FNB

First National Bank

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

VISION

A great Namibian financial services group, creating a better world!

MISSION

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

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

01. GROUP STRUCTURE

* Subsidiaries are listed in note 13 of the annual financial statements

02. DIRECTORS' RESPONSIBILITY STATEMENT

The shareholders of First National Bank of Namibia Limited

The directors of First National Bank of Namibia Ltd group (the group) are responsible for the preparation of the directors' report, consolidated and separate annual financial statements comprising the statement of financial position, and statements of comprehensive income, changes in equity and cash flows, and the notes to the annual financial statements. These annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Namibia.

In discharging this responsibility, the directors rely on management to prepare the consolidated and separate annual financial statements and for keeping adequate accounting records in accordance with the group's system of internal control. Oscar Capelao, CA (Nam) (SA), supervised the preparation of the annual financial statements for the year.

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. In the current financial year, the group adopted IFRS 9 and IFRS 15. Refer to accounting policy 10 for further detail on the impact of these new accounting standards on the group. The annual financial statements incorporate full and responsible disclosure in line with the group philosophy on corporate governance and as required by the Namibia Stock Exchange (NSX).

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 in this regard are stated in the notes on accounting policies, disclosed on pages 52 to 106.

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. 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 pages 4 to 7.

The consolidated annual financial statements of the group and company, which appear on pages 8 to 9 and 52 to 215 were approved by the board of directors on 13 August 2019 and signed on its behalf by:

I I Zaamwani – Kamwi
Chairperson

S J Van Zyl
Chief Executive Officer

Windhoek
13 August 2019

03. INDEPENDENT AUDITOR'S REPORT
to the Members of First National Bank of Namibia Limited

Opinion
We have audited the consolidated and separate financial statements of First National Bank of Namibia Limited set out on pages 8 to 9 and 52 to 215, which comprise the consolidated and separate statements of financial position as at 30 June 2019 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 30 June 2019 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Namibia.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report.

We are independent of the group and company in accordance with section 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (revised July 2018) and other independence requirements applicable to performing audits of financial statements in Namibia.

We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. This matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter – Group and Company	How the matter was addressed in the audit
Impairment of advances	
The group has adopted IFRS 9-Financial Instruments (IFRS 9) for the first time, from 1 July 2018. IFRS 9 requires the recognition of expected credit losses (ECL) on all financial assets within the scope of its impairment model, which includes advances. The impairment of advances was considered to be a matter of most significance to our current year audit due to the following: • advances are material to the financial statements; • the level of subjective judgement applied by management in determining the ECL on advances; and • the effect that ECL has on the impairment of advances and the group's credit risk management. This key audit matter relates to the following advances: • Corporate advances; and • Retail and commercial advances.	Our audit of the impairment of advances included, inter alia, the following audit procedures performed with the assistance of our credit and actuarial specialists: • Across all significant portfolios we assessed the advances impairment practices applied by management against the requirements of IFRS 9; • In addition, we tested the design and implementation of relevant controls over the processes used to calculate impairments; and • We assessed the group's probability-weighted macroeconomic scenario reports and analysed the outlined methodology, scenario views and associated probabilities in terms of the principles of the IFRS 9 standards, including the review of the approval.

