior performance. Worth noting is the fact that, short-term incentive awards reduces or disappears in the event of poor group, business unit or individual performance in line with the claw back principle.

Individual employee performance awards are determined by a combination of company and individual performance and are paid in accordance with the applicable STI scheme rules. Individual short-term incentive awards in excess of N$650,000 are paid out in three tranches. Interest, as determined by the group, accrues on the second and third tranches and is included in these payments. Should an employee resign or leave the employ of the group for any reason before the date on which any tranche is payable, any outstanding tranches will no longer be payable and are forfeited.

Long-term incentive awards

The group operate long-term award incentive schemes to retain key executives and critical skills who are expected to generate long-term value for the group as well as to reinforce and align their interests with those of shareholders and other stakeholders.

Remco has the discretion to determine the total amount of long-term incentive awards made to any employee, which are deferred and payments are not finalised over short periods as risks can manifest over longer periods. Thus, there are no multi-year guaranteed incentive awards or substantial severance arrangements for employees.

During the year, the group changed the long-term incentive scheme arrangements by changing from the FNB Namibia Share Incentive Scheme to the FirstRand Limited Conditional Incentive Plan (CIP). However the FNB Namibia Share Incentive Scheme will continue to run until all share options issued under the scheme have vested and all obligations have been settled. The change was necessitated by the need to ensure that:

- Staff retention is significantly enhanced by ensuring that qualifying employees are given value on day one compared to the old scheme where value was unknown from day one;
- Employees' interests are aligned with the FirstRand and the group's long term prospects;
- A more capital efficient solution for shareholders is implemented; and
- The current scheme's restrictions with respect to lack of shares in the market to grant options from, are overcome.

In order to link compensation to the time horizon of risk assumed by the group, the vesting of the new long-term incentive awards is subject to satisfying performance conditions including corporate performance targets (CPTs) set and measured over a three-year performance period. If performance conditions are not satisfied, outstanding payments are forfeited. In terms of the scheme rules, participants do not receive dividends on their long-term incentive allocations during the performance period nor do these accrue to them during the performance period.

All long-term incentive awards are deferred by a conditional award in terms of the group's conditional incentive plan for two years. Should an employee resign or be dismissed, unpaid bonus tranches are forfeited subject to the discretion of the committee. Also, in terms of the group's current policy any unpaid portion of deferred compensation is forfeited in the event that the applicable business unit suffers a loss during the year in question.

Remco is of the view that the long-term incentive scheme encourages behaviour that is consistent with effective risk management and claw back arrangements, therefore, do not exist post vesting. The group's current long-term incentives use share-linked instruments and, therefore, do not require the allocation of shares. The committee has the discretion to determine the total amount of long-term incentive awards made to any employee.

Report of the remuneration committee >

Directors' remuneration

Executive Directors

Executive Directors are employed on fairly standard employment contracts as all other employees. Remuneration paid is based on the group's remuneration policy as set out above. The actual remuneration paid to the executive directors is disclosed in the notes of the annual financial statements.

Remco took note of the recommendations of NamCode that companies disclose the remuneration of its three highest paid employees who are not directors. After due consideration of this provision the committee with concurrence of the board resolved that the disclosure of the remuneration of the executives sufficiently illustrates the alignment between reward and shareholder return.

Remco ensures an optimal balance between operational stability, superior value creation and sustaining appropriate alignment of employee performance with the medium-to long-term interests of the group's stakeholders. The following principles are at the core of the group's remuneration practices:

- ensuring guaranteed pay is commensurate with the volume of work, level of responsibility and individual performance in the role;
- protecting stakeholder value through compensation based on performance measured after adjusting for the level of risk assumed and the cost of capital incurred in the course of business; and
- Overseeing the implementation of long-term incentive awards subject to performance criteria that appropriately reflect sustainable value creation over the medium to long term.

Non-executive directors

Non-executive directors receive fees for services as directors and for services provided as members of board committees. These fees are paid on a retainer as well as attendance basis. The fees vary depending on the role of the committee, are based on market comparisons, and are reviewed on an annual basis in order to meet the remuneration philosophy of the group that advocates for fair and responsible remuneration. The fees are reviewed by the Remco and are approved in advance by shareholders at the annual general meeting.

Non-executive directors do not receive share options or other incentive awards.

Actual remuneration paid to non-executive directors is detailed in the notes to the annual financial statements.

Remco terms of reference

The committee exercises stewardship over FNB Namibia Holding's remuneration practices and ensure that compensation works in harmony with the implemented risk postures. The committee's specific responsibilities, includes, amongst others the following:

- Remuneration policies and practices – The committee ensure alignment of the remuneration strategy and policy with the FNB Namibia Holdings group's business strategy and the desired culture and approves the general principles applied to remuneration, bonus and share incentive schemes' policies and practices ensuring a balance between guaranteed and performance-based remuneration, taking into consideration at all times the risk associated with the behaviour being incentivized.

- Performance management – The committee ensures that appropriate performance measurement processes are implemented for the award of salary increases, bonuses and share incentives whilst ensuring that remuneration is pitched at levels relative to other comparable companies taking relative performance into account;

- Salary increases – The committee approves the general principles applied to the award of salary increases and approves remuneration packages needed to attract, retain and motivate high performing executive directors and executive management, but avoid paying more than is necessary for this purpose;

Report of the remuneration committee >

- **Incentive Bonuses** - The committee approves the quantum of the annual bonus pool, the methodology utilised for the allocation of the pool to the business units and the quantum of the allocations to the business units.

- **Share incentives** - The committee approves the general principles applied for the award of share incentives to employees. The awards are approved on an individual basis in respect of executive directors and senior management.

- **Employees over which it exercises discretion** - The committee determines remuneration policy generally (i.e. positioning relative to the market etcetera.), bonus and share incentive award policy for the employees over which it exercises discretion. The committee receives proposals on the criteria used to measure the performance for reward purposes of the employees over which it exercises discretion. The committee approves salary increases, bonus and share incentive awards on a name-by-name basis annually, or as deemed necessary by the board, for the employees over which it exercises discretion. The committee approves remuneration packages and service agreements for the employees over which it exercises discretion. The committee must ensure that the employees involved in financial and risk control positions must be compensated in a manner that is independent of the business areas that they oversee to ensure their independence.

- **Service Agreements** - The committee reviews, as it deems necessary, or as it is requested to do so by the board or chief executive officer, the service agreements of those employees over which it exercises discretion in order to ensure the adequacy of benefit schemes for executive directors and executive management whilst taking account of consequences and associated costs to the company of such benefits.

- **Succession planning** - The group has an approved succession policy setting out principles of talent management and development of its key resource, its human capital and the chief executive officer provides periodic reports to the remuneration committee. A formal succession plan is in place for key positions within the group and is updated on a regular basis. The board is confident that it should be possible to identify suitable short-term and long-term replacements from within the group should the need arise.

- **Employment equity** - The group is committed to creating an-all-inclusive working environment where the unique talents of all employees are recognised equally. As such, the group has an employment equity policy in place and is committed to the achievement of equity within its workforce in compliance with internal and regulatory obligations. The policy is aimed at achieving employment equity in the workplace and to enhance business competitiveness. Developing all employees is critical to the success of the programme and emphasis is placed on training, monitoring and promotion of existing staff. The group has received its Affirmative Action Compliance Certificate from the Employment Equity Commission annually since inception and has met its set targets.

Remco proceedings

The committee meets at least three times per year.
The chairperson attends the annual general meeting

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

Ranga Haikali
Chairperson

> **Performance** review

> **Chief executive officer's report**
> **Chief financial officer's report**

> **Chief executive officer's** report

Introduction

This past year the global and local business environments have remained challenging. Consumers are under pressure as their disposable income erodes through higher interest rates and inflationary pressure. Businesses have seen moderated income growth and thus an all-round slowdown in growth and credit demands compared to the previous year.

Despite these challenges our business has continued to perform well. We have a robust strategy that, when executed well, will see us through the cycle. Our business remains resilient and the commitment from our people continues to astound me.

This year has seen us consolidate group and segment strategies, build capacity in the right teams and execute our P4 strategy well. For additional information please read our strategic overview on pages 17 to 20 of this report.

Business performance to date

We continue to build the **RMB** brand within Namibia. Our operating teams cover Investment Banking, Global Markets, Custody Services and Corporate Banking.

RMB's market-leading ***investment banking capability*** originated and closed more than N$1,5 billion in term lending during the financial year. RMB Namibia was appointed to co-arrange the bond issuance for Bank of Namibia. We are proud of our association with government as it demonstrates that RMB Namibia, as a truly Namibian corporate and investment bank, is helping to develop the country in terms of the Harambee Prosperity Plan.

Because of the growing trade between Namibia and China, ***Global markets*** introduced the direct settlement in, as well as purchase and re-selling of notes, in Chinese Yuan (CNY). The initiative was well received and the bank continues to observe steady increases in CNY settlement.

Custody Services introduced a new custodial operating system during June 2016 and all existing portfolios were successfully migrated. The immediate benefits are compliance with JSE related settlement cycles and processing efficiencies. During the 2017 financial year, further system enhancements will be deployed. We expect them to reduce risk significantly on corporate actions, improve efficiencies and enable significant growth in this service.

> Managing through the cycle with a core focus on executing our strategy well

Another success story is the **FNB Business** Commercial Property Finance Book, which grew more than 30% year on year, enabling us to increase market share in the commercial property section during the year. Our pipeline of transactions awaiting pay out remains healthy. The Commercial Property Finance industry is still vibrant; however we expect it to come under pressure as we note a reduction in the delivery of houses, since developers find it more difficult to sell units now that the Bank of Namibia requires higher deposits. Water shortages in the central area of Namibia, and increased pressure on liquidity in the market, will affect the construction industry as a whole.

One area that has been given extra attention this year is our SME growth division. We redefined our value proposition to better suit customer needs in transactional, investment, insurance and lending requirements. We are finalising our guarantee scheme which will assist those entrepreneurs with limited collateral, equity and banking track record to obtain financing. At the same time, we are making substantial investments through the FNB Foundation in training and up-skilling our young entrepreneurs to set them up for future success. This strategy aligns well with the President's Harembee plan.

During the year FNB Business was a key partner to the following expos and trade fairs – Opuwo Trade Fair, Outapi Olukolo Festival, Oshakati Totem Expo, Ongwediva Trade Fair, Ondangwa Trade Fair and Eenhana Trade Fair. These interactions support the SME and business environments in which we operate.

Our **FNB Consumer** segment continued to show positive growth and we exceeded our internal targets. Transactional accounts grew by 13% and savings accounts by 18% year on year. A culture of excellence in service delivery remains core to our strategy. A customer opinion survey revealed that our service delivery has remained consistent at 85%. During the year we introduced a new customer complaints management system which will help us to improve the tracking and addressing of service failures.

Part of our strategy is to encourage clients to make use of our affordable, user-friendly digital technology which is available 24 hours a day. This year also saw the introduction of another first in the Namibian market when we launched our automated and real-time cash deposit-taking ATMs. Customers can now make deposits after hours and even on Sundays and public holidays. We have set up dedicated officials in our branches to educate customers about what e-channels can do for them.

Notable enhancements on our digital platforms this year included, the launch of our e-wallet bulk send facility and an app for business. And we celebrated our 1 millionth E-Wallet customer. This product has proven hugely successful with previously unbanked people.

Type of transactions	Volume growth	Value growth
Point of Sale	21%	27%
FNB Online	11%	15%
Mobile banking	25%	43%
FNB APP	91%	147%
Overall customer initiated, electronic channel growth	**20%**	**15%**

We continue to expand our physical **points of presence** across the country.

Digital banking is the future. Extending our ATM network allows us to bring affordable banking to everyone, even in the most remote places across the country. To date we have rolled out 20 automated cash deposit / recycling ATMs at strategic branches. Further installations will include 26 new ATMs and 16 New Slimline ATMs deployed throughout Namibia.

Our total ATM footprint stands at 309 devices (274 ATMs and 35 Slimline ATMs), handling more than N$20-billion in transactions in this financial year. Specific ATM footprint expansion outside of mainstream hubs includes Tsandi, Okalango, Ondobe, Omafo and Ongenga. We also installed our first South African Rand dispensing ATM at the Hosea Kutako International airport, which has proved very popular. Further enhancements include touch screen ATM's and the option to enable cell-phone banking functionality via ATMs.

In the central north, we opened a new business representation point in Rundu. In the far north our newly relocated branch opened in Okongo.

Our dedicated process-improvement committee has successfully managed to centralise some back-office functions, including the scanning of client documents for compliance purposes and to improve centralised business securities perfection. We found an in-house solution for our contact centre application, achieving a significantly lower cost. The continued focus on business processes allows us to create system efficiencies, freeing staff for deployment to business growth areas.

We have repositioned our structure to deliver a **Premier segment and wealth offering** to cater for the needs of high net worth customers. It consists of two branches that previously serviced this sector -Exclusive Banking and Private Clients -- and other business units that play a role in wealth creation and management, such as FNB Trust Services and FNB Unit Trusts. By aligning these businesses, we have made big strides towards offering an integrated arm that includes transactional banking, lending, investment and insurance services. Although relatively new, this approach has already shown strong growth, which we anticipate will increase.

FNB Unit Trusts assets under management increased 11.42% this year to N$ 2.4 billion. The two new funds launched towards the end last year have shown promising growth.

The regulatory changes that were set out by NAMFISA for the insurance industry and that impacted on the business model of **FNB Insurance Brokers** required a turnaround strategy that was successfully implemented.

Despite the challenges of increasing asset prices, extremely competitive interest rates and expected further rates increases, the **WesBank** team continues to deliver great service, managing to grow its book by 6% during the year. It concluded 5 902 new deals. The corporate versus retail split on the asset book at June 2016 stood at 67%/33%. WesBank has managed to remain the market leader through focused relationships with dealerships and quick, efficient service delivery.

OUTsurance Namibia grew net earned premium by 23% to N$189 million. Annualised new business premium grew by 47% increasing our client base to almost 28 000. The strain caused by the exceptional growth was partially offset by a change in provisions methodology to leave net profit for the year on par with the previous year at N$30 million. In line with our ethos of providing value for money, we've paid over N$25 million in OUTbonuses.

We aim to measure our service levels at each interaction and this dictates our performance-based remuneration philosophy. Over the past three years we've consistently achieved customer satisfaction of around 95% for client care and around 90% for claims. We remain committed to growing a sustainable business backed by value for money insurance solutions and awesome service.

Recognition

During the financial year, FNB Namibia was once again declared to be the best bank in Namibia by The Banker Magazine in London. This is the seventh consecutive year that it has walked away with this prestigious accolade and the eighth time it has been awarded to the group.

During the past year the following business units were also acknowledged through the PMR with a Diamond Arrow award to for:

- Business Banking;
- Credit Cards and
- Personal Banking

FNB Insurance Brokers also received acknowledgement through the Santam Awards for:

- Regional Award (Top award nationally)
- Diamond Award – Windhoek Personal Lines
- Diamond Award – Windhoek Commercial

Outlook

There is no doubt that the year ahead will have its challenges - drought, rising interest rates, moderating income growth and a slowdown in credit demand will all contribute to weakened economic growth. We will continue to manage the business responsibly while remaining cautiously optimistic.

Our top focus areas for 2017 financial year are:

- Delivering on our core P4 strategy.
- Diversifying our revenue base through increased focus on our invest and insure pillars, while maintaining focus on our lending and transactional pillars
- Delivering an end-to-end financial services group
- Creating further value for customers through cross selling of products and services.
- Increasing digitalisation across the group through e-sales, e-service, e-transact, e-lending
- Implementing efficiency plans to manage our cost base

Conclusion

Our business has flourished thanks to the peace and stability created by the Namibian Government. In March this year, The President launched the Harambee Prosperity Plan, and the group remains committed to assisting our country to achieve prosperity for all.

I take this opportunity to thank my executive team, our board of directors and our employees for their continued dedication in delivering on our promise to shareholders: "To be a great Namibian Business, creating a better world!"

Sarel van Zyl
Chief Executive Officer

> **Chief financial officer's** report

Group overview

As a leading financial services group, we are conscious of the responsibility we have not only to safeguard but enhance the financial interests of all stakeholders. To achieve this, we need a prudent approach to balance sheet growth, maintaining strong capital levels, employing tested provisioning policy, and managing liquidity. We also need to ensure compliance with a rapidly-evolving regulatory environment.

Our performance is linked to Namibia's economic performance. FNB positioned all operating entities to make the most of limited growth opportunities and produce another set of excellent results under increasingly difficult operating circumstances. The central bank has so far implemented gradual and moderate interest rate hikes to support economic growth.

Profit for the year ended June 2016 increased by 21.9% to N$1 217.6 million (2015: N$998.7 million). Headline earnings, adjusted for the sale of the Talas building in Windhoek, increased by 15.7% to N$1 136 million. Earnings per share increased to 459.7 cents (2015: 377.5 cents).

Normalised earnings - adjusted for headline earnings adjustments, non-operational items and regulatory anomalies - we believe are a more accurate reflection of performance. Normalised profits for the year increased by 18.2% to N$1 119million.

Key ratios have remained good. Applying headline earnings, return on average equity was 31.0% (2015: 32.2%), return on average assets improved to 3.6% (2015: 3.5%) and cost to income ratio improved to 43.7% (2015: 43.9%).

The banking group and OUTsurance are the two key operations. Banking dominated the contribution to earnings.

Statement of comprehensive income

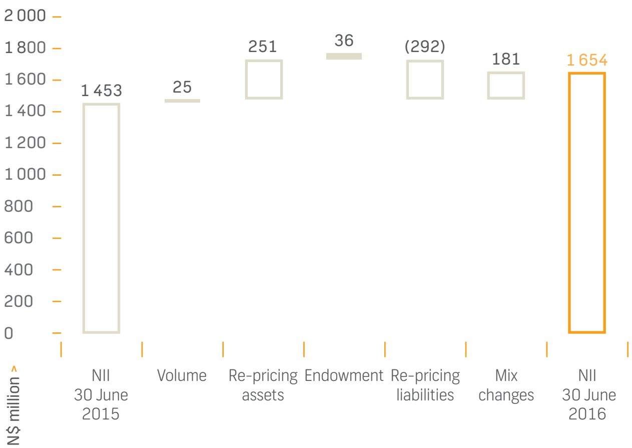
Interest income

Net interest income grew by 13.8% to N$1 653.6 million (2015: N$1 452.8 million). Margins have not widened to the extent experienced previously when interest rates increased, mostly due to the relative increase in cost of funds during the cycle. Net interest margin improved slightly, mainly through higher interest income on advances. Advances priced mostly from the prime overdraft rate which effectively increased by 75 basis points.

Cost of funding increased across the board because of higher interest rates, but even more so by the change in the mix, favouring longer term deposits at the cost of cheaper short term funding and reducing market liquidity over the last six months.

The endowment benefit on capital and lower interest rate deposits was largely off-set by cost of funding on total liabilities which increased by 46 basis points to 3.8%. Contributing to this was the elimination of the repo/bank rate differential between South Africa and Namibia in January 2016. Both countries' are now at 7% repo rate.

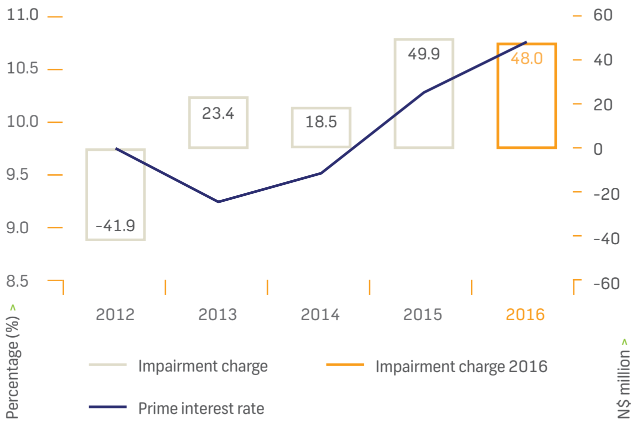
Movement in net interest income before impairment (NII)



Impairment losses

The total impairment charge improved on the previous year and closed at N$47.9 million (2015: N$49.9 million).

Impairment charge vs prime interest rate

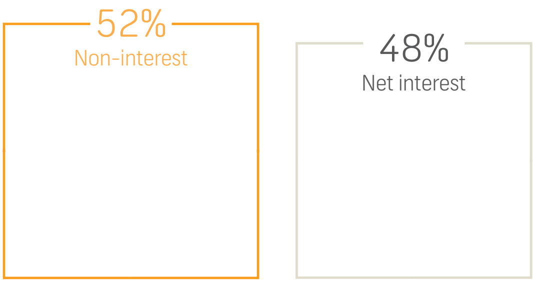


The total impairment charge is 0.19% (2015: 0.23%) of gross advances, while the specific charge increased to 0.11% (2015: 0.07%). The increase in specific impairments was expected because of higher interest rates but was offset by a reduction in the portfolio impairment charge. The portfolio charge is in line with the group's strategy of maintaining an appropriate level of provisioning of the performing book.

All non-performing loans have been fully provided for after consideration of the value of security held.

Non-interest income

Sources of gross revenue



Net fee and commission income increased by 13.5%, impacted by Bank of Namibia's directive exempting fees being charged on cash deposits made by individuals and SMEs which came into effect in April 2015. This item is also impacted by Namfisa's directive on policy fees for FNB Insurance Brokers – our insurance brokerage.

We remain focused on increasing the customer base to generate transactional revenue. The number of active accounts increased by 10% to 902 320 over the previous year. We have been successful in migrating clients to electronic channels. Transactions in branches reflect global trends of no growth. There has also been a reduction in cheques processed after the Bank of Namibia limited the value of cheques. This has enabled business clients to fully realise the benefits of electronic products. It is in the interest of both clients and FNB to use more cost-effective electronic channels.

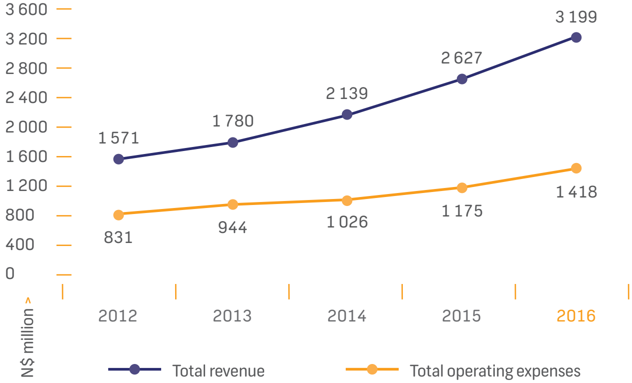
Fair value income increased by 11% contributing N$173 million (2015: N$155 million) to non-interest revenue for the year, on the back of foreign exchange trading driven by the Kwanza trading with Angola in the first half of the year. Netted against this was an 11% reduction on instruments carried at fair value. The reduction in the fair value adjustment was mainly due to changes in the interest rate curve which supports these instruments.

Total non-interest revenue increased by 19.6% to N$1 506 million (2015: N$1 260 million) - bolstered by the once-off N$67 million profit on the disposal of the Talas building in Windhoek.

Operating expenses

Group operating costs increased by 16.0% while generating an operating income growth of 19.6%. This positive trend is reflected in the continued improvement of our cost to income ratio of 43.7% (2015: 43.9%).

Total revenue vs operating expenses - banking group



Staff related costs are up 15%, including growth in head count largely due to reinforcing our risk and compliance team.

Other triggers of the above inflationary increase include property costs reflecting constant investment in our footprint. While the focus was on the new Windhoek building, an additional outlet was opened in Rundu in December 2015 to alleviate branch congestion. In addition, 42 additional ATMs/mini ATMs were installed with associated data line, rental costs and guarding costs.

As expected, depreciation increased by 31.8%, reflecting the impact of fitting out the new @ Parkside building.

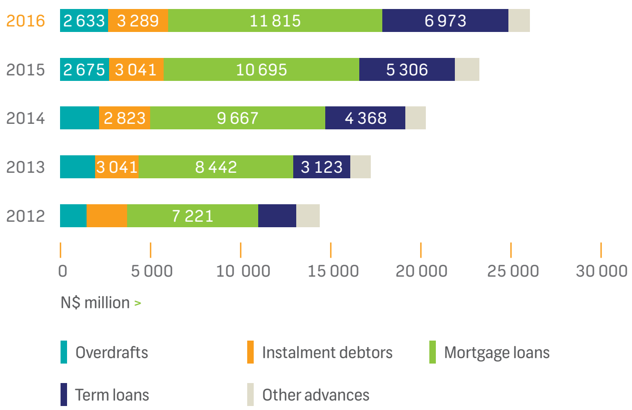
In support of our Planet strategy, the total annual contribution to the FNB Namibia Holdings Foundation amounted to N$10.3 million. This was based on the group annually contributing 1% of headline earnings.

Statement of financial position

The group's total assets grew by 14.8% to N$34.2 billion. Year-end advances, making up 75.4% of the balance sheet, reflected a year on year increase of 12.9% to N$25.8 billion. Average advances grew 14% on the back of our business and corporate portfolios. Growth throughout the year has remained mostly ahead of private credit extension which was 12.1% in June 2016. Interest rate hikes have affected the national credit extension growth.

FNB remains the market leader for home loans, vehicle asset finance and credit cards. Mortgage loans increased year on year by 10.4% to N$11.8 billion and constitute 45% (2015: 46%) of FNB's advances book. This concentration is not viewed as a risk because the Namibian property market is stable and active. On average the loan to value ratio is close to 70%, which is considered good. Vehicle and asset finance increased by 6.3% to N$3.6 billion.

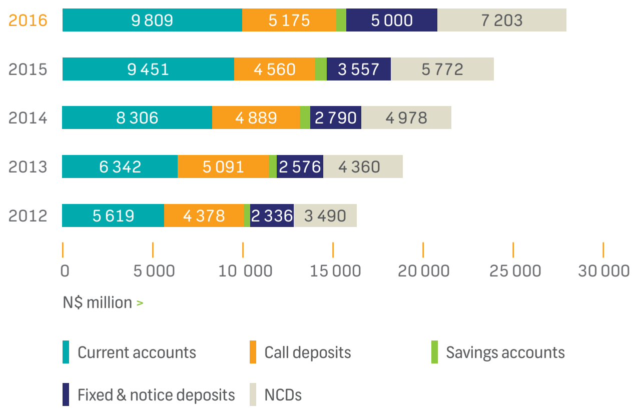
Advances composition (N$ million)



The ratio of non-performing loans to gross advances ended the year at 0.97%. Non-performing loans increased from N$147 million to N$251 million, amplified by one large commercial property transaction which we expect to recover.

Deposits increased by 16.0% to N$28.0 billion, ahead of advances growth. The slow growth in general customer deposits, particularly influenced by large corporate clients, necessitated the issuing of additional NCD's in the professional market. Both fixed deposits and NCD's increased by 40.6% and 24.8% respectively year on year. Call deposits increased by 13.5% and current and savings accounts showing virtually no growth.

Deposits composition (N$ million)



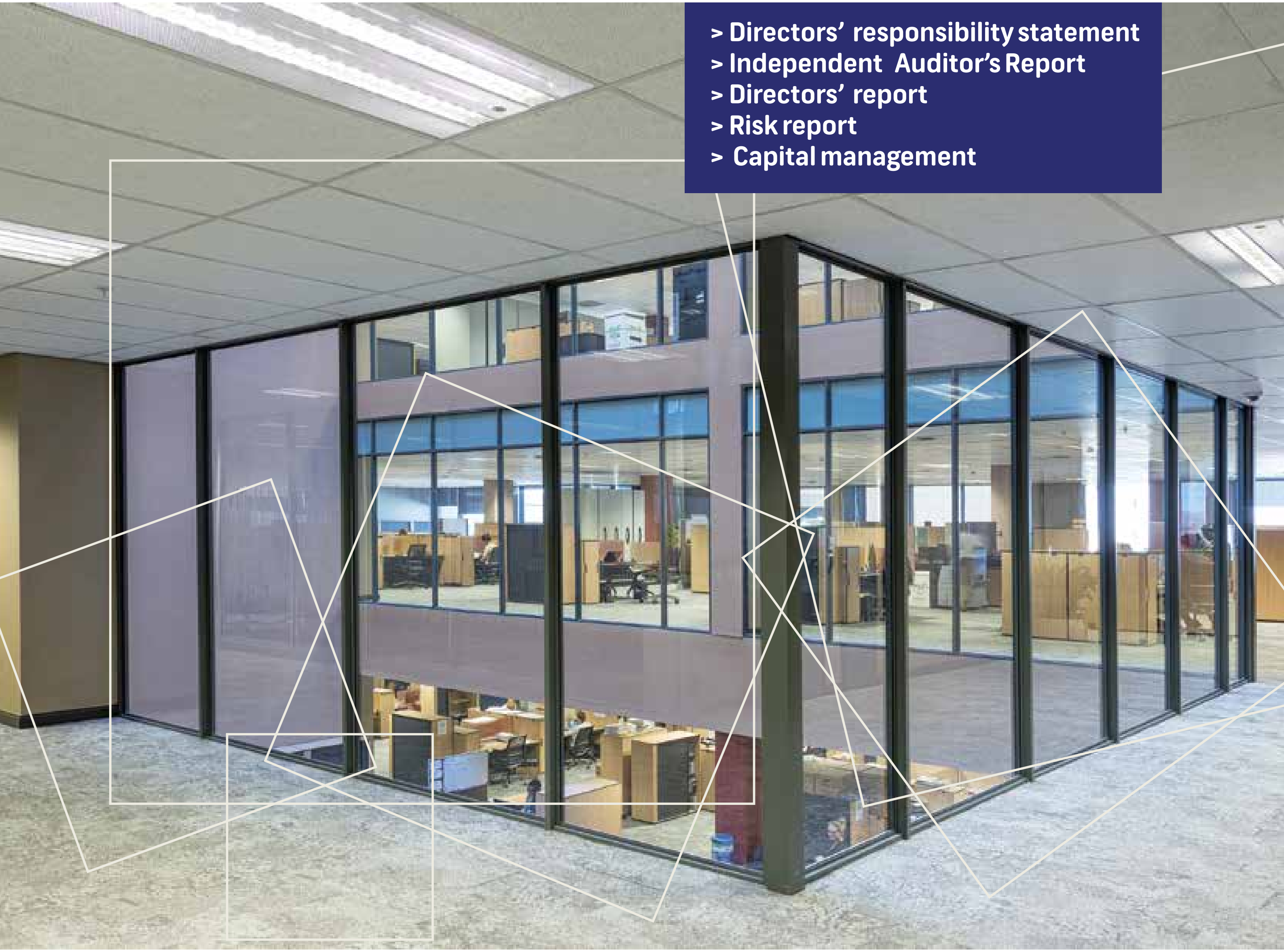
Towards the close of the financial year, the industry funding position improved significantly, the industry reported N$1.5 billion surplus as at 30 June 2016, with FNB's share at 44% of the market. Diversification of both source and term of funding remain focus areas.

Conclusion

Our focus remains on digitalisation which will drive efficiencies, while we manage costs. Growth opportunities will also be explored to diversify our revenue base and increase our focus on investment and insurance products, while seeking growth in our lending and transactional pillars. We will, however, continue to manage the business responsibly through the cycle.

Oscar Capelao
Chief Financial Officer

> **FNB Namibia Holdings Limited:**
Annual financial statements



- > Directors' responsibility statement
- > Independent Auditor's Report
- > Directors' report
- > Risk report
- > Capital management

Directors' responsibility statement

To the shareholders of FNB Namibia Holdings Limited

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

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

The group has complied in all material respects with the requirements set out in BID2 with regards to asset classification, suspension of interest and provisioning. The group's policies with this regard are stated in the notes on accounting policies, disclosed on pages 79 to 107.

The directors are responsible for the group's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. The board members and employees are required to maintain the highest ethical standards and group's business practices are required to be conducted in a manner that is above reproach. The board has adopted and is committed to the principles in the NamCode report on Corporate Governance.

Based on the information and explanations given by management and the internal auditors, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the consolidated and separate annual financial statements in accordance with IFRS and the Companies Act of Namibia and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the group, during the year and up to the date of this report. Based on the effective internal controls implemented by management, the directors are satisfied that the consolidated and separate annual financial statements fairly present the state of affairs of the group and company at the end of financial year and the net income and cash flows for the year.

The directors have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company's ability to continue as a going concern in the light of current and anticipated economic conditions. The directors have reviewed the assumptions underlying these budgets and forecasts based on currently available information. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

The group's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 58.

The consolidated annual financial statements of the group, which appear on pages 56 to 196 and the separate annual financial statements of the company, which appear on pages 197 to 208 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

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

We have audited the consolidated annual financial statements and separate annual financial statements of FNB Namibia Holdings 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 on pages 59 to 208.

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 FNB Namibia Holdings Limited and its subsidiaries 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
6 September 2016

Resident partners:
E Tjipuka (Managing Partner), RH Mc Donald, H de Bruin, J Cronje, A Akayombokwa, AT Matenda

Director: G Brand

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

Directors' report

Nature of business

FNB Namibia Holdings Limited is the holding company of the FNB Namibia group of companies. Its main investments remain unchanged from the prior year. The shareholdings are:

First National Bank of Namibia Limited: a registered bank offering a full range of banking services	100%
FNB Insurance Brokers (Namibia) (Pty) Ltd: an insurance broking company	100%
OUTsurance Insurance Company of Namibia Limited: a short-term insurance company	51%
Talas Properties (Windhoek) (Pty) Limited: a property-owning company up to date of sale of the Talas building	100%
FNB Trust Services Namibia (Pty) Ltd: a registered trust company involved in the administration of deceased estates	100%
FNB Namibia Unit Trusts Limited: a unit trusts management company	100%
RMB Investments (Pty) Ltd: a structured finance advisory company	100%

Share capital

The company's authorised share capital remained unchanged at N$5 million.

The company's authorised share capital at year-end consists of 990 000 000 (2015: 990 000 000) ordinary shares of 0,5 cents each and 10 000 000 (2015: 10 000 000) cumulative convertible redeemable preference shares of 0,5 cents each.

The issued ordinary share capital remained unchanged at 267 593 250 ordinary shares and 2 cumulative convertible redeemable preference shares.

At the annual general meeting to be held on 27 October 2016 members will be asked to consider an ordinary resolution placing the number of un-issued ordinary and preference shares, exclusive of the number of shares reserved for purposes of the share incentive scheme as at that date, under the control of the directors as is currently the case, until the next annual general meeting.

Share analysis – ordinary shares

Based on information disclosed by the Namibian Stock Exchange and investigations conducted on behalf of the company, the following shareholders have a beneficial interest of 5% or more in the issued ordinary shares of the company:

FirstRand EMA Holdings Limited	58.4%	(2015: 58.4%)
Government Institutions Pension Fund	14.8%	(2015: 14.8%)

A detailed analysis of shareholders is set out on page 212.

Share analysis – preference shares

RMB-SI Investments (Pty) Limited	100%	(2015: 100%)

FNB Share Incentive Scheme

No new shares were allocated during the year by the company to the trust. (2015: nil). Staff exercised options on 1 760 972(2015: 1 305 000) shares during the year. The total number of shares held by the trust at 30 June 2016 amounts to 6 370 465 (2015: 6 834 373). Also refer to note 31 of the annual financial statements.

Directors' interest in FNB Namibia Holdings Limited

Details of the directors' holdings in the issued ordinary shares of FNB Namibia Holdings Limited are reflected in note 6 to the annual financial statements.

Directors' report >

Dividends

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

N$'000	2016	2015
Ordinary dividends		
Final dividend of 122 cents (2015: 112 cents)	326 464	299 704
Interim dividend of 91 cents (2015: 71 cents)	243 510	189 991
Total distribution for the 12 months of 213 cents per ordinary share (2015: 183 cents per ordinary share)	569 974	489 695

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 65 to 208 set out fully the financial position, results of operations and cash flows of the company and the group. Your attention is also drawn to the chairman's report on pages 22 to 23, the chief executive officer's report, the chief financial officer's report and the financial results on pages 48 to 55.

Directorate

At the group's annual general meeting held on 29 October 2015, directors J R 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 FNB Namibia Holdings 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

C J Hinrichsen retired as a Director and Chairman of the FNB Namibia Holdings board effective 31 December 2015. Ms I I Zaamwani–Kamwi was appointed as Board Chairperson replacing Mr Hinrichsen effective 14 April 2016. Ms J J Comalie, an independent non-executive director , resigned from the board on 29 October 2015.

Mr O L P Capelao was appointed a director on 01 March 2016 in line with the recommendations of the NamCode. Mr E S Motala was appointed a director on 31 May 2016. Mr J R Formby, a director resigned on 31 May 2016.

Directors' emoluments

Directors' emoluments are disclosed in note 6 to the annual financial statements.

Management by third parties

No part of the business of the company or of its subsidiary companies has been managed by a third party or by a company in which a director had a direct or indirect interest during this financial year.

Insurance

Comprehensive cover in respect of the bankers' bond, computer crime and professional indemnity risk is in place.

Property and equipment

In the current year the New @ Parkside building became available for occupation and the sale of the Talas building was concluded.

Holding company

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

Subsidiaries

Interest in and aggregate profits of subsidiaries are set out in note 35 to the annual financial statements.

Company secretary and registered offices

Company secretary
Ms N Ashipala

Registered office
130 Independence Avenue
Windhoek

Postal address
P O Box 195
Windhoek
Namibia

Events subsequent to the reporting date

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

> **Risk** report

Introduction

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.

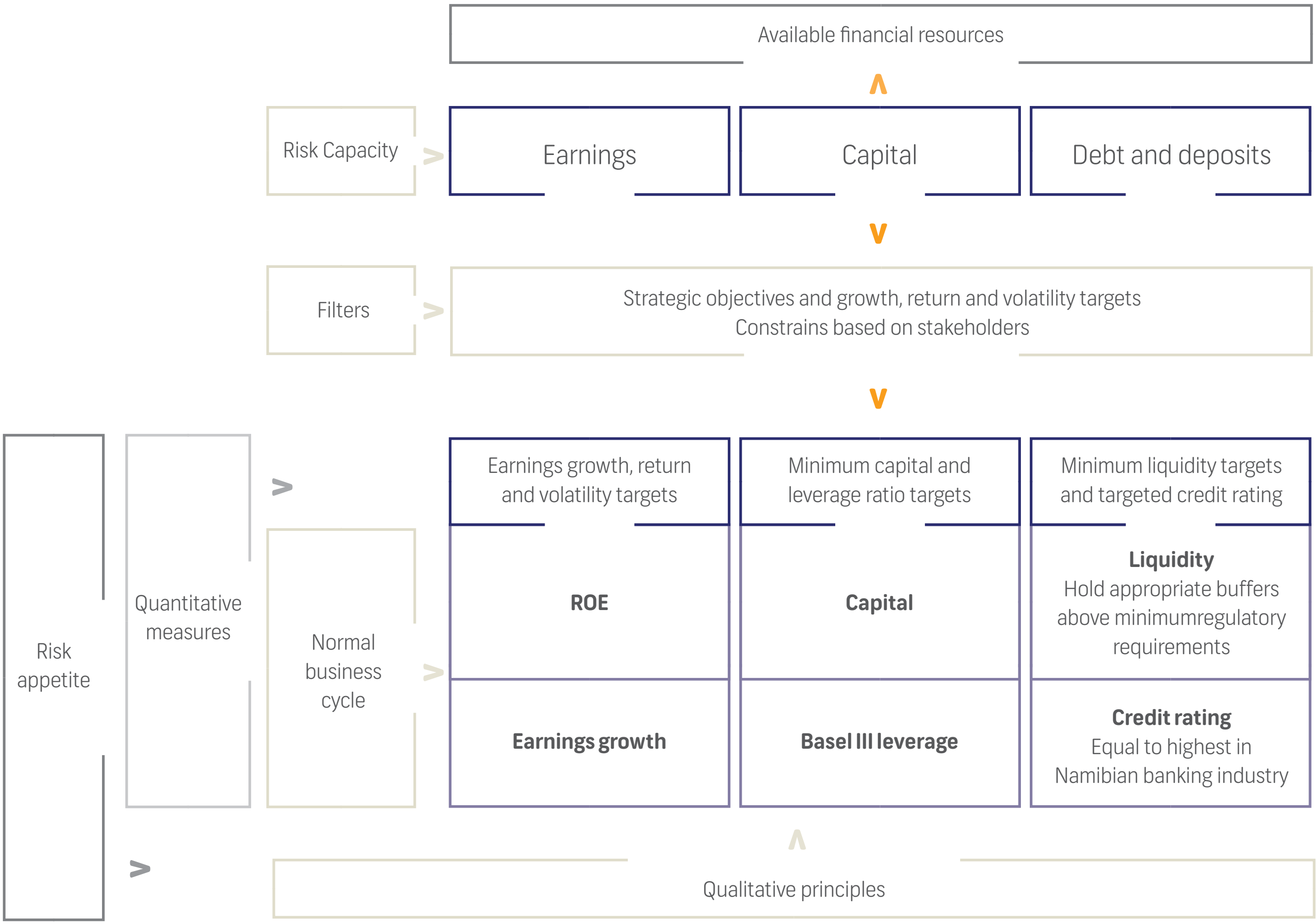
Risk capacity represents the absolute maximum level of risk the group can technically assume given its current available financial resources, i.e. earnings, capital, debt and deposits. The group views earnings as the primary defence against adverse outcomes. Risk capacity provides a reference for risk 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 minimumregulatory 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 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.

Risk report >

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; • reviews 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 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 in the banking book, foreign exchange and translation risk); • 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, providing 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:

First line	Second line	Third line
Financial resource management	**Enterprise risk management**	
• 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/ impactthrough 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 FNBN group.

Interest rate risk is an inevitable risk associated with banking assets and liabilities with different repricing characteristics grouping 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 central bank clearing; • 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.

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 investments 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
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.

OUTsurance Namibia Risk Management

OUTsurance Namibia has adopted the Enterprise Risk Management Strategy and Framework which provides reasonable assurance that risks are being managed in line with the best practices, our values and the risk principles of FNB Namibia Holdings Ltd. This framework is designed according to the corporate governance principles for sound risk management. The framework also outlines the key risk categories, the risk appetite, as well as risk management and combined assurance processes that form the basis of the reports to the board.

The risk management philosophy is to proactively undertake and direct actions to attain and preserve the group's objectives and values in a sustainable and profitable environment.

Insurance risks

The primary activity of OUTsurance relates to the assumption of possible loss arising from risks to which OUTsurance is exposed through the sale of short-term insurance products. Through the continuous sale of insurance products and subsequent growth in the pool of insured risks, OUTsurance can diversify its portfolio of risks and therefore minimise the impact of variability of insurance losses affecting that portfolio.

OUTsurance manages its insurance risk through its reinsurance programme which is structured to protect the company against material losses to either a single insured risk, or a group of insured risks in the case of a catastrophe where there would tend to be a concentration of insured risks.

Underwriting strategy

OUTsurance aims to diversify the pool of insured perils through writing a balanced portfolio of insurance risks over a large geographical area.

Reinsurance strategy

OUTsurance reinsures a portion of the risk it assumes through its reinsurance programme in order to control the exposure of the group to losses arising from insurance contracts and in order to protect the profitability of the business and its capital

Exposure to catastrophes and policies mitigating this risk

Catastrophe modelling is performed to determine the impact of different types of catastrophe events (including natural disasters) in different geographical areas, at different levels of severity and at different times of the day.

Capital management

The overall 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 exceed the total of Tier 1 capital which FNB fully comply to.

- Total regulatory capital which forms the minimum capital ratio of 10 percent, FNB exceeded this regulatory 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.

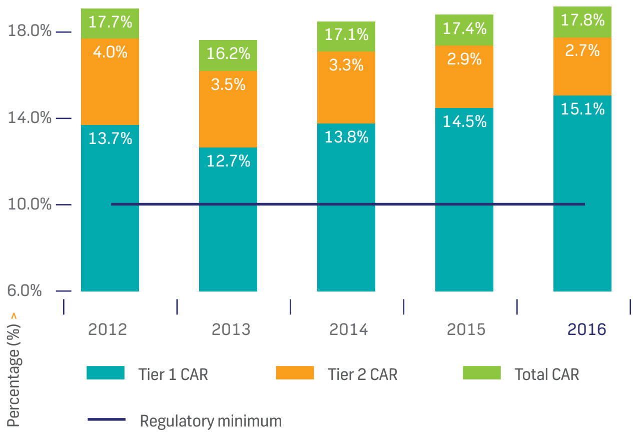
All major initiatives to deploy capital are subject to rigorous analysis, validation for business case and evaluation of expected benefits. Higher growth in assets continues to increase the credit risk weighted assets in accordance with the strategic direction and risk appetite of the group.

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 interim and final dividends were 91 cents and 122 cents respectively.

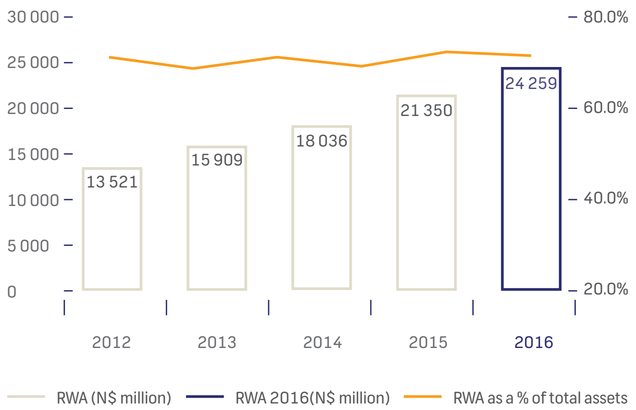
The demand of capital is managed from a forward looking point of view, taking into account possible risk and stress scenarios (following the ICAAP conclusion). In addition, the demand for capital also takes cognisance of economic risks not captured through the regulatory calculation and the group capitalises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

Capital management >

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.

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.

OUTsurance

OUTsurance's capital adequacy is measured by the solvency margin that is the free reserve ratio of shareholders' funds expressed as a percentage of net premium income. The company targeted solvency margin range is between 35% and 50%. The solvency margin at 30 June 2016 was 39.5% (2015: 39.1%), a sound and healthy position. OUTsurance proposed a dividend of N$18 million for the year ended 30 June 2016 (2015: N$18 million).

FNB Unit Trusts

Regulatory capital requirements of unit trust schemes is that the management company needs to maintain a minimum share capital, paid-up share capital and non-distributable reserves which together amount to an amount not less than N$2.4 million. FNB Unit trust management company held N$17.0 million at end of June 2016.

In addition, a management company needs to maintain an investment in each unit portfolio of 10% of the market value of the unit portfolio; or invest in N$1 million in each portfolio. N$8.8 million was held at 30 June 2016, exceeding the requirement of N$7 million.

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	Banking operations Year ended 30 June 2016	Banking operations Year ended 30 June 2015	Regulated consolidated group Year ended 30 June 2016	Regulated consolidated group Year ended 30 June 2015
Risk weighted assets				
Credit risk	20 801	18 468	20 861	18 559
Market risk	57	59	57	59
Operational risk	3 401	2 823	3 441	2 859
Total risk weighted assets	24 259	21 350	24 359	21 477
Regulatory capital				
Share capital and share premium	1 143	1 143	248	248
Retained profits	2 643	2 090	3 601	2 962
50% investment in deconsolidated entities			(3)	(3)
Capital impairment: intangible assets	(127)	(141)		(2)
Total tier 1	3 659	3 092	3 846	3 205
Eligible subordinated debt	390	390	390	390
50% investment in deconsolidated entities			(3)	(3)
General risk reserve, including portfolio impairment	260	232	260	232
Total tier 2	650	622	647	619
Total tier 1 and tier 2 capital	4 309	3 714	4 493	3 824
Capital adequacy ratios				
Tier 1	15.1%	14.5%	15.8%	14.9%
Tier 2	2.7%	2.9%	2.7%	2.9%
Total	17.8%	17.4%	18.5%	17.8%
Tier 1 leverage ratio	10.7%	10.4%	11.2%	10.8%

FNB Namibia Holdings Limited: Accounting Policies

> **Accounting** policies

1. Introduction and basis of preparation

1.1 Introduction

The FNB Namibia Holdings group (the group) consolidated financial statements have been prepared in accordance with IFRS and the Companies Act of Namibia.

The group adopts the following significant accounting policies in preparing its financial statements:

Summary of significant accounting policies

2 Subsidiaries, associates and joint arrangements	Consolidation and equity accounting (section 2.1)	Related party transactions (section 2.2)	
3 Income, expenses and taxation	Income and expenses (section 3.1)	Taxation (section 3.2)	
4 Financial instruments	Classification (section 4.1)	Measurement (section 4.2)	Impairment (section 4.3)
	Transfers and de-recognition (section 4.4)	Offset and collateral (section 4.5)	Derivatives and hedge accounting (section 4.6)
5 Other assets and liabilities	Property and equipment (section 5.1)	Intangible assets (section 5.1)	Leases (section 5.3)
	Provisions (section 5.1)	Non-current assets held for sale (section 5.2)	Other reserves
6 Capital and reserves	Share capital and treasury shares	Dividends	
7 Transactions with employees	Employee liabilities (section 7.1)	Share-based payment transactions (section 7.2)	
8 Insurance activities	Insurance activities (section 8.1)		

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 FNB Namibia Holdings 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; and • The application of materiality to items resulting in aggregation or deletion of immaterial items in the notes to the 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 FNB Namibia Holdings, its' subsidiaries and its' share of earnings of associates. To compile the consolidated financial statements the following information is used:

- Audited information about the financial position and results of operations at 30 June each year for all significant subsidiaries in the group.; and
- The most recent audited annual financial statements of associates. These are not always drawn up to the same date as the financial statements of the group. Where the reporting date is different from that of the group, the group uses the most recently available financial statements of the investee and reviews the investee's management accounts for material transactions during the intervening period. In instances where significant events occurred between the last reporting date of an investee and the reporting date of the group, the effect of such events is adjusted for.

Accounting policies of subsidiaries and associates have been changed where necessary to ensure consistency with the accounting policies adopted by the group.

The segmental analysis included in the segment report is based on the information reported to the chief operating decision maker for the respective segments under the current franchise management structures. The information is prepared in terms of IFRS with the exception of normalisation adjustments and certain adjustments made to the segment results in order to eliminate the effect of non-taxable income and other segment specific items that impact certain key ratios reviewed by the chief operating decision maker when assessing the operating segments' performance.

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 9.

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

<table>
<tr><th></th><th>Subsidiaries</th><th>Associates</th><th>Joint arrangements</th></tr>
<tr><td>Typical shareholding in the assessment of entities that are not structured entities</td><td>Greater than 50%</td><td>Between 20% and 50%</td><td>Between 20% and 50%</td></tr>
<tr><td colspan="4">When an entity is a structured entity and control of an entity is not evidenced through shareholding, the group considers the substance of the arrangement and the group’s involvement with the entity to determine whether the group has control, joint control or significant influence over the significant decisions that impact the relevant activities of the entity.</td></tr>
<tr><td>Nature of the relationship between the group and the investee</td><td>Entities over which the group has control as defined in IFRS 10 are consolidated.</td><td>Entities over which the group has significant influence as defined in IAS 28.</td><td>A joint arrangement in terms of which the group and the other contracting parties have joint control as defined in IFRS 11. Joint ventures are those joint arrangements where the group has rights to the net assets of the arrangement but currently there are no joint ventures</td></tr>
<tr><th colspan="4">Separate financial statements</th></tr>
<tr><td colspan="4">The group measures investments in these entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view to dispose of in the near future (within 12 months) that are measured at fair value less cost to sell in terms of IFRS 5.</td></tr>
</table>

<table>
<tr><th colspan="3">Consolidated financial statements</th></tr>
<tr><th></th><th>Subsidiaries</th><th>Associates</th></tr>
<tr><td>Initial recognition in the consolidated financial statements</td><td>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.</td><td>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.</td></tr>
<tr><td>Intercompany transactions and balances</td><td>Intercompany transactions are all eliminated on consolidation, including unrealised gains.
Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset; in which case the transferred asset will be tested for impairment in accordance with the group’s impairment policies.</td><td>Unrealised gains on transactions are eliminated to the extent of the group’s interest in the entity.
Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.</td></tr>
</table>

Consolidated financial statements		
	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.
Outside shareholders	Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity. All transactions with non-controlling interests, which do not result in a loss of control, are treated as transactions with equity holders. Partial disposals and increases in effective shareholding between 50% and 100% are treated as transactions with equity holders. Non-controlling interest is initially measured either at the proportional share of net assets or at fair value. The measurement distinction is made by the group on a case by case basis.	Transactions with outside shareholders are not equity transactions and the effects thereof are recognised in profit or loss as part of gains less losses from investing activities in non-interest revenue.

Interests in unconsolidated structured entities
Interests in unconsolidated structured entities may expose the group to variability in returns from the structured entity. However because of a lack of power over the structured entity it is not consolidated. Normal customer/supplier relationships where the group transacts with the structured entity on the same terms as other third parties are not considered to be interests in the entity. From time to time the group also sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments. Where the interest or sponsorship does not result in control, disclosures of these interests or sponsorships are made in the notes in terms of IFRS 12.

2.2 Related party transactions

Related parties of the group as defined, include:

Subsidiaries	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 FNB Namibia Holdings Limited is FirstRand EMA Holding Limited, with its ultimate holding company FirstRand Limited, incorporated in South Africa.

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

3. Income, expenses and taxation

3.1 Income and expenses

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

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

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

Dividend income
The group recognises dividend income when the group's right to receive payment is established. This is the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.

Expenses	
Expenses of the group, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	
Indirect tax expense	Indirect tax includes other taxes paid to the Receiver of Revenue including value added tax and stamp duties. Indirect tax is disclosed separately from income tax and operating expenses in the statement of comprehensive income.

3.2 Income tax expenses

Income tax includes Namibian corporate tax payable.

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

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

4. FINANCIAL INSTRUMENTS

4.1 Classification

Management determines the classification of 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. 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.
Assessment of objective evidence of impairment	An assessment of impairment is first performed individually for financial assets that are individually significant and then individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence of impairment , an impairment loss is recognised. The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.
Collective assessment	For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics; i.e. on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such financial assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the financial assets being evaluated.
Recognition of impairment loss	Impairment losses are recognised as part of operating expenses in profit or loss. The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For available-for-sale financial assets which are impaired the cumulative loss is reclassified from other comprehensive income to profit or loss.
Reversal of impairment loss	If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating): • The previously recognised impairment loss is reversed by adjusting the allowance account (where applicable) and the amount of the reversal is recognised as part of operating expenses in profit or loss; and • Impairment losses recognised on available-for-sale equity instruments are not subsequently reversed through profit or loss, but are recognised directly in other comprehensive income.

Impairment of advances

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

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

	Type of advance	Group policy on past due/impaired
Past due advances	The past due analysis is only performed for advances with specific expiry or instalment repayment dates or demand loans for which payment has been demanded. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is assessed with reference to the counterparty ratings of the exposures and reported as such.	
	Loans with a specific expiry date (e.g. term loans etc.) and consumer loans repayable by regular instalments (e.g. mortgage loans and personal loans)	Treated as overdue where one full instalment is in arrears for one day or more and remains unpaid as at the reporting date. Advances on which partial payments have been made are included in neither past due nor impaired until such time as the sum of the unpaid amounts equals a full instalment, at which point it is reflected as past due.
	Loans payable on demand (e.g. overdrafts)	Treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made.
	The full outstanding amount is reported as past due even if part of the balance is not yet due.	
Non-performing loans	Retail loans	Individually impaired if three or more instalments are due or unpaid or if there is evidence before this that the customer is unlikely to repay the obligations in full.
	Commercial and wholesale loans	Analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.
Renegotiated advances	Advances that would otherwise be past due that have been renegotiated i.e. advances where, due to deterioration in the counterparty's financial condition, the group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance. Excludes advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original.	Separately classified as neither past due nor impaired assets and remain classified as such until the terms of the renegotiated contract expire. Non-performing advances cannot be reclassified as renegotiated but current unless the arrears balance has been repaid. Renegotiated advances are considered as part of the collective evaluation of impairment where advances are grouped on the basis of similar credit risk characteristics. The adherence to the new terms and conditions is closely monitored.

Impairments	
Specific	Created for non-performing loans where there is objective evidence that an incurred loss event will have an adverse impact on the estimated future cash flows from the advance. Potential recoveries from guarantees and collateral are incorporated into the calculation of impairment figures.
Portfolio	Created with reference to these performing advances. The impairment provision on the performing portfolio is split into two parts: • An incurred but not reported (IBNR) provision i.e. the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified; and • The portfolio specific impairment (PSI) which reflects the decrease in estimated future cash flows for the sub segment of the performing portfolio where there is objective evidence of impairment.
Write offs	
When an advance is uncollectible, it is written off against the related allowance account. Such advances are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment of advances in profit or loss.	

4.4 Transfers and derecognition

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

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

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:

Transaction type	Description	Accounting treatment
	Transfers without derecognition	
Repurchase agreements	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.	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.
Securities lending	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.	
Transfers with derecognition		
Where the group purchases its own debt	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.	
Neither transferred nor derecognised		

4.5 Offset and collateral

Where the requirements of IFRS are met, the group offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

Details of the offsetting and collateral arrangements of the group are set out in the following table:

Derivative financial instruments	The group's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. Due to the fact that ISDA agreements under which derivatives are traded are not legally enforceable within Namibia, in the normal course of business or on bankruptcy, the IAS 32 set-off requirements of legal enforceability is not met thus no financial assets and financial liiabilities have been presented on the net amount in the statement of financial position.

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.

Classification	Measurement

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 freehold property and leasehold premises and leasehold improvements (owner occupied properties); • Assets which are owned by the group and leased to third parties under operating leases as part of the group's revenue generating operations; • Capitalised leased assets; and • Other assets utilised by the group in the normal course of operations including computer and office equipment, motor vehicles and furniture and fittings.	Historical cost less accumulated depreciation and impairment losses, except for land which is not depreciated. Depreciation is over the useful life of the asset, except for assets capitalised under finance leases where the group is the lessee, in which case depreciation is over the life of the lease (refer to policy 5.2).
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.
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 and disposal groups held for sale

Assets and liabilities are classified and separately presented as held for sale by the group when the specific conditions for classification as held for sale under IFRS 5 are met.

Any impairment losses on classification or that arise before sale and after the re-measurement of assets and liabilities outside the measurement scope of IFRS 5 in terms of their relevant IFRSs, are recognised in profit or loss in operating expenses, or as part of equity accounted earnings in the case of associates. If a disposal group contains assets that are outside of the measurement scope of IFRS 5 any impairment loss is allocated to those non-current assets in the disposal group that are within the measurement scope of IFRS 5. Any increases in fair value less costs to sell are recognised in non-interest revenue when realised.

When there is a change in intention to sell, any non-current assets and disposal groups held for sale are immediately reclassified back to their original line items, and remeasured in terms of the relevant IFRS, with any adjustment being take to profit or loss depending on the underlying asset to which it relates; for example operating expenses for property and equipment or intangible assets and equity accounted earnings for associates.

5.3 Leases

The group classifies leases of property and equipment where it assumes substantially all the risks and rewards of ownership as finance leases. The group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. The group regards instalment sale agreements as financing transactions.

	Group company is the lessee	**Group company is the lessor**
	Finance leases	
Inception	Capitalised as assets and a corresponding lease liability for future lease payments is recognised.	Recognise assets sold under a finance lease as advances and impair the advances, as required, in line with policy 4.2.2.
Over life of lease	The asset is depreciated – refer to policy 5.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method.
Operating leases	Recognised as an operating expense in profit or loss on a straight line basis over the period of the lease. Any difference between the actual lease amount payable and the straight-lined amount calculated is recognised as a liability of the group in creditors and accruals.	Assets held under operating leases are recognised as a separate category of property and equipment (assets held under leasing arrangements) and depreciated - refer to policy 5. Rental income is recognised as other non-interest revenue on a straight line basis over the lease term.
Instalment credit agreements where the group is the lessee	The group regards instalment credit sale agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances. The group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest revenue in proportion to capital balances outstanding.	

6. Capital and reserves

Transaction	Liability	Equity
Shares issued and issue costs	Ordinary shares and any preference shares which meet the definition of equity issued by the group less any incremental costs directly related to the issue of new shares or options, net of any related tax benefit.	
Dividends paid/ declared	Recognised as interest expense on the underlying liability.	Dividends on ordinary shares are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company's 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.

<table>
<tr><th colspan="2">Post-employment benefits</th></tr>
<tr><th colspan="2">Defined contribution plans</th></tr>
<tr><td colspan="2">Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.</td></tr>
<tr><td rowspan="2">Defined benefit obligation liability</td><td>Recognition:
The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets.
Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</td></tr>
<tr><td>Measurement:
The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.</td></tr>
<tr><td>Profit or loss – as part of staff costs</td><td>• Current and past service costs calculated on the projected unit credit method;
• Gains or losses on curtailments and settlements that took place in the current period;
• Net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability; and</td></tr>
<tr><td>Other comprehensive income</td><td>• All other re-measurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.
• Actuarial gains or losses on long term employee benefits.</td></tr>
<tr><th colspan="2">Termination benefits</th></tr>
<tr><td colspan="2">The group recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of when the group can no longer withdraw the offer of the termination benefit and when the group recognises any related restructuring costs.</td></tr>
<tr><th colspan="2">Liability for other employee benefits</th></tr>
<tr><td>Other</td><td>The group recognises severance pay as a liability in the statement of financial position and as an expense in profit and loss.
The group is required to pay employees a severance benefit in terms of the new Labour Act of 2007, when:
• The employee is dismissed under certain circumstances; or
• The employee dies while employed.
The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plan. Qualified actuaries perform annual valuations.</td></tr>
<tr><td>Leave pay</td><td>The group recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the group is based on current salary of employees and the contractual terms between the employee and the group. The expense is included in staff costs.</td></tr>
<tr><td>Bonuses</td><td>The group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.</td></tr>
</table>

7.2 Share-based payment transactions

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

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

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

8. Insurance activities

8.1 Insurance activities

The group issues contracts that transfer insurance risk or financial risk. As a result of the different risks transferred by these contracts, they are separated into investment and insurance contracts for the purposes of measurement and income recognition.

The classification of contracts is performed at the initial recognition of each contract. The classification of the contract does not change during its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

The group seeks reinsurance in the ordinary course of business for the purpose of limiting its net loss potential through the diversification of its risks on short-term insurance contracts. Reinsurance arrangements do not relieve the group from its direct obligations to its policyholders.

Insurance contracts		
	Short-term insurance contracts	**Reinsurance contracts held**
Definitions	Contracts that transfer significant insurance risk to the group and are within the scope of IFRS 4.	Contracts that give rise to a significant transfer of insurance risk from the group to another insurance entity.
Types of policies underwritten	• Liability - provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract; • Motor - provides indemnity cover relating to the possession, use or ownership of a motor vehicle; • Personal accident - provides compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this injury; and Property -provides indemnity relating to movable and immovable property.	
Premiums / recoveries	Gross premiums written comprise the premiums on contracts entered into during the year. Recognised in profit or loss as part of premium income in non-interest revenue gross of commission and reinsurance premiums but net of taxes and levies. Only the earned portion of premiums is recognised as revenue. Includes all premiums for the period of risk covered by the policy, regardless of whether or not these are due for payment in the accounting period.	Premiums paid are recognised as a deduction against premium income in non-interest revenue at the undiscounted amounts due in terms of the contract, when they become due for payment. Recoveries are recognised in profit or loss as part of premium income in non-interest revenue in the same period as the related claim at the undiscounted amount receivable in terms of the contract.
	Short-term insurance contracts	
Claims paid	Claims paid decrease the policyholder liability.	
Policyholder liability / reinsurance asset	Comprises: • Provision for claims reported but not paid; • Provision for claims incurred but not reported (IBNR); and • Provision for unearned premiums. Measured at the best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not, and related internal and external claims handling expenses.	
Profit and loss impact of movements in the policy holder liabilities / reinsurance assets	Adjustments to the amounts of policyholder liabilities for policies established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately if material.	

Insurance contracts	
	Short-term insurance contracts
Liability adequacy test	The net liability recognised is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional liability and the related expense are recognised.
Acquisition costs	Expensed as incurred.
Related receivables and payables	Amounts due to and from policyholders, recognised as part of accounts receivable or payable on the statement of financial position. Recognised when due/receivable. Receivables recognised are impaired in line with the group policy on the impairment of financial assets – refer to policy 4.3.
Outstanding insurance contract claims	Provision is made on a prudent basis for the estimated final costs of: • claims notified but not settled at year end, using the best information available at that time. The estimate includes an amount of the direct claims expenses and assessment charges arising from the settlement of claims; and • claims incurred at year end but not reported until after that date (IBNR), using historical experience and the best information available at the time. Estimates provide for inflation as well as claim handling and assessing costs. Estimates are adjusted for management's expectations of trends relating to the development of such claims.
Cash bonuses on insurance contracts	The group provides for its contractual obligation per the contract of insurance to pay a non-claims bonus to a client in the event that the client remains claim free for a specified period of time. To derive the best estimate of the expected future cash flows, the non-claims bonus percentage per the contract of insurance is adjusted for the following factors: • The bonus percentage is reduced to allow for the probability that the client may claim (and hence forfeit eligibility for the OUTbonus) over the OUTbonus cycle. • The bonus percentage is reduced to allow for the probability that the client will cancel during the OUTbonus cycle. • A risk margin is added to allow for the uncertainty relating to the above claims and lapse assumptions. • Where the impact of discounting is considered to be material, the expected future obligation is discounted to the present value using an appropriate discount rate reflecting the time value of money.

9. Critical accounting estimates, assumptions and judgements

9.1 Introduction

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the group, except those related to fair value measurement which are included in note 36.

9.2 Subsidiaries, associates and joint arrangements

<table>
<tr><th colspan="2">Subsidiaries</th></tr>
<tr><td colspan="2">Only one party can have control over an investee. In determining whether the group has control over an entity, consideration is given to any rights the group has that result in the ability to direct the relevant activities of the investee, and the group's exposure to variable returns.
In operating entities shareholding is most often the clearest indication of control. However in structured entities and investment management funds judgement is often needed to determine which investors have control of the entity or fund.
Some of the major factors considered by the group in making this determination include the following:</td></tr>
<tr><td>Decision making power</td><td>• The purpose and design of the entity;
• What the relevant activities of the entity are;
• Who controls the relevant activities and whether control is based on voting rights or contractual agreements. This includes considering:
– what percentage of voting rights are held by the group, the dispersion and behaviour of other investors is;
– potential voting rights and whether these increase/decrease the group's voting powers;
– who makes the operating and capital decisions;
– who appoints and determines the remuneration of the key management personnel of the entity;
– whether any investor has any veto rights on decisions;
– whether there are any management contracts in place that confer decision making rights;
– whether the group provides significant funding or guarantees to the entity; and
– whether the group's exposure is disproportionate to its voting rights;
• Whether the group is exposed to any downside risk or upside potential that the entity was designed to create;
• To what extent the group is involved in the setup of the entity; and
• To what extent the group is responsible to ensure that the entity operates as intended.</td></tr>
<tr><td>Exposure to variable returns</td><td>• The group's rights in respect of profit or residual distributions;
• The group's rights in respect of 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>

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

Structured entities

Structured entities are those where voting rights generally relate to administrative tasks only and the relevant activities are determined only by means of a contractual arrangement.

When assessing whether the group has control over a structured entity specific consideration is given to the purpose and design of the structured entity and whether the group has power over decisions that relate to activities that the entity was designed to conduct.

Investment funds

The group acts as fund administrator to a number of investment funds. In terms of a mandate the group is required to take active investment management decisions in respect of the fund.

Determining whether the group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the group in the fund (comprising any direct interests in the fund and expected management fees) and the investor's right to remove the group as fund manager.

If the other investors are able to remove the group as fund manager easily or the group's aggregate interest is not deemed to be significant, the group does not consolidate the funds as it is merely acting as an agent for the other investors. Other investors are considered to be able to remove the fund manager easily if it is possible for a small number of investors acting together to appoint a new fund manager in the absence of misconduct. Where the group has a significant investment and an irrevocable fund management agreement the fund is consolidated.

Where such funds are consolidated, judgement is applied in determining if the non-controlling interests in the funds are classified as equity or financial liabilities. Where the external investors have the right to put their investments back to the fund, these non-controlling interests do not meet the definition of equity and are classified as financial liabilities.

Where such funds are not consolidated, the group is considered to have significant influence over the fund where it has an insignificant direct interest in the fund and there is an irrevocable fund management agreement.

Where investments in funds managed by the group are not considered to be material, these are not consolidated or equity accounted by the group and recognised as investment securities.

As decisions related to the relevant activities are based on a contractual agreement (mandate) as opposed to voting or similar rights, investment funds that are managed by the group are considered to be structured entities as defined in IFRS 12 except where other investors can easily remove the group as fund manager without cause as this represents rights similar to voting rights.

The group receives management fees from the funds for management services rendered. These fees are typical of supplier customer relationships in the investment management industry. Where the group provides seed funding or has any other interests in investment funds that it manages, and does not consolidate or equity account the fund, the investment is considered to represent a typical customer supplier relationship. The group does not sponsor investment funds that it manages, as it does not provide financial support to these funds; or where it provides financial support this is on normal commercial terms in a typical supplier customer relationship.

9.3 Taxation

The group is subject to direct tax in Namibia. As such there may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

9.4 Financial instruments

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

<table>
<tr><th colspan="2">Advances</th></tr>
<tr><td colspan="2">The group continuously assesses its credit portfolios for impairment. Significant advances are monitored by the credit committee and impaired according to the group's impairment policy when an indication of impairment is observed.
The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure.
In determining the amount of the impairment the group considers the following:
• The Probability of Default (PD) which is a measure of the expectation of how likely the customer is to default;
• The Exposure at Default (EAD) the expected amount outstanding at the point of default; and
• The Loss Given Default (LGD) which is the expected loss that will be realised at default after taking into account recoveries through collateral and guarantees.</td></tr>
<tr><th>Performing loans</th><th>Non-performing loans</th></tr>
<tr><td>The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset.
In the retail portfolios the account status, namely arrears versus non-arrears status, is taken as a primary indicator of an impairment event. In the commercial portfolios, other indicators such as the existence of high-risk accounts, based on internally assigned risk ratings and management judgements are used, while the wholesale portfolio assessment (which includes RMB investment banking and RMB corporate banking) includes a judgemental review of individual industries for objective signs of distress.
Where impairment is required to be determined for the performing book, the following estimates are required:
• The incurred but not reported (IBNR) provision is calculated on this sub segment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non-performing status and similar risk indicators over an estimated loss emergence period. Estimates of roll rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate, external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from 1 to 12 months; and
• The portfolio specific impairment (PSI) is the decrease in future cash flows primarily estimated based on analysis of historical loss and recovery rates for comparable sub segments of the portfolio.</td><td>Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for commercial and wholesale loans) for assets with similar credit risk characteristics.
The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.</td></tr>
</table>

9.5 Other assets and liabilities

Other assets and liabilities			
Property and equipment		**Intangible assets**	
The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are set out below.			
Leasehold premises	Shorter of estimated life or period of lease	Software development costs	3 years
		Trademarks	10 – 20 years
Freehold property and property held under finance lease:		Other	3 - 10 years
- Buildings and structures	50 years		
- Mechanical and electrical	20 years		
- Components	20 years		
- Sundries	3 - 5 years		
Computer equipment	3 - 5 years		
Other equipment	Various between 3 – 10 years		
Provisions			
The group has a policy and process in place to determine when to recognise provisions for potential litigation and claims. The recognition of such provisions is linked to the ranking of legal risk of potential litigation on the group's litigation database.			

9.6 Transactions with employees

Employee benefits - defined contribution plans	
Determination of purchased pension on retirement from defined contribution plan	On retirement of current defined contribution active members, the fund provides a pension that can be purchased with the member's share. The pension so purchased is determined based on the purchasing member's demographic details (age, sex, age of spouse), the pension structure (guarantee period, spouse's reversion and pension increase target) and the economic assumptions at time of purchase (inflation linked bond yields available). A benefit on withdrawal and retrenchment are determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in the fund. If the member chooses to buy into the fund on the date the fair value of plan assets and the value of plan liabilities on the defined benefit plan 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.

9.7 Insurance activities

Short-term insurance contracts	
Determination of policyholder liability for short term insurance contracts	The liability for outstanding claims is calculated by reviewing individual claims and making allowance for IBNR, and the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. The group does not discount its liability for unpaid claims. Claims incurred include claims handling expenses paid during the financial year together with the estimated liability for compensation owed to policyholders or third parties affected by the policyholders. Claims handling expenses include, amongst others, fees incurred for legal expenses, loss adjusters and administration fees. The provision for unearned premiums comprises the proportion of gross premiums written which are estimated to be earned in the following financial year. This is computed separately for each insurance contract using the method most reflective of any variation in the incidence of risk during the period covered by the contract.

> **Consolidated statement** of comprehensive income
for the year ended 30 June

N$'000	Note(s)	2016	2015
Interest and similar income	1	2 869 473	2 413 043
Interest expense and similar charges	1	(1 215 842)	(960 176)
Net interest income before impairment of advances		1 653 631	1 452 867
Impairment of advances	13	(47 852)	(49 882)
Net interest income after impairment of advances		1 605 779	1 402 985
Non-interest revenue	2	1 506 656	1 260 061
Net insurance premium income	3	189 253	153 944
Net claims and benefits paid	4	(102 777)	(82 310)
Income from operations		3 198 911	2 734 680
Operating expenses	5	(1 417 647)	(1 221 986)
Operating profit		1 781 264	1 512 694
Share of profit from associate after tax	16	1 328	558
Income before tax		1 782 592	1 513 252
Indirect tax	7	(31 974)	(26 611)
Profit before tax		1 750 618	1 486 641
Direct tax	7	(532 985)	(487 979)
Profit for the year		1 217 633	998 662
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit (liability)/asset		(4 835)	(2 871)
Income tax relating to items that will not be reclassified		1 576	947
Total items that will not be reclassified to profit or loss		(3 259)	(1 924)

N$'000	Note(s)	2016	2015
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets adjustments		(15 428)	(20 075)
Income tax relating to items that may be reclassified		5 085	6 693
Total items that may be reclassified to profit or loss		(10 343)	(13 382)
Other comprehensive income for the year net of taxation		(13 602)	(15 306)
Total comprehensive income for the year		1 204 031	983 356
Total comprehensive income attributable to:			
Owners of the parent		1 184 607	966 599
Non-controlling interest		19 424	16 757
		1 204 031	983 356
Profit attributable to :			
Owners of the parent		1 198 209	981 905
Non-controlling interest		19 424	16 757
		1 217 633	998 662
Earnings per share			
Per share information			
Basic earnings per share (cents)	8	459.7	377.5

> **Consolidated statement** of financial position
as at 30 June

N$'000	Note(s)	2016	2015
Assets			
Cash and cash equivalents	10	2 119 861	795 225
Due from banks and other financial institutions	10	1 772 267	1 585 029
Derivative financial instruments	11	209 497	158 644
Investment securities	14	3 236 883	3 365 927
Advances	12	25 776 087	22 833 693
Accounts receivable	15	136 592	185 614
Tax asset		695	664
Investments in associate	16	5 054	3 726
Property and equipment	17	924 997	849 171
Intangible assets	18	104	2 534
Deferred income tax asset	19	2 868	3 897
Reinsurance asset	20	598	191
Total assets		34 185 503	29 784 315
Equity and Liabilities			
Liabilities			
Short trading positions	21	36 927	26 693
Derivative financial instruments	11	219 455	172 188
Creditors and accruals	23	396 958	431 781
Tax liability		54 920	49 774
Deposits	22	27 793 798	23 951 813
Due to banks and other financial institutions	22	800 973	1 020 016
Employee liabilities	24	191 350	167 830
Deferred income tax liability	19	190 209	110 904
Policyholder liabilities under insurance contracts	25	67 778	69 770
Finance lease obligation	26		2 060
Tier two liabilities	27	392 654	392 635
Total liabilities		30 145 022	26 395 464

N$'000	Note(s)	2016	2015
Equity			
Equity attributable to equity holders of parent			
Ordinary shares	28	1 304	1 301
Share premium	28	126 680	148 518
Reserves		3 861 715	3 198 854
Non-controlling interest		50 782	40 178
Total equity		4 040 481	3 388 851
Total equity and liabilities		34 185 503	29 784 315

Consolidated statement of changes in equity
for the year end 30 June

N$'000	Share capital	Share premium	Total share capital	Defined benefit post-employment reserve	Available-for-sale reserve
Balance at 01 July 2014	1 299	161 998	163 297	2 663	8 658
Total comprehensive income for the year				(1 924)	(13 382)
Staff share option transactions					
Transfer between reserves					
Dividends					
Consolidation of shares held by share trusts	2	(13 480)	(13 478)		
Balance at 01 July 2015	1 301	148 518	149 819	739	(4 724)
Total comprehensive income for the year				(3 259)	(10 343)
Staff share option transactions					
Transfer between reserves					
Dividends					
Consolidation of shares held by share trusts	3	(21 838)	(21 835)		
Balance at 30 June 2016	1 304	126 680	127 984	(2 520)	(15 067)

General risk reserve	Share based payment reserve	Other reserves	Total reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
97 783	19 225	11 437	139 766	2 442 848	2 745 911	31 261	2 777 172
			(15 306)	981 905	966 599	16 757	983 356
	8 246		8 246		8 246		8 246
11 808	(10 198)	(11 437)	(9 827)	10 164	337		337
				(358 942)	(358 942)	(7 840)	(366 782)
					(13 478)		(13 478)
109 591	17 273		122 879	3 075 975	3 348 673	40 178	3 388 851
			(13 602)	1 198 209	1 184 607	19 424	1 204 031
	6 985		6 985		6 985		6 985
25 821	(7 271)		18 550	(18 550)			
				(528 731)	(528 731)	(8 820)	(537 551)
					(21 835)		(21 835)
135 412	16 987		134 812	3 726 903	3 989 699	50 782	4 040 481

> **Consolidated statement** of cash flow

for the year end 30 June

N$'000	Note(s)	2016	2015
Cash flows from operating activities			
Cash receipts from customers	32	4 460 423	3 787 347
Cash paid to suppliers and employees	32	(2 656 911)	(2 184 170)
Cash generated from operations	32	1 803 512	1 603 177
Increase in income earning assets	32	(2 966 047)	(3 225 285)
Increase in deposits and other liabilities	32	3 578 406	2 756 959
Net cash generated from operations		2 415 871	1 134 851
Tax paid	32	(460 132)	(472 593)
Net cash from operating activities		1 955 739	662 258
Cash flows from investing activities			
Acquisition of property and equipment		(163 580)	(351 060)
Proceeds from the disposal of property and equipment		93 923	906
Net cash from investing activities		(69 657)	(350 154)
Cash flows from financing activities			
Acquisition of shares for share trusts		(21 835)	(13 478)
Dividends paid		(528 731)	(358 942)
Payment of finance lease liabilities		(2 060)	(4 198)
Dividends paid to non-controlling interests		(8 820)	(7 840)
Net cash from financing activities		(561 446)	(384 458)
Total cash movement for the year		1 324 636	(72 354)
Cash at the beginning of the year		795 225	867 579
Total cash at end of the year	10	2 119 861	795 225

1. Analysis of interest income and interest expense

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

1. Analysis of interest income and interest expense continued

	2015			
N$'000	Fair value	Amortised cost	Non-financial assets and liabilities	Total
Interest and similar income				
Advances		2 071 584		2 071 584
Cash and cash equivalents		103 234		103 234
Investment securities	198 945	556		199 501
Unwinding of discounted present value on non performing loans		13 314		13 314
Unwinding of discounted present value on off-market advances		5 978		5 978
On impaired advances		(3 699)		(3 699)
Net release of deferred fee and expenses		21 279		21 279
Other		1 852		1 852
	198 945	2 214 098		2 413 043
Interest expense and similar charges				
Deposits from banks and financial institutions		34 664		34 664
Current accounts		112 562		112 562
Savings deposits		10 205		10 205
Call deposits		237 827		237 827
Term deposits		194 231		194 231
Negotiable certificates of deposit		338 142		338 142
Tier two liabilities		31 325		31 325
Other			1 220	1 220
		958 956	1 220	960 176

2. Non-interest revenue

N$'000	2016	2015
Fee and commission income:		
Card commissions	131 261	105 327
Cash deposit fees	110 408	153 439
Commissions: bills, drafts and cheques	27 786	36 866
Bank charges	962 133	795 906
Fiduciary service fees	8 849	9 340
Banking fee and commission income	1 240 437	1 100 878
Brokerage income	53 284	52 379
Unit trust and related fees	22 635	17 327
Reinsurance commission received by insurance companies	3 565	5 056
Non banking fee and commission income	79 484	74 762
Fee and commission income	1 319 921	1 175 640
Fee and commission expenses:		
Transaction processing fees	(69 877)	(68 155)
Cash sorting handling and transportation charges	(18 972)	(18 750)
Card and cheque book related		(4 909)
Insurance operations	(4 541)	(5 616)
ATM commissions paid	(5 888)	(2 650)
Other	(3 131)	(2 875)
Fee and commission expenses	(102 409)	(102 955)
Fee and commission income, by category		
Instruments at amortised cost	1 248 026	1 091 538
Non financial assets and liabilities	71 895	84 102
Fee and commission expenses	(102 409)	(102 955)
Net fee and commission income	1 217 512	1 072 685

Non banking fee and commission earned relates to fees and commissions earned for rendering services to clients other than those related to the banking operations. This includes commission earned on the sale of insurance products.

2. Non-interest revenue continued

N$'000	2016	2015
Fair value income:		
Foreign exchange trading	114 631	91 173
Treasury trading operations	3 215	4 873
Debt instruments trading	5 135	5 208
Derivatives revaluation	(1 920)	(5 149)
Other	2 500	4 814
Designated at fair value through profit or loss	52 887	59 709
Fair value income	173 233	155 755
Portfolio analysis for fair value income		
Held for trading	120 346	96 046
Designated at fair value through profit or loss	52 887	59 709
Fair value income	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 the gains and losses from government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives.

2. Non-interest revenue continued

N$'000	2016	2015
Gains less losses from investing activities		
Gains on investment securities designated at fair value through profit or loss	8 753	6 696
Gains on realisation of available-for-sale financial assets		(198)
Dividends received	18 431	14 596
Unlisted shares	3 580	3 080
Unit trusts	14 851	11 516
Share of profit from associate after tax	1 328	558
Gross gains less losses from investing activities	28 512	21 652
Less: Share of profit from associate after tax (disclosed separately on face of the statement of comprehensive income)	(1 328)	(558)
Gains less losses from investing activities	27 184	21 094
Other non-interest revenue		
Gains and losses on sale of property and equipment	67 322	(62)
Rental income	6 869	1 414
Other income	14 536	9 175
Other non-interest revenue	88 727	10 527
Other non-interest revenue, by category		
Non-financial assets and liabilities	88 727	10 527
Total non-interest revenue	1 506 656	1 260 061

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

3. Net insurance premium income

N$'000	2016	2015
Short term insurance contracts		
Gross written premiums	210 649	184 947
Insurance premiums ceded to reinsurers	(20 961)	(26 489)
Change in unearned premium provision	(435)	(4 514)
Net insurance premium income	189 253	153 944

4. Net claims and benefits paid

	2016	2015
Short term insurance contracts		
Gross insurance contracts claims	108 429	84 835
Transfer to provision for unintimated claims	858	1 952
Gross claims and benefits paid on insurance contracts	109 287	86 787
Insurance benefits recovered from reinsurers	(6 510)	(4 477)
	102 777	82 310

5. Operating expenses

	2016	2015
Auditors' remuneration		
Audit fees	6 967	5 961
Fees for other services	555	598
Auditors' remuneration	7 522	6 559
Operating lease charges		
Property	36 971	28 569
Equipment	14 418	10 391
Operating lease charges	51 389	38 960

5. Operating expenses continued

N$'000	2016	2015
Staff costs		
Salaries, wages and allowances	580 356	494 923
Off-market staff loans amortisation	1 910	5 978
Defined contribution schemes: pension	55 966	48 083
Defined contribution schemes: medical	70 579	60 564
Post-retirement medical expense	3 170	2 713
Severance pay: death in service	722	758
Social security levies	1 986	1 784
Share-based payments	13 324	16 550
Skills development levies	6 726	6 234
Other staff related costs	9 064	6 840
Total staff costs	743 803	644 427
Other operating costs		
Amortisation of intangible assets	2 431	4 167
Depreciation	61 153	46 415
Insurance	8 076	8 233
Advertising and marketing	60 301	57 960
Property and maintenance related expenses	72 424	60 379
Legal and other related expenses	8 684	8 102
Postage	4 228	4 648
Stationery and printing	15 970	15 354
Telecommunications	21 846	19 213
Travel and accommodation	16 841	13 407
Computer and processing related costs	197 125	168 576
Other operating expenditures	126 450	95 093
Total directors' remuneration	6 195	13 008
Professional fees	13 209	17 485
Other operating costs	614 933	532 040
Total operating expenses	1 417 647	1 221 986

6. Directors' emoluments

Executive

2016

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

2015

N$'000	Cash package paid	Performance related	Retirement contributions	Other allowances	Total
SJ van Zyl	1 226		245	92	1 563
LJM Leyenaar	945	2 018	90	6 334	9 387
	2 171	2 018	335	6 426	10 950

* Appointed 1 March 2016

6. Directors' emoluments continued

Share options

Share options allocated to directors and movements of share options are summarised below: Refer to note 31 for the description of terms of the share trusts.

	Opening balance as at 30 June 2015	Granted during the year	Strike price	Expiry date	Forfeited this year	Taken this year (vested/sold)	Benefit Derived (N$'000)	Closing balance as at June 2016
S J Van Zyl								
FirstRand Ltd shares	17 094			Sept 2015		17 094	867	
FirstRand Ltd shares	22 657			Sept 2016				22 657
FirstRand Ltd shares	28 725			Sept 2017				28 725
FirstRand Ltd shares		473		Sept 2017				473
FirstRand Ltd shares		37 985		Sept 2018				37 985
	68 476	38 458				17 094	867	89 840
FNB Namibia Share Scheme 2007 - 2014	146 000		11.80 - 24.52	Sept 2020		28 667	344	117 333
O L P Capelao *								
FirstRand Ltd shares	19 421			Sept 2016				19 421
FirstRand Ltd shares	20 549			Sept 2017				20 549
FirstRand Ltd shares		24 738		Sept 2018				24 738
	39 970	24 738						64 708
FNB Namibia Share Scheme 2007 - 2014	151 332		11.80 - 24.52	Sept 2020		31 333	556	119 999

* Appointed on 1 March 2016

6. Directors' emoluments continued

Non-executives

N$'000	**2016**	2015
	Directors' fees	
II Zaamwani-Kamwi	188	178
SH Moir	705	565
CJ Hinrichsen	207	362
CLR Haikali	445	337
MN Ndilula	201	161
PT Nevonga	155	146
JJ Comalie	109	309
	2 010	2 058

Executive directors and non-executive directors appointed by FirstRand do not receive directors' fees for services.

6. Directors' emoluments continued

Directors' holdings in shares

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

FNB Namibia Holdings Ltd shares

	2016		2015	
Directly	Number of ordinary shares	Percentage holding	Number of ordinary shares	Percentage holding
SH Moir	6 000	0.002%	6 000	0.002%
II Zaamwani-Kamwi	54 463	0.020%	54 463	0.020%
SJ van Zyl	227 999	0.085%	213 333	0.080%
OLP Capelao *	83 769	0.031%		
	372 231	0.138%	273 796	0.102%
Indirectly	Number of ordinary shares	Percentage holding	Number of ordinary shares	Percentage holding
CLR Haikali	3 011 899	1.126%	3 011 899	1.126%
SH Moir	3 800	0.001%	3 800	0.001%
MN Ndilula	5 749 989	2.149%	5 749 989	2.149%
	8 765 688	3.276%	8 765 688	3.276%

* Appointed 1 March 2016

7. Taxation

Indirect tax

N$'000	2016	2015
Value added tax (net)	24 300	19 305
Stamp duties	7 674	7 306
Total indirect tax	31 974	26 611
Direct tax		
Current		
Income tax current period	445 990	440 649
Deferred		
Originating and reversing temporary differences	91 097	47 330
Changes in tax rates	(4 102)	
	86 995	47 330
Total direct tax	532 985	487 979
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Standard rate of tax	32.00%	33.00%
Non taxable income	(1.26)%	(0.18)%
Tax rate change	(0.30)%	
	30.44%	32.82%

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

8. Earnings and dividends per share

Basic earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2016	2015
Earning attributable to ordinary shareholders (N$'000)	1 198 209	981 905
Weighted average number of ordinary shares in issue	260 636 675	260 059 161
Basic earnings per share (cents)	459.7	377.5

Diluted earnings per share are equal to earnings per share because there are no dilutive potential ordinary shares in issue.

Headline earnings and diluted headline earnings per share

	2016	2015
Headline earnings per share (cents)	435.9	377.6
Reconciliation between earnings and headline earnings		
Basic earnings	1 198 209	981 905
Adjusted for:		
Gains and losses on sale of property and equipment	(62 075)	62
Gains on realisation of available-for-sale financial assets		133
	1 136 134	982 100

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

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

8. Earnings and dividends per share continued

Dividends per share	**2016**	2015
Interim (29 January 2016: 91 cents), (9 January 2015: 71 cents)	290 951	189 991
Final (7 August 2015: 112 cents), (16 August 2014: 67 cents)	237 780	168 951
	528 731	358 942

The final dividend of 122 cents (2015: 112 cents) was declared and authorised after the end of the reporting period. The dividend has therefore not been recognised as a liability in the reporting period. It has been disclosed for information purposes only. (Refer to the directors' report).

9. Categories of financial instruments

	2016					
N$'000	Financial assets at fair value through profit or loss	Loans and receivables	Held for trading	Available-for-sale financial assets	Financial liabilities at amortised cost	Equity and non-financial assets and liabilities
Assets						
Investment securities	246 436		101 062	2 889 385		
Accounts receivable		47 533				
Due from banks and other financial institutions		1 772 267				
Advances	491 903	25 284 184				
Derivative financial instruments			209 497			
Cash and cash equivalents		2 119 861				
Non financial assets						1 023 375
Equity						4 040 481
Liabilities						
Deposits					27 793 798	
Tier two liabilities					392 654	
Due to banks and other financial institutions					800 973	
Creditors and accruals					79 409	
Short trading positions			36 927			
Derivative financial instruments			219 455			
Non financial liabilities						821 806

9. Categories of financial instruments continued

N$'000	2015					
	Financial assets at fair value through profit or loss	Loans and receivables	Held for trading	Available-for-sale financial assets	Financial liabilities at amortised cost	Equity and non-financial assets and liabilities
Assets						
Investment securities	317 568		34 501	3 013 863		
Accounts receivable		58 381				
Due from banks and other financial institutions		1 585 029				
Advances	519 585	22 314 108				
Derivative financial instruments			158 644			
Cash and cash equivalents		795 225				
Non financial assets						987 416
Equity						3 388 851
Liabilities						
Deposits					23 951 813	
Tier two liabilities					392 654	
Due to banks and other financial institutions					1 020 327	
Creditors and accruals					120 327	
Short trading positions			26 693			
Derivative financial instruments			172 188			
Non financial liabilities						709 732

10. Cash and cash equivalents

10.1 Cash and cash equivalents

N$'000	2016	2015
Coins and bank notes	569 720	481 327
Balances with other banks	26 245	25 386
Balances with central bank	1 523 896	288 512
	2 119 861	795 225
Mandatory reserve balances included above:	318 905	288 504

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is not available for use in the group's day to day operations. These deposits bear no interest.

10. 2 Due from banks and other financial institutions

	2016	2015
Due from banks and other financial institutions	1 772 267	1 585 029

11. Derivative financial instruments

Use of derivatives

Derivative contracts are not entered into for speculative purposes by the group. For accounting purposes, derivative instruments are classified as held for trading or hedging. The group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the group's own risks.

The group's derivative activities do not give rise to significant open positions in portfolios of derivatives. Positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

Interest rate derivatives comprising mainly of interest rate swaps and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and to reduce the risk that the group faces due to volatile interest rates.

As mentioned above, derivatives classified as held for trading include non qualifying hedging derivatives, ineffective hedging derivatives and the component of hedging derivatives that are excluded from assessing hedge effectiveness. Non qualifying hedging derivatives are entered into for risk management purposes but do not meet the criteria for hedge accounting. These include derivatives managed in conjunction with financial instruments designated at fair value.

11. Derivative financial instruments continued

Use of derivatives

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present the group's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates, foreign currency, market share prices and credit rating. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair value can fluctuate significantly, over time.

The group uses the following financial instruments for hedging purposes:

Forward rate agreements are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (for example fixed rate for floating rate). No exchange of principal takes place.

The group's detailed risk management strategy, including the use of hedging instruments in risk management, is set out in the Risk Report on page 62.

Refer to note 36 for information on how the fair value of derivatives is determined.

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

	2015			
N$'000	Assets Notional	Fair value	Liabilities Notional	Fair value
Currency derivatives	2 088 761	142 274	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	158 644	3 914 274	172 188

All derivatives are over-the-counter instruments

12. Advances

N$'000	2016	2015
Notional value of advances	26 001 358	23 029 394
Contractual interest suspended	(32 157)	(23 323)
Gross value of advances	25 969 201	23 006 071
Sector analysis		
Agriculture	848 735	1 043 593
Banks and financial services	174 983	292 583
Building and property development	2 268 726	2 820 987
Government and public authorities	1 535 006	1 227 664
Individuals	16 267 883	11 745 984
Manufacturing and commerce	2 796 208	3 831 190
Mining	375 281	506 737
Transport and communication	390 997	463 263
Other services	1 311 382	1 074 070
Gross value of advances	25 969 201	23 006 071
Impairment of advances	(193 114)	(172 378)
Net advances	25 776 087	22 833 693
Geographic analysis (based on credit risk)		
Namibia	25 776 087	22 833 693

12. Advances continued

N$'000	2016	2015
Category analysis		
Overdraft and cash management accounts	2 632 861	2 675 092
Card loans	233 240	186 602
Instalment sales and hire purchase agreements	3 289 151	3 040 962
Lease payments receivables	281 707	316 573
Home loans	11 815 279	10 694 799
Term loans	6 972 654	5 306 448
Investment bank term loans	517 934	552 035
Preference share advance		25 500
Assets under agreement to resell	36 230	27 087
Other	190 145	180 973
Gross value of advances	25 969 201	23 006 071
Impairment of advances	(193 114)	(172 378)
Net advances	25 776 087	22 833 693
Portfolio analysis		
Designated at fair value through profit or loss	491 903	519 585
Loans and receivables	25 284 184	22 314 108
	25 776 087	22 833 693

Fair value of advances is disclosed in note 36

12. Advances continued

Analysis of instalment sales and lease payments receivable

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

N$'000	Within 1 year	Between 1 and 5 years	Total
2015			
Lease payments receivable	214 255	144 915	359 170
Suspensive sale instalments receivable	1 639 620	1 969 025	3 608 645
Less: Unearned finance charges	(325 211)	(257 570)	(582 781)
Total	1 528 664	1 856 370	3 385 034

The group has not sold or pledged any advances to third parties.

Under the terms of lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment.

12. Advances continued

Credit risk mitigation

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

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

It is the group's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, through physical inspection, as appropriate. For mortgage portfolios, collateral valuations are updated on an ongoing basis through physical valuation where necessary. However in the event of default more detailed review and valuation of collateral are performed, this therefore yields a more accurate financial effect.

The valuation at inception is based on physical inspection.

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

	2016		2015	
N$'000	Performing	Non performing	Performing	Non performing
Instalment sales and lease payments receivables	1 402	5 848	813	8 747
Home loans	8 774	69 259	14 693	68 820
Total	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 nonperforming 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.

13. Impairment of advances

2016

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

13. Impairment of advances continued

2015

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

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

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

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

13. Impairment of advances continued

Where objective evidence of impairment exists, impairment testing is performed based on the loss given default ("LGD"), probability of default ("PD") and exposure at default ("EAD").

2016

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

13. Impairment of advances continued

2015

N$'000	Total value net of interest in suspense	Security held and other recoveries	Specific impairments
Non-performing loans 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
Transport and communication	2 590	137	2 453
Other	2 824	126	2 697
Total non-performing loans	147 230	97 462	49 767
Non-performing loans by category			
Card loans	1 257	4	1 253
Overdrafts and cash managed accounts	12 433	4 790	7 643
Instalment sales and hire purchase agreements	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 loans	147 230	97 462	49 767
Non-performing loans by geographical area			
Namibia	147 230	97 462	49 767

14. Investment securities

N$'000	2016	2015
At fair value through profit or loss: designated		
Unit trusts	246 436	317 563
At fair value through profit or loss: held for trading		
Other government and government guaranteed stock	94 004	30 065
Treasury bills	7 058	4 436
	101 062	34 501
Available-for-sale		
Other government and government guaranteed stock	831 925	752 214
Unlisted equity	9 576	11 530
Unit trusts	99 933	92 459
Treasury bills	1 947 951	2 157 660
	2 889 385	3 013 863
Total	3 236 883	3 365 927
Valuation of investments		
Market value of listed investments	831 925	752 214
Directors valuation of unlisted investments	2 404 958	2 613 713
	3 236 883	3 365 927

The directors' valuation of unlisted investments is considered to approximate fair value.
Refer to note 36 on fair value of financial instruments for the methodologies used to determine the fair value of investment securities.
Information regarding other investments as required in terms of Schedule 4 of the Companies Act, 2004 is kept at the company's registered offices.
This information is open for inspection in terms of the provisions of Section 120 of the Companies Act.
No financial instruments held for trading form part of the group's liquid asset portfolio in terms of the Banking Institutions Act, (No 2 of 1998) and other foreign banking regulators requirements. The total liquid asset portfolio included above is N$2 780 million (2015: N$2 910 million).

15. Accounts receivable

N$'000	**2016**	2015
Items in transit	47 295	83 613
Deferred staff cost	45 310	40 856
Premium debtors	814	1 929
Other accounts receivable	43 173	59 216
	136 592	185 614

Information about the credit quality of the above balances is set out in the risk management note 41.
The carrying value of accounts receivable approximates the fair value.

16. Investment in associate

The following table lists all of the associates in the group:

Name of company	Place of business	Year end	% ownership interest	% voting rights	Carrying amount 2016	Carrying amount 2015
Namclear (Pty) Ltd	Windhoek	31 December	25%	25%	5 054	3 726

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

16. Investment in associate continued

Summarised financial information of associate

Summarised statement of comprehensive Income

N$'000	Namclear (Pty) Ltd 2016	Namclear (Pty) Ltd 2015
Revenue	23 886	17 284
Other income and expenses	(18 179)	(14 930)
Profit before tax	5 707	2 354
Tax expense	(2 965)	(777)
Profit for the period	2 742	1 577
Total comprehensive income	2 742	1 577

Summarised consolidated statement of financial position

N$'000	Namclear (Pty) Ltd 2016	Namclear (Pty) Ltd 2015
Assets		
Non current	38 765	36 580
Current	19 651	9 421
Total assets	58 416	46 001
Liabilities		
Non current	22 949	27 618
Current	16 412	3 891
Total liabilities	39 361	31 509
Total net assets	19 055	14 492
Investment at beginning of period	3 726	3 168
Share of profit	1 328	558
Investment at end of period	5 054	3 726

Refer note 35 for details on loans to / (from) related parties.

17. Property and equipment

N$'000	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Freehold land and buildings	666 079	(30 415)	635 664	658 255	(33 140)	625 115
Leasehold property	51 735	(39 639)	12 096	52 209	(38 109)	14 100
Furniture and fixtures	212 391	(80 766)	131 625	198 794	(72 434)	126 360
Motor vehicles	7 806	(3 964)	3 842	7 862	(3 759)	4 103
Office equipment	125 546	(65 824)	59 722	100 698	(58 520)	42 178
IT equipment	173 946	(91 898)	82 048	110 828	(76 244)	34 584
Capitalised leased assets	12 289	(12 289)		12 289	(9 558)	2 731
Total	1 249 792	(324 795)	924 997	1 140 935	(291 764)	849 171

17. Property and equipment continued

Reconciliation of property and equipment 2016

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

Reconciliation of property and equipment 2015

N$'000	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Buildings	388 883	264 633	(322)	(21 952)	(6 127)		625 115
Leasehold property	11 174	538		7 144		(4 756)	14 100
Furniture and fixtures	67 958	61 113	(299)	9 744		(12 156)	126 360
Motor vehicles	3 877	745	(134)			(385)	4 103
Office equipment	33 861	16 803	(6)	3 450		(11 930)	42 178
IT equipment	39 040	7 228	(206)	1 614		(13 092)	34 584
Capitalised leased assets	6 827					(4 096)	2 731
	551 620	351 060	(967)		(6 127)	(46 415)	849 171

The useful life of each asset is assessed individually. The information on the benchmarks used when assessing the useful life of the individual assets, refer to accounting policy 9.5.

18. Intangible assets

N$'000	2016 Cost	2016 Accumulated amortisation	2016 Carrying value	2015 Cost	2015 Accumulated amortisation	2015 Carrying value
Trademarks	83 375	(83 375)		83 375	(83 375)	
Software	46 516	(46 512)	4	46 516	(44 082)	2 434
Goodwill	100		100	100		100
Total	129 991	(129 887)	104	129 991	(127 457)	2 534

19. Deferred income tax

N$'000	2016	2015
Deferred income tax liability		
Opening balance	(110 904)	(70 432)
Charge to profit or loss	(87 740)	(48 112)
Deferred tax on amounts charged directly to other comprehensive income	6 661	7 640
Tax rate adjustment	1 774	
Net balance for the year for entities with deferred income tax liabilities	(190 209)	(110 904)
Deferred income tax asset		
Opening balance	3 897	3 115
Charge to profit or loss	(940)	782
Tax rate adjustment	(89)	
Net balance for the year for entities with deferred income tax assets	2 868	3 897
Total net deferred income tax liability	(187 341)	(107 007)

19. Deferred tax continued

Reconciliation of deferred income tax asset / (liability)

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

N$'000	2016 Closing balance	2015 Closing balance
Deferred income tax (liabilities) / assets		
Accruals	(108 488)	(62 173)
Deferred staff costs	(14 499)	(13 483)
Fair value adjustments of financial instruments	(10 462)	3 266
Instalment credit agreements	(97 635)	(93 878)
Post-employment benefit liabilities	14 267	12 059
Property and equipment	(58 325)	(40 495)
Provision for loan impairment	44 204	43 830
Other	40 729	39 970
Net deferred income tax (liabilities) / assets	(190 209)	(110 904)
Deferred income tax assets		
Property and equipment	(20)	(20)
Other	2 888	3 917
Total net deferred income tax assets	2 868	3 897
Charge through profit or loss	86 995	47 330
Deferred income tax on other comprehensive income	6 661	(7 640)
	93 656	39 690

20. Reinsurance assets

	2016	2015
Short-term reinsurance contracts	598	191

Information about the credit quality of the above balances is provided in the risk management note 41.

21. Short trading positions

N$'000	2016	2015
Government and government guaranteed stock	36 927	26 693

22. Deposits

Category analysis		
Current accounts	9 808 289	9 450 923
Call deposits	5 175 061	4 560 154
Savings accounts	607 448	611 934
Fixed and notice deposits	5 000 144	3 557 225
Negotiable certificate of deposit	7 202 856	5 771 577
Total deposits and current accounts	27 793 798	23 951 813

The fair values of deposits and current accounts are disclosed in note 36.

22. Due to banks and other financial institutions

To banks and other financial institutions		
In the normal course of business	800 973	1 020 016

23. Creditors and accruals

Items in transit	193 647	190 953
Accounts payable and accrued liabilities	203 311	240 828
Creditors and accruals	396 958	431 781

The carrying value of creditors and accruals approximates fair value.

24. Employee liabilities

N$'000	2016	2015
Staff related accruals	135 693	123 608
Cash settled share-based payment liability	10 907	5 969
Post-employment benefit liabilities	44 750	38 253
Closing balance	191 350	167 830

* Refer to note 31 (remuneration schemes) for more detail on the cash settled share-based payment schemes.

Staff related accruals

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

	2016	2015
Opening balance	123 608	110 445
Charge to profit or loss	58 442	34 558
Utilised	(46 357)	(21 395)
Closing balance	135 693	123 608

Post-employment benefit liabilities

1) The group has a liability to subsidise the post-retirement medical expenditure of certain of its employees which constitutes a defined benefit plan. All employees who join the employ of the group on or after 1 December 1998 are not entitled to the post-retirement medical aid subsidy.

   The actuarial method used to value the liabilities is the projected unit credit method prescribed by IAS 19 Employee Benefits. The liability is measured as the present value of the group's share of contributions to the medical scheme. Continuing member contributions are projected into the future years using the assumption rate of health care cost inflation and are then discounted back using the discount rate. The group subsidises medical aid contributions for all eligible members at various rates.

2) A severance pay provision is carried in terms of the Labour Act of 2007 and relates to when employment services are terminated by dismissal under certain circumstances or if employees die while employed.

   The severance pay liability is unfunded and is valued using the projected unit credit method prescribed by IAS 19 Employee Benefits.

   The independent actuarial valuations are done on an annual basis.

24. Employee liabilities continued

	2016			2015		
N$'000	Medical	Severance	Total	Medical	Severance	Total
Present value of unfunded liabilities	39 729	5 021	44 750	33 660	4 593	38 253

	2016			2015		
The amounts recognised in the statement of comprehensive income are as follows:	Medical	Severance	Total	Medical	Severance	Total
Current service cost	203	376	579	183	326	509
Interest cost	2 967	346	3 313	2 530	346	2 876
Total included in staff costs	3 170	722	3 892	2 713	672	3 385
Recognised in other comprehensive 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
	4 837	87	4 924	2 993	(122)	2 871

	2016			2015		
Movement in post-employment liabilities	Medical	Severance	Total	Medical	Severance	Total
Present value at the beginning of the year	33 660	4 593	38 253	29 655	4 042	33 697
Current service cost	203	376	579	183	326	509
Interest cost	2 967	346	3 313	2 530	347	2 877
Benefits paid	(1 938)	(381)	(2 319)	(1 701)		(1 701)
Actuarial (gains) losses from changes in financial assumptions	4 837	87	4 924	2 993	(122)	2 871
Present value at the end of the year	39 729	5 021	44 750	33 660	4 593	38 253

24. Employee liabilities continued

The principal actuarial assumptions used for accounting purposes were:

	2016		2015	
	Medical	Severance Pay	Medical	Severance Pay
Discount rate (%)	10.46%	10.47%	8.58%	8.01%
Medical aid inflation (%)	9.66%		8.00%	
Salary inflation (%)		9.65%		7.52%
Employees covered	107	2 064	109	1 910

Defined contribution pension fund

N$'000	**2016**	2015
Employer contribution to pension fund	55 966	48 083
Employer contribution to pension fund - executive directors	412	335
Total employer contributions to pension fund	56 378	48 418
Employees contribution to pension fund	24 263	21 192
Total contributions	80 641	69 610
Number of employees covered	2 093	1907

25. Policyholder liabilities under insurance contracts

N$'000	2016	2015
Short-term insurance contracts		
Claims outstanding		
Claims reported and loss adjustment expenses	13 681	11 226
Claims incurred but not reported	8 850	10 630
Insurance contract cash bonuses	10 901	14 117
Unearned premiums	54 637	55 578
Gross	88 069	91 551
Claims reported and loss adjustment expenses	20 291	21 781
Recoverable from reinsurance	20 291	21 781
Claims outstanding		
Claims reported and loss adjustment expenses	13 497	11 158
Claims incurred but not reported	8 850	10 630
Insurance contract cash bonuses	10 901	14 117
Unearned premiums	34 530	33 865
	67 778	69 770

26. Finance lease obligation

	2016	2015
Finance lease obligation		2 060
Minimum lease payments due		
within one year		2 099
less: future finance charges		(39)
Present value of minimum lease payments		2 060
Present value of minimum lease payments due		
within one year		2 060

26. Finance lease obligation continued

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 purchase the equipment at its market value. The lease terms do not contain restrictions on the group's activities concerning dividends or additional funding.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 17.

27. Tier two liabilities

N$'000

Subordinated debt instruments	Interest rate	Final maturity date	Note	**2016**	2015
FNB X22 fixed rate notes	8.88%	29 March 2022	i.	110 000	110 000
FNB J22 floating rate notes	Three month JIBAR + 1.65%	29 March 2022	ii.	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 36, fair value of financial instruments for the methodologies used to determine the fair value of tier two liabilities.

28. Share capital

N$'000	2016	2015
Authorised		
990 000 000 (2015: 990 000 000) ordinary shares of par value of N$0.005 per share	4 950	4 950
10 000 000 (2015: 10 000 000) cumulative convertible preference shares with a par value of N$0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2015: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
Elimination		
Shares held by FNB Namibia share trusts	(34)	(37)
Share capital	1 304	1 301
Share premium	126 680	148 518
	127 984	149 819

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

29. General risk reserves

First National Bank of Namibia Limited – Credit risk reserve	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.

30. 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
IAS 28 (amended) and IFRS 10	**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.	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.

30. 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. The first two amendments will be applied retrospectively while the third amendment will be applied prospectively to any modifications made on or after the adoption date. The group does not expect the retrospective amendments to have a material impact on the schemes currently in place.	Annual periods commencing on or after 1 January 2018
IFRS 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.	Annual periods commencing on or after 1 January 2018

30. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IFRS 9	**Financial Instruments** 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
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	**Leases** IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully 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

31. Remuneration schemes

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

N$'000	2016	2015
FNB Namibia	6 986	8 246
FirstRand conditional share plan	6 339	8 304
Charge against staff costs	13 325	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.

31. Remuneration schemes continued

Employee statistic assumptions:
Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested. The number of iterations is the number to be used in the binomial model, which is limited to 500.

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

Corporate performance targets
The FirstRand Limited group remuneration committee sets the corporate performance targets (CPT's) based on the expected prevailing macroeconomic conditions anticipated during the performance period for the group's long-term incentive schemes, the conditional share plan and the conditional incentive plan. These criteria, which must be met or exceeded to enable vesting, vary from year to year, depending on the macro conditions expected to prevail over the vesting period.

In terms of the scheme rules, participants are not entitled to any dividends on their long term incentive (LTI) allocations during the performance period, nor do these accrue to them during the performance period.

The criteria for the currently open schemes are as follows:

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.

31. Remuneration schemes continued

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

	FNB share incentive scheme		FirstRand conditional share plan	
	2016	2015	**2016**	2015
Weighted average share price (N$)	**721 - 2452**	721 - 2452		
Expected volatility (%)	**402 - 16**	402 - 16	**25**	25
Expected option life (years)	**5**	5	**3**	3
Expected risk free rate (%)	**5.81 - 7.69**	5.81 - 7.69	**7.36 - 8.06**	4.82 - 7.07
Share option schemes				
Number of options in force at the beginning of the year ('000)	**9296**	8832	**198**	250
Granted at prices ranging between (cents)	**721 - 2452**	721 - 1932		
Number of options granted during the year ('000)		2359	**533**	43
Granted at prices ranging between (cents)		2452		
Number of options exercised/released during the year ('000)	**(1761)**	(1305)	**(4)**	(54)
Market value range at the date of exercise/release (cents)	**2351 - 3231**	2351 - 3231		
Number of options cancelled/lapse during the year ('000)	**(627)**	(590)	**(44)**	(41)
Granted at prices ranging between (cents)	**823 - 2452**	1236 - 2452		
Number of options in force at the end of the year ('000)	**6908**	9296	**683**	198
Granted at prices ranging between (cents)	**721 - 2452**	721 - 2452		

	FNB Share Incentive Trust	
(First date able to release)	**2016**	2015
Financial year 2016		1 465
Financial year 2017	**357**	1 280
Financial year 2018	**2 061**	2 061
Financial year 2019	**2 215**	2215
Financial year 2020	**2 275**	2 275
Total	**6 908**	9 296

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for the year end 30 June

32. Cash flow information

N$'000	2016	2015
Reconciliation of operating profit before tax to cash flow from operating activities		
Profit before tax	1 750 618	1 486 641
Share of profit from associate after tax	(1 328)	(558)
Amortisation of intangible assets	2 431	4 167
Depreciation of property, plant and equipment	61 153	46 415
Transfer of work in progress to repairs and maintenance		6 127
Share-based payment expenses	13 325	16 550
Impairment of advances	47 851	49 882
Provision for post-employment benefit obligations	2 190	1 636
Other employment accruals	140	109
Creation and revaluation of derivative financial instruments	(3 589)	(3 704)
Policyholders fund and insurance fund transfers	435	4 514
Transfer to provision for unintimated claims	858	1 952
Non cash flow movements in interest accrual on financial liabilities	(2 654)	(2 635)
Unwinding of discounted present value on non-performing loans	(6 781)	(13 314)
Unwinding of discounted present value on off-market loans	(1 910)	(5 978)
Net release of deferred fee and expenses	(25 789)	(21 279)
Off-market staff loans amortisation	1 910	5 978
Profit on sale of property and equipment	(67 322)	62
Indirect tax	31 974	26 611
Cash flows from operating activities	1 803 512	1 603 177
Cash receipts from customers		
Interest and similar income	2 834 993	2 372 472
Other non-interest revenue	1 435 742	1 256 420
Net insurance premium received	189 688	158 455
	4 460 423	3 787 347

32. Cash flow information continued

N$'000	2016	2015
Cash paid to customer, suppliers and employees		
Interest expense and similar charges	(1 218 496)	(962 809)
Net claims and benefits paid	(101 919)	(80 362)
Total other operating expenses	(1 336 496)	(1 140 999)
	(2 656 911)	(2 184 170)
Movement in income earning assets		
Due from banks and other financial institutions	(187 238)	181 298
Advances	(2 955 764)	(2 825 134)
Investment securities	129 053	(532 582)
Accounts receivable and similar accounts	48 309	(49 248)
Reinsurance assets	(407)	381
	(2 966 047)	(3 225 285)
Movement in deposits and other liabilities		
Deposits	3 841 986	2 429 435
Due to banks and other financial institutions	(219 044)	207 052
Accounts payable and similar accounts	(44 536)	120 472
	3 578 406	2 756 959
Income tax paid		
Amounts payable at beginning of the year	(67 089)	(71 619)
Indirect tax	(31 974)	(26 611)
Current tax charge	(446 520)	(441 452)
Amounts payable at end of the year	85 451	67 089
	(460 132)	(472 593)

33. Contingent liabilities and capital commitments

N$'000	2016	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
Total contingencies and commitments	6 182 324	5 992 740

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

Legal proceedings

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

Commitments:

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

	2016	2015
Property and equipment	22 305	93 374

Group leasing arrangements:

	2016			2015		
N$'000	Next year	2nd to 5th year	After 5th year	Next year	2nd to 5th year	After 5th year
Office premises	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.

34. Collateral

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

N$'000	2016	2015
Property	2 685	7 136
Collateral pledged		
The group has pledged assets as security for the following liabilities:		
Derivatives		
Currency derivative	182 387	13 262
Interest rate derivative	12 813	88 454
	195 200	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:

	2016	2015
Due from banks and other financial institutions (note 10)	357 820	83 620

35. Related parties

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 South Africa, listed on the JSE Limited and on the NSX. Refer to section 2.2 of the accounting policies.

Details of balances with relevant related parties appear below:

Related party balances

N$'000	2016	2015
Deposits		
FirstRand group companies	795 915	757 998
Associate	12 856	4 312
Advances		
FirstRand group companies	917 612	563 569
Associate	19 578	23 505
Derivative assets		
FirstRand group companies	26 580	34 520
Derivative liabilities		
FirstRand group companies	(194 727)	(3 557)
Related party transactions		
Interest paid to (received from) related parties		
FirstRand group companies	(58 789)	(73 707)
Associates	(1 903)	(2 157)
FirstRand group companies	41 706	34 348
Non-interest revenue		
FirstRand group companies	2 748	12 802
Non-interest expenditure		
FirstRand group companies	176 742	154 026
Associates	11 908	8 149

35. Related parties continued

N$'000	2016	2015
Transactions with key management personnel:		
Advances	35 490	30 733
Current and credit card accounts	(6 182)	(2 860)
Instalment finance	3 938	3 469
Investment products	8 602	5 082
Balance 30 June	41 848	36 424
No impairment has been recognised for loans granted to key management (2015: nil) Mortgage loans are repayable monthly over 20 years.		
Shares and share options held		
Directors' holding in shares is disclosed in note 6		
Aggregate details		
Share options held FNB Namibia	1 067	1 583
Key management compensation		
Cash package	19 323	21 566
Retirement contributions	3 102	2 689
Performance related benefits	12 569	8 018
Share-based payment	3 805	2 874
	38 799	35 147

A listing of the board of directors of the group is detailed on page 26 and 27 of the annual report.

Post-employment benefit plans

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

35. Related parties continued

Details of subsidiaries

Significant subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding % 2016	Effective holding % 2015
All subsidiaries are unlisted. The year end of all the subsidiaries is 30 June						
Banking operations:						
First National Bank of Namibia Ltd	Commercial bank	01 June 2003	Namibia	1,200 of N$1 each	100	100
Swabou Investments (Pty) Ltd	Home loan investment company	01 July 2003	Namibia	2 of N$0.05 each	100	100
Insurance operations:						
OUTsurance Insurance Company of Namibia Ltd	Short-term finance	01 July 2003	Namibia	4,000,000 of N$1 each	51	51
Other:						
FNB Trust Services Namibia (Pty) Ltd	Estate and trust services	01 October 1996	Namibia	200 of N$1 each	100	100
FNB Insurance Brokers (Namibia) (Pty) Ltd	Short-term insurance broker	01 July 2011	Namibia	100 of N$1 each	100	100
FNB Namibia Unit Trusts Ltd	Unit trusts management company	01 January 2006	Namibia	4,000,000 of N$1 each	100	100
Talas Properties (Windhoek) (Pty) Ltd	Property company	31 March 1998	Namibia	100 of N$1 each	100	100
RMB Investments (Pty) Ltd	Financial advisory services	14 November 2013	Namibia	100 of N$1 each	100	100

35. Related parties continued

N$'000	Aggregate income of subsidiaries (before tax) 2016	2015	Total investment 2016	2015
First National Bank of Namibia Ltd	1 544 837	1 344 132	1 142 792	1 142 792
Swabou Investments (Pty) Ltd	64 709	86 385		
OUTsurance Insurance Company of Namibia Ltd	45 786	49 161	6 511	6 511
FNB Trust Services Namibia (Pty) Ltd	1 384	2 155		
FNB Insurance Brokers (Namibia) (Pty) Ltd	1 211	3 600	27 904	27 904
FNB Namibia Unit Trusts Ltd	3 930	3 874	5 475	5 475
Talas Properties (Windhoek) (Pty) Ltd	4 373	18 329	2 967	2 967
RMB Investments (Pty) Ltd	3	379		
	1 666 233	1 508 015	1 185 649	1 185 649

Non-controlling interest

OUTsurance Insurance Company of Namibia Ltd is the subsidiary which has non-controlling interests in the group. The voting rights of the non controlling interest are limited to their ownership percentage.

It is the group's investment strategy to limit the non controlling interests in its subsidiary holdings. The group generally holds 100% interests in its key subsidiaries.

	Non controlling interest 2016	2015
Interest owned by non-controlling interest	49%	49%
Voting rights owned by non-controlling interest	49%	49%
Profit or loss attributable to non-controlling interests	19 424	16 757
Accumulated balance of non-controlling interests	50 782	40 178
Dividends paid to non-controlling interests	8 820	7 840
The following balances have been included in the consolidated statement of financial position and statement of comprehensive income in respect of OUTsurance Insurance Company of Namibia Ltd :		
Total Assets	163 106	150 689
Total Liabilities	83 650	83 064
Net interest income	3 073	2 588
Non-interest revenue	95 457	79 291
Profit before tax	45 786	49 162
Total comprehensive income	32 691	34 433

36. Fair value measurements

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

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

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

Recurring fair value measurements
Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets that the group measures at fair value at the end of each reporting period.

Financial instruments
When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (for example in a dealer market), the group uses the price within the bid/ask spread that is most representative of fair value in the circumstances. Although not a requirement, the group uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

When determining the fair value of a financial liability or the group's own equity instruments the quoted price for the transfer of an identical or similar liability or own equity instrument is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the liability or own equity instrument is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an inactive market for the identical item) or using another valuation technique.

Where the group has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

Non-recurring fair value measurements
Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where fair value less costs to sell is the recoverable amount, IFRS 3 business

36. Fair value measurements continued

Non-recurring fair value measurements >

combinations where assets and liabilities are measured at fair value at acquisition date, and IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

Financial instruments not measured at fair value

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under point 36.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

Non-financial instruments

When determining the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use, is taken into account. This includes the use of the asset that is physically possible, legally permissible and financially feasible. In determining the fair value of the group's investment properties and commodities, the highest and best use of the assets was their current use.

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

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

- As far as possible, market inputs are sourced in line with market prices;
- Generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- Where a model has been developed in-house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;
- Formal change control procedures are in place;
- Awareness of the weaknesses of the models used and appropriate reflection in the valuation output;
- The model is subject to periodic review to determine the accuracy of its performance; and
- Valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation.

36. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
Loans and advances to customers					
Investment banking book*	Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Market interest rates and curves	Credit inputs
Other loans and advances	Level 2 and 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Investment securities and other investments					
Equities/bonds listed in an inactive market	Level 2	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. Level 1). However if the market is not active and the listed price is not representative of fair value, these are classified as Level 2 and a valuation technique is used, for example the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Unlisted bonds	Level 2 and Level 3	Price earnings ("P/E") model	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions	Growth rates and P/E ratios

36. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
			Investment securities and other investments		
Unlisted equities	Level 2 and 3	Price earnings (P/E) model	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions	Growth rates and P/E ratios
Negotiable certificates of deposit	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
Treasury Bills	Level 2	BESA bond pricing model	The BESA bond pricing model uses the BESA mark to market bond yield.	Market interest rates and curves	Not applicable
			Derivatives and other financial assets		
Forward rate agreements	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and curves	Volatilities
Swaps	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and curves	Not applicable
Option	Level 2 and 3	Option pricing model	The Black Scholes model is used.	Strike price f the option; market related discount rate; forward rate and cap and floor volatility	Not applicable

36. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
Derivatives and other financial assets					
Forwards	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable
Other loans and advances	Level 2 and 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Forward rate agreements	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and curves	Forward rate agreements
Deposits					
Call and non-term deposits	Level 2	None the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None the undiscounted amount approximates fair value and no valuation is performed	Not applicable
Deposits that represent collateral on credit linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioral aspects into account.	Market interest rates and curves	Credit inputs on related advance

36. Fair value measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable	Significant unobservable inputs of Level 3 items
Deposits					
Other deposits	Level 2 and Level 3	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioral aspects into account.	Market interest rates and curves	Credit inputs
Other liabilities and Tier 2 liabilities	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

The group has elected to designate certain investment banking book advances at fair value through profit or loss. The designation is on a deal by deal basis. Credit risk is not observable and has a significant impact on the fair value measurement of these advances and as such, these advances are classified as Level 3 on the fair value hierarchy.

For non-recurring fair value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to or a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes. There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior year.

36. Fair value measurements continued

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the group which are recognised at fair value:

2016

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

36. Fair value measurements continued

2015

N$'000	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Recurring fair value measurements				
Investment securities		3 354 397	11 530	3 365 927
Advances			519 585	519 585
Derivative financial instruments		158 644		158 644
Total financial assets		3 513 041	531 115	4 044 156
Liabilities				
Recurring fair value measurements				
Derivative financial instruments		172 188		172 188
Short trading position	26 693			26 693
	26 693	172 188		198 881

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

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

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

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

36. 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 the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$584 227 (2015:N$571 544) and using more negative reasonable possible assumptions to N$478 004 (2015:N$467 627). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

Changes in level 3 instruments with recurring fair value measurements

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

N$'000	Fair value on June 2014	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2015
Advances	538 583	59 709		(78 707)	519 585
Investment securities	11 530				11 530
Total financial assets at fair value	550 113	59 709		(78 707)	531 115

Unrealised gains or losses on level 3 instruments with recurring fair value measurements

The valuation model for level 3 assets or liabilities typically relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs. The table below presents the total gains (losses) relating to financial instrument classified in Level 3 that are still held on 30 June. With the exception of interest on funding instruments all of these gains or losses are recognised in non-interest revenue.

36. Fair value measurements continued

N$'000	2016		2015	
	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income
Advances	52 887		59 709	
Investment securities		1 954		
	52 887	1 954	59 709	

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

N$'000	2016			2015	
	Carrying value	Fair value hierarchy level 2	Fair value hierarchy level 3	Carrying value	Fair value hierarchy level 2
Assets					
Total advances at amortised cost	25 284 184	2 923 978	22 213 582	22 314 108	22 050 802

N$'000	2016		2015	
	Carrying value	Fair value hierarchy level 2	Carrying value	Fair value hierarchy level 2
Liabilities				
Total deposits at amortised cost	27 793 798	27 869 329	23 911 551	23 909 983
Tier two liabilities	392 654	391 047	392 635	392 905
	28 367 214	28 441 138	24 304 186	24 302 888

36. Fair value measurements continued

Day one profit or loss

Day 1 profit or loss arises on the initial recognition of a financial instrument when the fair value of an instrument is determined using a valuation technique that makes use of inputs that are not observable in an active market. In terms of IAS 39 if the fair value determined in accordance with such a valuation technique differs from the transaction price the initial recognition should take place at the transaction price as the transaction price is considered the best evidence of fair value at initial recognition. The day 1 profits or losses arising as a result of the difference between the two values should only be recognised over the life of the instrument as a result of changes that would also be considered by market participants. The balance is related to Advances designated at fair value through profit or loss.

The following table represents the aggregate difference between transaction price and fair value based on a valuation technique yet to be recognised in profit or loss:

N$'000	2016	2015
Unrecognised profit at the beginning of the year	4 873	8 587
Recognised in profit or loss during the year	(3 671)	(3 714)
Unrecognised profit at the end of the year	1 202	4 873

37. Financial instruments designated as fair value through profit or loss

Certain instruments designated at fair value through profit or loss would meet the definition for classification as loans and receivables in terms of IAS 39 were it not for the fair value designation i.e. unquoted debt instruments. The table below contains details on the carrying value of the advance designated as fair value through profit or loss.

	2016	2015
N$'000	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.

There 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.

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

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

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

39. Structured entities

Consolidated structured entities

The group assess whether it has control over structured entities in terms of IFRS 10. Where the group has control over a structured entity it is consolidated in terms of IFRS 10.

Interest in unconsolidated structured entities

The group has financial interests in other structured entities that expose the group to the variable income of those entities without resulting in control. Below are set out the nature of those relationships and the impact that those relationships have had on the financial position and performance of the group.

Fund management

The group manages a number of unit trust funds, ranging from income funds to equity funds, which are managed by third party assets managers. Unit trusts are regulated by the Namibia Financial Institution Supervisory Board and the Unit Trust Control Act of 1981. The group's interest is generally restricted to fund service and administration fees. The group may hold direct interests in a number of the funds; however the magnitude of such interest varies with sufficient regularity. The group earns service and administration fees from its administration of the funds, as well as unrealised gains and losses as a result of revaluations of the units held directly in the funds.

N$'000	2016	2015
Investments and other securities		
Unit trust investments	246 436	217 653
Maximum exposure to loss	246 436	217 653
Total size of unit trust funds	2 404 045	2 162 870

> **Statement** of comprehensive income
for the year ended 30 June

40. Segmental information

Reportable segments
Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The table below sets out the group's various operating segments and the details of the various products and services provided by each of the reportable segments.

Primary segments (business)	Brands	Description	Product and services
Banking operations	First National Bank	Consumer and commercial banking	Comprehensive banking packages for individuals and business
	WesBank	Motor vehicle and instalment finance	
	RMB	Corporate banking	
Short-term insurance	OUTsurance	Short-term insurance	Short-term insurance

Major customers
In terms of IFRS 8 a customer is regarded as a major customer, if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. The group has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

The segmental analysis is based on the management accounts for the respective segments. The management accounts are prepared in terms of IFRS measurement and recognition principles.

In order to ensure that the total segment results, assets and liabilities agree to the amounts reported for the group in terms of IFRS, the operations that don't qualify as separate segments are reported in the other column. All consolidation adjustments have also been recorded in this column.

Geographical segments
The group operates within the borders of Namibia and no segment operations are outside Namibia.

40. Segmental information continued

Reportable segments

N$'000	Group		Banking operations		Insurance operations		Other	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Net interest income external	1 653 631	1 452 867	1 648 230	1 449 285	1 069	2 280	4 332	1 302
Net interest income internal			3 035	634	2 004	308	(5 039)	(942)
Impairment losses of advances	(47 852)	(49 882)	(47 852)	(49 882)				
Net interest income after impairment of advances	1 605 779	1 402 985	1 603 413	1 400 037	3 073	2 588	(707)	360
Non-interest revenue	1 506 656	1 260 061	1 349 135	1 177 925	8 981	7 657	148 540	74 479
Net insurance premium income	189 253	153 944			189 253	153 944		
Net claims and benefits paid	(102 777)	(82 310)			(102 777)	(82 310)		
Income from operations	3 198 911	2 734 680	2 952 548	2 577 962	98 530	81 879	147 833	74 839
Operating expenses	(1 417 647)	(1 221 986)	(1 310 949)	(1 148 870)	(52 744)	(32 709)	(53 954)	(40 407)
Net income from operations	1 781 264	1 512 694	1 641 599	1 429 092	45 786	49 170	93 879	34 432
Share of comprehensive income of associates	1 328	558	1 328	558				
Income before tax	1 782 592	1 513 252	1 642 927	1 429 650	45 786	49 170	93 879	34 432
Indirect tax	(31 974)	(26 611)	(31 232)	(26 450)			(742)	(161)
Profit before tax	1 750 618	1 486 641	1 611 695	1 403 200	45 786	49 170	93 137	34 271
Direct tax	(532 985)	(487 979)	(513 385)	(460 672)	(13 095)	(14 737)	(6 502)	(12 570)
Profit for the year	1 217 633	998 662	1 098 310	942 528	32 691	34 433	86 632	21 700

Statement of financial position
as at 30 June

40. Segmental information continued

N$'000	Group		Banking operations		Insurance operations		Other	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Assets								
Cash and cash equivalents	2 119 867	795 224	2 093 611	769 832	58 265	51 541	(32 013)	(26 148)
Due from banks and other financial institutions	1 772 267	1 585 029	1 772 267	1 585 029				
Derivative financial instruments	209 497	158 644	209 497	158 644				
Advances	25 776 087	22 833 693	25 876 231	22 918 838			(100 144)	(85 145)
Investment securities	3 236 883	3 365 927	3 062 515	3 201 648	99 933	92 459	74 435	71 820
Investment in associates	5 054	3 726	5 054	3 726				
Other assets	1 065 848	1 042 071	1 150 889	1 111 815	4 908	6 689	(89 943)	(76 433)
Total assets	34 185 503	29 784 315	34 170 064	29 749 532	163 106	150 689	(147 665)	(115 906)
Equity and liabilities								
Liabilities								
Deposits	27 793 798	23 951 813	28 004 707	24 059 502			(210 909)	(107 689)
Due to banks and other financial institutions	800 973	1 020 016	800 973	1 020 016				
Derivative financial instruments	219 455	172 188	219 455	172 188				
Other liabilities	938 142	858 812	832 501	594 445	83 650	83 064	22 991	181 303
Tier two liabilities	392 654	392 635	392 654	392 635				
Total liabilities	30 145 022	26 395 464	30 250 290	26 238 786	83 650	83 064	(188 918)	73 614

40. Segmental information continued

N$'000	Group		Banking operations		Insurance operations		Other	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Equity								
Capital and reserves attributable to ordinary equity holders								
Share capital Ordinary	**1 304**	1 301	**1**	1	**4 000**	4 000	**(2 697)**	(2 700)
Share premium	**126 680**	148 518	**1 142 791**	1 142 791	**213**	213	**(1 016 324)**	(994 486)
Reserves	**3 861 715**	3 198 854	**2 777 983**	2 211 027	**75 243**	63 412	**1 008 489**	924 415
Capital and reserves attributable to ordinary equity holders	**3 989 699**	3 348 673	**3 920 775**	3 353 819	**79 456**	67 625	**(10 532)**	(72 771)
Non-controlling interests	**50 782**	40 178					**50 782**	40 178
Total equity	**4 040 481**	3 388 851	**3 920 775**	3 353 819	**79 456**	67 625	**(40 250)**	(32 593)

41. Risk management

The risk report of the group appears on page 62 to 73 of this annual report. The report describes the various risks the group is exposed to, as well as the methodology and instruments to mitigate these risks. Risk control policies and exposures limits for key risk areas of the group are approved by the board, while operational policies and control procedures are approved by the relevant risk committees. The main financial risks that the business is exposed to are detailed in this note.

41. Risk management continued

Maximum exposure to credit risk

N$'000	2016	2015
Total exposure (items where credit risk exposure exist)		
Cash and cash equivalents		
Balances with other banks	26 245	25 386
Balances with central bank	1 523 896	288 512
Total cash and cash equivalents	1 550 141	313 898
Due from banks and other financial institutions	1 772 267	1 585 029
Advances		
Overdraft and cash managed accounts	2 574 310	2 593 310
Card loans	231 755	184 870
Instalment sales and hire purchase agreements	3 245 183	3 019 164
Lease payments receivables	281 707	316 573
Home loans	11 779 642	10 657 424
Term loans	6 919 181	5 276 757
Preference share advances		25 500
Advances under agreement to resell	36 230	27 087
Investment bank term loans	517 934	552 035
Other	190 145	180 973
Total advances	25 776 087	22 833 693
Derivative financial instruments	209 497	158 644
Debt investment securities		
Listed investment securities	831 925	782 278
Unlisted investment securities	2 395 382	2 572 117
Total debt investment securities	3 227 307	3 354 395
Accounts receivables	92 290	144 671
Reinsurance assets	598	191
Guarantees	1 243 106	999 308
Letters of credit	22 970	66 713
Irrevocable commitments	4 916 248	4 926 719
Total	38 810 511	34 383 261

41. Risk management continued

FR rating mapping to international and national rating scales

The group categorises current exposures according to an internal rating scale, the FR ratings, ranging from FR 27 to FR 100, with the FR 27 being the best rating with the lowest probability of default. The FR ratings have been mapped to default probabilities as well as external rating agency international rating scales.

The ratings and the associated probability of default ("PD") reflect two different conventions. The "point in time" PDs reflect the default expectations under the current economic cycle whereas the "through the cycle" PDs reflect a longer term of average over the economic cycle.

The FR scale is summarised in the following table, together with a mapping to international scale rating from external agencies:

FR Rating	Mid-point PD	International scale mapping*
FR27-91	3.73%	AAA to B
Above FR91		Below B

* Indicative mapping to international rating scale of Fitch and Standard and Poor's.

Credit quality

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

	2016							
N$'000	Total neither past due nor impaired	Card loans	Overdraft and cash managed accounts	Instalment sales	Home loans	Term loans	Investment bank term loans	Other
FR 27-91	24 886 153	230 874	2 606 667	3 501 588	10 957 976	6 845 134	517 934	225 980
Above FR 91	11 178	1 314	5 349	4 068	23	29		395
Total	24 897 331	232 188	2 612 016	3 505 656	10 957 999	6 845 163	517 934	226 375

41. Risk management continued

N$'000	Total neither past due nor impaired	Card loans	Overdraft and cash managed accounts	Instalment sales	Home loans	Term loans	Investment bank term loans	Preference share advance	Other
	2015								
FR 27- 91	22 208 964	184 987	2 638 715	3 314 026	10 053 110	5 232 531	552 035	25 500	207 180
Above FR 91	28 753	358	23 944	3 596	850	5			
Total	22 237 717	185 345	2 662 659	3 317 622	10 053 960	5 232 536	552 035	25 500	207 180

N$'000	Investment securities	Derivative financial instruments	Cash and cash equivalents	Due from banks and other financial institutions	Accounts receivable	Total
	2016					
Credit quality of financial assets other than advances neither past due nor impaired International scale mapping (National Equivalent):						
AAA to BB (A to BBB)	3 236 883	209 497	1 550 141	1 772 267	47 533	6 816 321

N$'000	Investment securities	Derivative financial instruments	Cash and cash equivalents	Due from banks and other financial institutions	Accounts receivable	Total
	2015					
Credit quality of financial assets other than advances neither past due nor impaired International scale mapping (National Equivalent):						
AAA to BB (A to BBB)	3 365 927	158 643	313 898	1 585 029	58 381	5 481 878

41. Risk management continued

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

41. Risk management continued

N$'000	2015				
	Neither past due nor impaired	Past due but not impaired			
Age analysis		One instalment	Two instalments	Impaired	Total
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 payments receivables	3 317 622	14 913	3 370	21 630	3 357 535
Investment bank term loans	552 035				552 035
Overdraft and cash managed accounts	2 662 659			12 433	2 675 092
Preference share advances	25 500				25 500
Advances under agreement to resell	27 087				27 087
Term loans	5 232 536	55 640	8 008	10 264	5 306 448
Other	180 973				180 973
	22 237 717	571 648	49 477	147 229	23 006 071
Accounts receivable					
Items in transit	82 629				82 629
Deferred staff cost	40 856				40 856
Other accounts receivable	61 216				61 216
	184 701				184 701
Reinsurance assets	572				572
Total	22 422 990	571 648	49 477	147 229	23 191 344

The above assets are managed with reference to the days in arrears and include assets where monthly payments are due as residential mortgages, instalment sale products, and personal loans

The assets in the wholesale segment and commercial segment are generally not managed with reference to monthly payments in arrears as these assets are reviewed on an individual portfolio basis.

41. Risk management continued

Liquidity cash flow analysis (undiscounted cash flow)

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

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

N$'000	2015			
	Term to maturity			
	Call -3 months	4 -12 months	Over 12 months	Total
Liabilities				
Deposits	18 924 903	4 503 525	2 015 424	25 443 852
Due to banks and other financial institutions	314 386	108 207	766 847	1 189 440
Derivative financial instruments	172 188			172 188
Short trading position	26 693			26 693
Creditors and accruals	120 327			120 327
Other liabilities	1 049	1 050		2 099
Tier two liabilities	10 338	21 247	576 498	608 083
Financial liabilities	19 569 884	4 634 029	3 358 769	27 562 682
Off statement of financial position				
Financial and other guarantees	505 026	560 996		1 066 022
Undrawn facilities	4 926 719			4 926 719

41. Risk management continued

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

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

41. Risk management continued

N$'000	2015			
	Term to maturity			
	Call - 3 months	4 - 12 months	Over 12 months	Total
Assets				
Cash and cash equivalents	795 225			795 225
Due from banks and other financial institutions	1 585 029			1 585 029
Derivative financial instruments	158 644			158 644
Advances	3 836 900	1 796 974	17 199 819	22 833 693
Investment securities	829 926	1 362 234	1 173 765	3 365 925
Accounts receivables	58 381			58 381
Financial assets	7 264 105	3 159 208	18 373 584	28 796 897
Non-financial assets				987 418
Total assets				29 784 315
Liabilities				
Deposits	17 906 086	4 310 340	1 735 387	23 951 813
Due to banks and other financial institutions	307 048	86 588	626 380	1 020 016
Derivative financial instruments	172 188			172 188
Short trading position	26 693			26 693
Creditors and accruals	120 327			120 327
Other liabilities	1 041	1 019		2 060
Tier two liabilities	2 635		390 000	392 635
Financial liabilities	18 536 018	4 397 947	2 751 767	25 685 732
Non-financial liabilities				709 732
Total liabilities				26 395 464
Total equity				3 388 851
Total equity and liabilities				29 784 315
Net liquidity gap	(11 271 913)	(1 238 739)	15 621 817	
Cumulative liquidity gap	(11 271 913)	(12 510 652)	3 111 165	

41. Risk management continued

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

Liquidity mismatch analysis

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

Repricing profile

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

	2015				
N$'000	<3 months	>3 but = 12 months	> 12 months	Non rate sensitive	Carrying amount
Total assets	24 846 020	1 528 868	1 155 105	2 254 322	29 784 315
Total equity and liabilities	22 267 105	3 020 500	275 740	4 220 970	29 784 315
Net repricing gap	2 578 915	(1 491 632)	879 365	(1 966 648)	
Cumulative repricing gap	2 578 915	1 087 283	1 966 648		

41. Risk management continued

Foreign currency risk

The group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the groups assets and liabilities at carrying amounts, categorised by currency, as at the statement of financial position date.

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

41. Risk management continued

	2015				
N$'000	NAD	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	718 451	51 159	6 868	18 747	795 225
Due from banks and other financial institutions	570 534	931 719	73 903	8 873	1 585 029
Derivative financial instruments	90 313	51 092	11 475	5 764	158 644
Advances	22 091 917	741 776			22 833 693
Investment securities	3 365 925				3 365 925
Accounts receivables	58 381				58 381
Financial assets	26 895 521	1 775 746	92 246	33 384	28 796 897
Non-financial assets	987 418				987 418
Total assets	27 882 939	1 775 746	92 246	33 384	29 784 315
Liabilities					
Deposits	22 676 955	889 486	381 899	3 473	23 951 813
Due to banks and other financial institutions	278 393	741 623			1 020 016
Derivative financial instruments	104 789	50 624	11 082	5 693	172 188
Short trading position	26 693				26 693
Creditors and accruals	120 327				120 327
Other liabilities	2 060				2 060
Tier two liabilities	392 635				392 635
Financial liabilities	23 601 852	1 681 733	392 981	9 166	25 685 732
Non-financial liabilities	709 732				709 732
Total liabilities	24 311 584				26 395 464
Total equity	3 388 851				3 388 851
Total equity and liabilities	27 700 435	1 681 733	392 981	9 166	29 784 315

41. Risk management continued

Average balances and effective interest rates

	2016			2015		
	Average balance	Average rate	Interest income/expense	Average balance	Average rate	Interest income/expense
	N$'000	%	N$'000	N$'000	%	N$'000
Assets						
Cash and cash equivalents, balance with banks	3 072 126	3.1	95 550	3 561 474	2.9	103 234
Advances	24 724 196	10.4	2 559 955	21 406 414	9.8	2 108 455
Investment securities	2 912 018	7.2	210 853	3 182 329	6.3	199 501
Interest-earning assets	30 708 340	9.3	2 866 358	28 150 217	8.6	2 411 190
Non-interest-earning assets	1 488 889			909 716		
Total assets	32 197 229	8.9	2 866 358	29 059 933	8.3	2 411 190
Liabilities						
Deposits, balance due to banks	27 259 615	4.3	1 181 611	24 897 416	3.7	927 629
Tier two liabilities	394 104	8.4	32 913	393 968	8.0	31 325
Other interest			1 318			1 220
Interest-earning liabilities	27 653 719	4.4	1 215 842	25 291 384	3.8	960 174
Non-interest-bearing liabilities	893 005			714 715		
Total liabilities	28 546 724	4.3	1 215 842	26 006 099	3.7	960 174
Total equity	3 650 505			3 053 834		
Total equity and liabilities	32 197 229	3.8	1 215 842	29 059 933	3.3	960 174

41. Risk management continued

Sensitivity analysis

Banking market risk

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$196.90 million (2015:N$157.30 million), while a parallel decrease in all yield curves would decrease the forecast income by N$205.30 million (2015:N$164.90 million).

Foreign currency risk sensitivity analysis
Including foreign denominated cash, the group does not ordinarily hold open exposures in respect of the banking book of any significance. All gains and losses on foreign exposures and derivatives are reported in profit and loss.

Equity price risk sensitivity
The table below illustrates the market sensitivity for all non-trading equity investments assuming a 10% shift in the fair value, the analysis is before tax.

	2016		2015	
N$'000	10% reduction in fair value	10% increase in fair value	10% reduction in fair value	10% increase in fair value
Impact on equity (available-for-sale-reserve)	958	(958)	1 153	(1 153)

FNB Namibia Holdings Limited:
Company annual financial statements

> **Company statement** of comprehensive income
for the year ended 30 June

N$'000	Note	**2016**	2015
Interest and similar income	2	1 846	1 982
Net interest income		1 846	1 982
Non-interest revenue			
- gains less losses from investing activities	3	545 976	370 810
Income from operations		547 822	372 792
Operating expenses	4	(1 568)	(1 381)
Income before tax		546 254	371 412
Indirect tax	5	(162)	(153)
Profit before tax		546 092	371 258
Direct tax	5	(212)	(70)
Profit for the year		545 880	371 188
Items that will subsequently be reclassified to profit and loss			
Available-for-sale financial assets			
Gains and losses arising during the year		(1 954)	
Other comprehensive income for the year		(1 954)	
Total comprehensive income for the year		543 926	371 188
Profit for the year attributable to:			
Equity holders of the parent		545 880	371 188
Total comprehensive income for the year attributable to:			
Equity holders of the parent		543 926	371 188

> **Company statement** of financial position

as at 30 June

N$'000	Note	2016	2015
Assets			
Accounts receivable		11 864	17 056
Loan to group company	7	11 818	4 895
Investment securities	8	28 782	29 534
Investments in subsidiaries	9	1 185 649	1 185 649
Total assets		1 238 113	1 237 134
Equity and liabilities			
Liabilities			
Creditors and accruals		1 654	1 408
Tax liability		24	3
Total liabilities		1 678	1 411
Equity			
Ordinary shares	10	1 338	1 338
Share premium	10	280 810	280 810
Reserves		954 287	953 575
Capital and reserves attributable to ordinary equity holders		1 236 435	1 235 723
Total equity and liabilities		1 238 113	1 237 134

> **Company statement** of changes in equity
for the year ended 30 June

N$'000	Share capital	Share premium	Share capital and share premium	Available-for-sale reserve	Retained earnings	Total ordinary shareholders' funds
Balance at 1 July 2014	1 338	280 810	282 148	1 954	949 712	1 233 814
Total comprehensive income for the year					371 188	371 188
Ordinary dividends					(369 279)	(369 279)
Balance at 30 June 2015	1 338	280 810	282 148	1 954	951 621	1 235 723
Total comprehensive income for the year				(1 954)	545 880	543 926
Ordinary dividends					(543 214)	(543 214)
Balance at 30 June 2016	1 338	280 810	282 148		954 287	1 236 435

> **Company statement** of cash flows
for the year ended 30 June

N$'000	Note	2016	2015
Cash flows from operating activities			
Cash generated from operations*		545 357	371 446
Working capital changes			
- Increase/decrease in accounts receivable		5 192	2 450
- Increase/decrease in accounts payable		246	146
Net cash generated from operations		550 795	374 043
Indirect tax paid	5	(162)	(153)
Income tax paid **		(191)	(73)
Net cash flow from operating activities		550 442	373 818
Cash flows from investing activities			
Net (increase) / decrease in loan to group company		(6 923)	(3 570)
(Purchase) / sale of investment securities		(305)	(971)
Net cash flow from investing activities		(7 228)	(4 541)
Cash flows from financing activities			
Dividends paid		(543 214)	(369 279)
Net cash flow from financing activities		(543 214)	(369 279)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year			
*** Reconciliation of income before tax to cash generated by operations**			
Income before tax		546 254	371 411
Adjusted for:			
- Revaluation of investment securities		(897)	36
		545 357	371 447
****Income tax paid**			
Amounts payable/ (receivable) at beginning of the year		(3)	(6)
Current tax per comprehensive income		(212)	(70)
Amounts payable at end of the year		24	3
Total income tax paid		(191)	(73)

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

1. Accounting policies

The financial statements of FNB Namibia Holdings Limited are prepared according to the same accounting principles used in preparing the consolidated financial statements of FNB Namibia group. For detailed accounting policies refer to pages 79 to 107 of this annual report.

2. Analysis of interest income and expenses

N$'000	**2016**	2015
	Amortised cost	
Interest received: loan account with group company	651	175
Interest paid: loan account with group company		(2)
Unwinding of discounted present value on accounts receivable	1 195	1 809
	1 846	1 982

3. Non-interest revenue

Gains less losses from investing activities		
• Dividends received from subsidiaries and unlisted investments		
– Subsidiaries	540 348	366 796
– Unit trust investments	1 151	970
– Equities	3 580	3 080
• Revaluation of investment securities through profit or loss	897	(36)
Gross gains less losses from investing activities	545 976	370 810

4. Operating expenses

Auditors' remuneration		
• Audit fees	1 249	1 141
Professional fees	206	127
Other operating costs		
• Other operating expenses	113	113
Total operating expenses	1 568	1 381

5. Tax

N$'000	2016	2015
Indirect tax		
Value added tax	162	153
Total indirect tax	162	153
Direct tax		
Namibian normal tax		
- Current year	212	70
	212	70

The company provided for tax at 32% (2015: 33%) of the taxable income (interest income). The effective tax rate is 0.04% (2015: 0.02%).

6. Dividends

Final dividend (7 August 2015 : 112 cents), (8 August 2014 : 67 cents)	299 704	179 287
Interim dividend (29 January 2016 : 91 cents), (29 January 2015 : 71 cents)	243 510	189 991
	543 214	369 278

Final dividend of 122 cents (2015: 112 cents) per share was declared subsequent to year-end.

7. Loan to / (from) group company

Balances with Talas Properties (Windhoek) (Pty) Ltd

Balance at 1 July	4 895	1 325
Decrease / increase during the year	6 923	3 570
Balance at 30 June	11 818	4 895

Refer to note 2 for the interest received

8 Investment securities

N$'000	2016	2015
Unlisted		
Unit trust investments	19 206	18 004
Equity investment	9 576	11 530
Total	28 782	29 534

8.1 Fair value hierarchy disclosure

The company shows an investment in equities and this is measured at fair value and analysed below by valuation technique. The classification of instruments is based on the lowest level input that is significant to fair value measurement in its entirety. A description of the nature of the techniques used to calculate valuations and definitions of Levels is set out in note 36 of the group financial statements.

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

	2015			
	Level 1	Level 2	Level 3	Total carrying amount
Available-for-sale financial assets				
Investment securities			11 530	11 530
Financial assets designated at fair value through profit or loss				
Investment securities		18 004		18 004
Changes in level 3 fair value instruments		18 004	11 530	29 534

8.1 Fair value hierarchy disclosure 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.

2016	Fair value on 1 July	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on 30 June
Assets					
Investment securities	11 530		(1 954)		9 576
Total financial assets at fair value	11 530		(1 954)		9 576
2015					
Assets					
Investment securities	11 530				11 530
Total financial assets at fair value	11 530				11 530

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$10 534 and using more negative reasonable possible assumptions to N$8 618. These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

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

2016	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Total gains or loss
Assets			
Investment securities		(1 954)	(1 954)
Total		(1 954)	(1 954)

9. Investments in subsidiaries

	Ownership %	Voting rights %	2016	2015
Unlisted investments				
Carrying value at beginning of the year			1 185 649	1 185 649
Carrying value at end of the year			1 185 649	1 185 649
The list of subsidiaries are:	Ownership %	Voting rights %		
First National Bank of Namibia Ltd	100	100	1 142 792	1 142 792
Swabou Investments (Pty) Ltd	100	100		
RMB Investments (Pty) Ltd	100	100		
FNB Trust Services Namibia (Pty) Ltd	100	100		
Talas Properties (Windhoek) (Pty) Ltd	100	100	2 967	2 967
OUTsurance Insurance Company of Namibia Ltd	51	51	6 511	6 511
FNB Insurance Brokers (Namibia) (Pty) Ltd	100	100	27 904	27 904
FNB Namibia Unit Trust Ltd	100	100	5 475	5 475
			1 185 649	1 185 649

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

The carrying amount of these investments is N$ nil.

Refer to note 35 in the group financial statements for full details of investments in subsidiaries.
Refer to note 35 in the group financial statements for full related party transactions and balances.

10. Share capital

	2016	2015
Authorised		
990 000 000 (2015: 990 000 000) ordinary shares with a par value of N$0.005 per share	4 950	4 950
10 000 000 (2015: 10 000 000) cumulative convertible redeemable preference shares with a par value of N$0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2015: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
2 (2015: 2) cumulative convertible redeemable preference shares with a par value of N$0.005 per share		
	1 338	1 338
Share premium	280 810	280 810

Term of preference shares: redeemable at 31 days notice by either party. The dividend rights in terms of the agreement with the shareholder are based on the actual profits made, per agreed adjustments, of a portion of the short-term insurance business.

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

All issued shares are fully paid up.

11. Liquidity, credit and market risk information

The assets and liabilities of the company consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk for IFRS 7 purposes.

Accounts receivable and creditors and accruals are repayable on demand or short notice and within Namibia, except for the N$ 9 million (2015 N$14 million) loan balance which relates to portion of the price on the sale of Momentum Namibia that is payable based on the performance of the book.

12. Related party transactions

During the year and the prior year, the company entered into transactions with its subsidiaries, disclosed in detail in the relevant notes of the company financial statements.

Refer to note 35 in the group financial statements for full related party transactions and balances.

> **Shareholders'** information

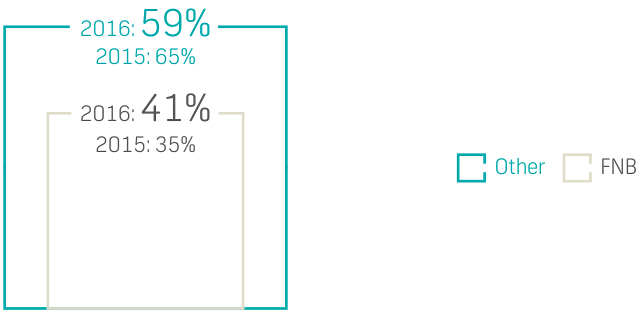
Shareholders' information

Shareholders' diary

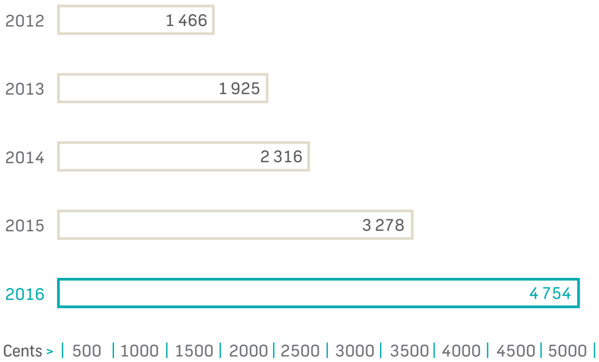
30 June	5 Aug 2016	7 Sept 2016	8 Sept 2016	23 Sept 2016	7 Oct 2016	27Oct 2016	February 2017	February 2017	March 2017
Financial year end	Declaration of final dividend	Announcement of results	Publication of integrated annual report	Last record date	Payment of final dividend	Annual general meeting	Publication of interim results	Declaration of interim dividend	Payment of interim dividend

NSX Market capitalisation

FNB versus all locally listed companies



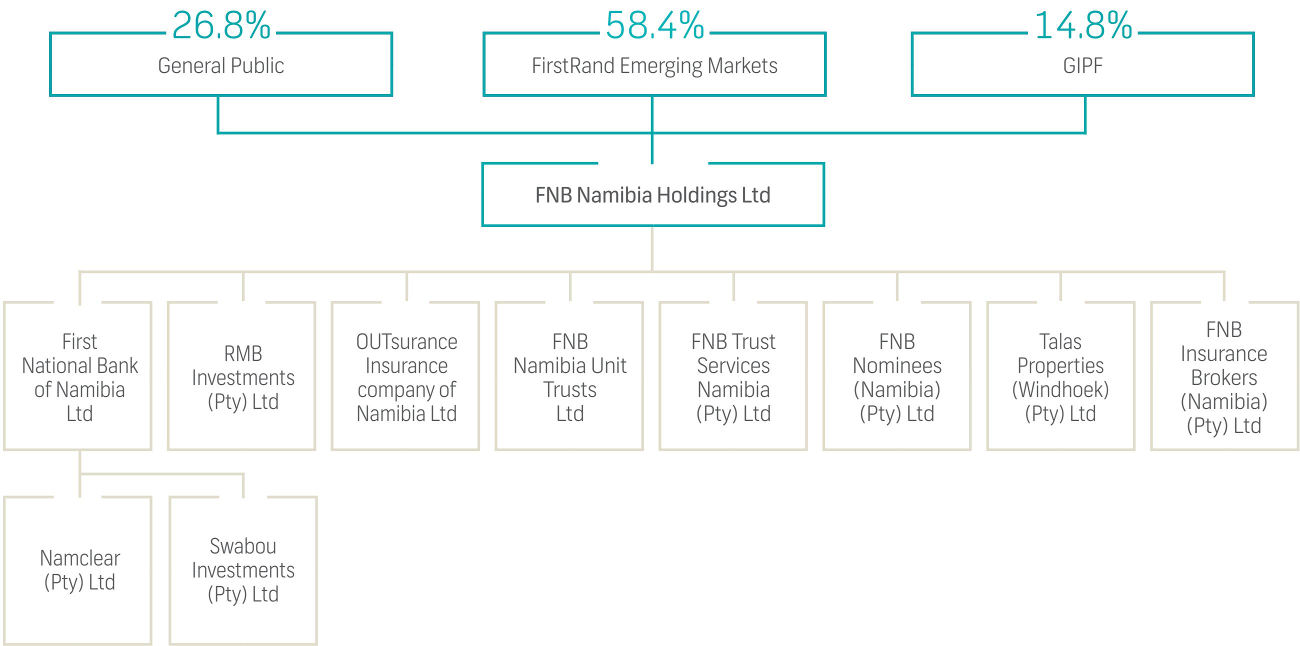
Closing share price - ordinary



Stock exchange performance

	2016	2015
Share price (cents)		
- high for the year	4 754	3 450
- low for the year	3 278	2 316
- closing price per share	4 754	3 278
Number of shares traded (000's)	5 321	2 084
Value of shares traded (N$ '000's)	228 552	56 530
Number of shares traded as percentage of issued shares (%)	1.99	0.78
Average price (cents)	4 295	2 713

Group Structure of FNB Namibia group



Group corporate information

Company Name	% Holding	Registration Number
FNB Namibia Holdings Ltd		88/024
FNB Trust Services Namibia (Pty) Ltd	100	91/125
FNB Nominees (Namibia) (Pty) Ltd	100	96/138
First National Bank of Namibia Ltd	100	2002/0180
FNB Insurance Brokers Namibia (Pty) Ltd	100	78/02244/07
FNB Namibia Unit Trusts Ltd	100	89/485

Company Name	% Holding	Registration Number
Namclear (Pty) Ltd	25	97/004
OUTsurance Insurance Company of Namibia Ltd	51	89/524
RMB Investments (Pty) Ltd	100	2012/1063
Swabou Investments (Pty) Ltd	100	94/081
Talas Properties (Windhoek) (Pty) Ltd	100	282/68

Analysis of ordinary shareholders

	Number of shareholders	%	Number of shares	%
Shareholder range				
1 - 999	1 225	43.0%	466 827	0.2%
1 000 - 1 999	439	15.4%	567 286	0.2%
2 000 - 2 999	232	8.2%	563 393	0.2%
3 000 - 3 999	102	3.6%	347 188	0.1%
4 000 - 4 999	73	2.6%	321 220	0.1%
5 000 - 9 999	239	8.4%	1 615 525	0.6%
over 10 000	536	18.8%	263 711 811	98.6%
	2 846	**100.0%**	**267 593 250**	**100.0%**
Shareholder type				
Corporate bodies	26	0.9%	165 191 502	61.7%
Nominee companies	275	9.7%	77 538 097	29.0%
Private individuals	2 510	88.2%	16 574 738	6.2%
Trusts	35	1.2%	8 288 913	3.1%
	2 846	**100.0%**	**267 593 250**	**100.0%**
Geographic ownership				
Namibian including unknown	2 731	96.0%	106 138 727	39.6%
Other Africa	105	3.7%	156 995 822	58.7%
International	10	0.3%	4 458 701	1.7%
Total	**2 846**	**100.0%**	**267 593 250**	**100.0%**
Ten major shareholders				
FirstRand EMA Holdings Limited			156 271 536	58.4%
Government Institutions Pension Fund			39 639 153	14.8%
FNB Employee Share Incentive Trust			6 370 465	2.4%
Old Mutual Life Assurance Company (Namibia) Ltd			5 838 861	2.2%
Sovereign Capital (Pty) Ltd			5 749 989	2.2%
Allan Gray Namibia Balanced Fund			4 892 837	1.8%
The Africa Emerging Markets Fund			4 439 401	1.7%
Chappa'ai Investments Forty Two (Pty) Ltd			3 011 899	1.1%
SANLAM Life Namibia Limited			2 446 556	0.9%
Rossing Pension Fund			1 704 748	0.6%
Retirement Fund for Local Authorities and Utility Services in Namibia			1 688 936	0.6%

Two issued preference shares were in existence at 30 June 2016 (2015: 2). These were preference shares that were issued to RMB-SI Investments (Proprietary) Limited to facilitate a structured insurance transaction with OUTsurance Insurance Company of Namibia Limited.

> Notice of **annual general meeting**

Notice is hereby given that the twenty-ninth (29th) Annual General Meeting of the shareholders of the company will be held in the Etosha Boardroom, FNB Namibia Holdings Ltd, 5th Floor, @Parkside, 130 Independence Avenue, c/o Fidel Castro, Windhoek, on 27 October 2016 at 13:30 for the following business:

1. Ordinary resolution number 1: RESOLVED THAT the minutes of the previous annual general meeting be and hereby are approved.

2. Ordinary resolution number 2: RESOLVED THAT the annual financial statements for the year ended 30 June 2016 be adopted.

3. Ordinary resolution number 3: RESOLVED THAT the final dividend declared on 5 August 2016 of 122 cents per ordinary share be and hereby is approved.

4. Ordinary resolution number 4: Re-election of directors by way of separate resolutions

To re-elect directors of the company who retire in terms of the Company's Articles of Association and who, being eligible, offers themselves for re-election. Biographical information of the directors to be re-elected is set out on pages 24 to 25 of the annual report.

- 4.1 Mrs. Ingenesia Inge Zaamwani-Kamwi, independent non-executive director (Chairperson)
- 4.2 Mr. Mwahafar Ndakolute Ndilula, independent non-executive director
- 4.3 Mr. Stuart Hilton Moir, independent non-executive director (Deputy Chairperson)
- 4.4 Mr. Christiaan Lilongeni Ranga Haikali, independent non-executive director

5. Ordinary resolution number 5: Election of directors by way of separate resolutions

To elect the following directors of the company who were appointed by the directors on 29 October 2015 effective 1 March 2016 and 31 May 2016 respectively are now recommended by the board for election by shareholders. Biographical information of the directors to be re-elected is set out on pages 24 to 25 of the annual report.

- 5.1 Mr. Oscar Lionel Pereira Capelao Executive Director (Chief Financial Officer)
- 5.2 Mr. Ebrahim Suleman Motala Non-Executive Director

6. Ordinary resolution number 6: RESOLVED THAT all the ordinary shares required for the purpose of carrying out the terms of the FNB Employee Share Incentive Scheme ("the scheme") be and are hereby specifically placed under the control of the trustees of the scheme, who are hereby authorised and shall have the power to allot and issue those shares as they become required for the purposes of carrying out and giving effect to the terms of the scheme.

7. Ordinary resolution number 7: RESOLVED THAT all the authorised but unissued shares in the capital of the company be and are hereby placed under the control of the directors who are hereby authorised to allot or issue shares on such terms and conditions as they deem fit, subject to the provisions of the Banking Institutions Act 2 of 1998, Companies Act 28 of 2004 ("the Act"), the Articles of Association of the Company and the Listings Requirements of the Namibia Stock Exchange ("NSX"), which provide, inter alia, that:

- such issue of shares shall not in the aggregate exceed 10% of the company's shares in issue; and
- the resolution for the issue of shares must be approved by a 75% majority of votes cast in favour of such resolution

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

9. Ordinary resolution number 9: RESOLVED THAT the annual fees of the non-executive directors, as reflected below be approved for the 2016/17 financial year:

The fee proposed represents a 7.00% increase on those paid in respect of the financial year ended 30 June 2016 and the introduction of a deputy-chairperson fee in respect of First National Bank of Namibia Ltd and FNB Namibia Holdings Ltd.

	Proposed 2016/17 fee
FNB Namibia Holdings Board	
Member	55 370.00
Deputy-Chairperson	83 055.00
Chairperson	96 897.50
Audit Committee	
Member	71 190.00
Chairperson	193 795.00
Risk Capital and Compliance Committee	
Member	59 325.00
Chairperson	88 987.50
Remuneration Committee	
Member	24 916.50
Chairperson	37 374.75
Directors' Affairs and Governance Committee	
Member	35 595.00
Chairperson	62 291.25
Senior Credit Risk Committee	
Member	237 300.00
First National Bank of Namibia Board	
Member	110 740.00
Deputy-Chairperson	166 110.00
Chairperson	221 480.00

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

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

11.1 Stuart Hilton Moir (Chairperson)

11.2 Leonard Jack Haynes

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

12.1 Christiaan Lilongeni Ranga Haikali

13. Ordinary resolution number 13: RESOLVED THAT any one or more of the directors selected by the board of directors be and are authorised to do all such things, sign all such documents, procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to all of the resolutions proposed and passed at which this resolution is proposed.

Voting:

All holders of FNB Namibia Holdings Ltd shares will be entitled to attend and vote at the annual general meeting. On a show of hands, every holder of FNB Namibia Holdings Ltd shares who is present in person, or in the case of a company, the representative appointed in terms of section 196 of the Companies Act, shall have one vote.

On a poll, the holders of ordinary shares present in person or by proxy will each be entitled to one vote for every ordinary share held.

Proxies:

Each member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and, on a poll, to vote in his/her stead.

The form of proxy for the annual general meeting, which sets out the relevant instructions for its completion, accompanies this notice and may also be obtained on request from the transfer secretaries of the Company.

In order to be effective, duly completed forms of proxy must be received at the office of the transfer secretaries of the Company by no later than 15:00 on Monday, 24 October 2016.

By order of the board FNB Namibia Holdings Limited

Nelago Ashipala > Company Secretary
7 September 2016

Registered office > FNB Namibia Holdings
@Parkside, 130 Independence Avenue, c/o Fidel Castro
P O Box 195, Windhoek, Namibia

Transfer secretaries
4 Robert Mugabe Avenue, Windhoek
P O Box 2401, Windhoek, Namibia

> Form of **proxy**

I/We ....(name in full)

being the holder(s) of ….......................... .... ordinary shares in the company do hereby appoint:

1. .... or failing him/her

2. .... or failing him/her

3. the chairman of the annual general meeting,

as my/our proxy to act for me/us at the annual general meeting (as the case may be) which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolution in respect of the shares in the issued capital of the Company registered in my/our name/s in accordance with the following instructions (see note):

	For*	Against*	Abstain*
1. Ordinary resolution 1: Approval of minutes of previous annual general meeting.			
2. Ordinary resolution 2: Adoption of annual financial statements for 30 June 2016			
3. Ordinary resolution 3: Approval of final dividend declared			
4. Ordinary resolution 4: Re-election of directors by way of separate resolutions:			
4.1 Ingenesia Inge Zaamwani-Kamwi, independent non-executive director (Chairperson)			
4.2 Mwahafar Ndakolute Ndilula, independent non-executive director			
4.3 Stuart Hilton Moir, independent non-executive director			
4.4 Christiaan Lilongeni Ranga Haikali, independent non-executive director			
5. Ordinary resolution number 5: Election of directors by way of separate resolutions			
5.1 Oscar Lionel Pereira Capelao executive director (Chief Financial Officer)			
5.2 Ebrahim Suleman Motala non-executive director			
6. Ordinary resolution 6: Control of FNB Employee Share Incentive Scheme ordinary shares			
7. Ordinary resolution 7: Control of unissued shares			
8. Ordinary resolution 8: Re-appointment of external auditors and determine their remuneration			
9. Ordinary resolution 9: Approval of non-executive director remuneration			
10. Ordinary resolution 10: Approval of Remuneration Policy			
11. Ordinary resolution 11: Re-appointment of Audit Committee members			
11.1 Stuart Hilton Moir (Chairperson)			
11.2 Leonard Jack Haynes			
12. Ordinary resolution number 12: Election of audit committee member by way of separate resolution:			
12.1. Christiaan Lilongeni Ranga Haikali			
13. Ordinary resolution 13: Authority to sign documents			

* Insert an X in the appropriate spaces above to indicate how you wish your votes to be cast. However, if you wish to cast your votes in respect of less than all of the shares that you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at .... this .... day of 2016

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

Each member is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.

Notes:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the annual general meeting", but any such deletion must be initialed by the member. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.

3. Forms of proxy must be received at the Company's transfer secretaries, Transfer Secretaries (Proprietary) Limited, 4 Robert Mugabe Avenue (entrance on Berg Street), Windhoek (PO Box 2401) Windhoek, Namibia by no later than 15:00 on Monday, 24 October 2016. Alternatively, forms of proxy may be sent to the Company's transfer secretaries by way of telefax (+264 61 248531), provided that such telefaxes are received by the transfer secretaries by no later than 15:00 on Monday, 24 October 2016.

4. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the annual general meeting.

6. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

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

9. Where there are joint holders of ordinary shares:

    i. any one holder may sign the form of proxy;
    ii. the vote of the senior (for that purpose seniority will be determined by the order in which the names of the member appear in FNB Namibia Holdings Ltd's register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.

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

FNB
Namibia Holdings

Internal awareness campaign

Water crisis

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!**

FNB

Namibia Holdings

www.fnbnamibia.com.na