Key Audit Matter continued

Key audit matter – Group and Company	How the matter was addressed in the audit
Impairment of advances continued	
Corporate advances Corporate advances are individually significant and the ECL calculations of impairments are inherently judgemental in nature. The specific areas of significant management judgement within the ECL calculations include: • The assumptions and methodologies applied to estimate the probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD'); • The assessment of whether there has been a Significant Increase in Credit Risk ('SICR') since origination date of the exposure to the reporting date (i.e. a trigger event that will cause a deterioration in credit risk and result in migration of the loan from Stage 1 to Stage 2); • The incorporation of forward looking information and macro-economic inputs into SICR; and • The assumptions used for estimating the recoverable amounts (including collateral) and timing of future cash flows, particularly for Stage 3 loans.	**Corporate advances** The following procedures addressed the key areas of estimation and significant judgement in determining ECL for corporate advances: • We assessed, the appropriateness of assumptions made by management in determining the level of impairment, including the probability of default and valuation of collateral and the incorporation of the macro-economic variables; • We tested the determination and sensitivity of the forward looking model in order to evaluate whether the chosen macro-economic factors and model fit provide a reasonable representation of the impact of macro-economic changes on the ECL results; • We independently recalculated a reasonable range of significant impairment losses and compared the level raised by management to the recalculated range; • We inspected a sample of legal agreements and supporting documentation to assess the legal right to and existence of collateral; and • We selected advances with no indicators of significant increase in credit risk and determined if this was reasonable by forming an independent view on whether there was a significant increase in credit risk.
Retail and commercial advances Retail and commercial advances are higher volume, lower value and therefore a significant portion of the impairment is calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always necessarily observable. Management applies professional judgement in developing the models, analysing data and determining the most appropriate assumptions and estimates. The inputs into the modelling process requiring significant management judgement, include: • The input assumptions and methodologies applied to estimate the PD, EAD and LGD; • Determining whether the evidence exists that there has been a SICR since initial recognition; • The incorporation of forward looking information and macro-economic inputs into SICR; and • The determination of the write-off point and curing.	**Retail and commercial advances** We performed the following procedures on the ECL for retail and commercial advances with the assistance of our credit and actuarial expertise: • We obtained an understanding of the assumptions used by management in the various ECL model components and how these were calibrated to use historical information to estimate future cash flows; • We tested the design and implementation of relevant controls over the model used to calculate impairments, including controls relating to data and models which included the reperformance of the ECL model; • Through applying the assumptions and data included in management's model, we recalculated the impact of SICR; • We considered the assumptions used in the forward looking economic model the macro-economic variables considered as well as the macro-economic outlook and compared these to independent market data; and • Through recalculation, we tested the application of the write off policy, including the exclusion of post write-off recoveries from the Loss Given Default (LGD).

Key Audit Matter continued

Key audit matter – Group and Company	How the matter was addressed in the audit
Impairment of advances continued	
Overlays Across all portfolios, management apply judgement to recognise additional ECL (in the form of overlays) where there is uncertainty in respect of the models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the maturity of the models, the timing of model updates and macro-economic events which could impact corporate, retail and commercial consumers. Related disclosures in the consolidated financial statements: • Accounting policies, section 9.3 – Critical accounting estimates, assumptions and judgements; and • Note 10 – Impairment of advances.	Overlays We considered the potential for ECL to be affected by events not captured by the model assumptions due to timing or other inherent limitations (such as changes in economic conditions). We assessed the reasonableness of event driven overlays raised by management, based on our understanding of the industry, emerging risks and regulatory changes. Based on the procedures described above, our audit evidence supported the ECL on advances which were found to be within an acceptable range in the context of IFRS 9.

Other Information

The directors are responsible for the other information. The other information comprises the Group Structure, the Directors' Responsibility Statement and Risk Report, as well as the Corporate Governance and Capital Management sections, which we obtained prior to the date of this Auditor's Report. The other information does not include the consolidated and separate financial statements, Directors' Report and our Auditor's Report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

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

Per J Cronjé
Partner

PO Box 47, Windhoek, Namibia
26 September 2019

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

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

04. DIRECTORS' REPORT

Nature of business
First National Bank of Namibia Limited is a Namibian registered bank offering a full range of banking services to retail, commercial, corporate and public sector customers through its portfolio of market leading franchises; FNB, the retail and commercial bank, RMB, the corporate and investment bank and WesBank, the vehicle and asset finance provider.

Group results
The financial statements on pages 52 to 215 set out fully the financial position, results of operations and cash flows of the company and the group.

Share capital
The company's authorised share capital remained unchanged at N$4 000.

The company's authorised share capital at the end of reporting period consists of 4 000 (2018: 4 000) ordinary shares of N$ 1.

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

Dividends
During the current year cash dividends of N$ 525 million (2018: N$ 528 million) were declared and paid by the company.

A distribution in specie of N$ 46 million was declared by the company for ordinary shares in FNB Easy Loans Limited that were transferred to FirstRand Namibia Limited upon disposal of FNB Easy Loans Limited.

A post year-end special dividend of N$669 million was declared on 13 August 2019.

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

Directorate

Directors	Office	Designation	Nationality	Changes
Zaamwani-Kamwi II	Chairperson	Non executive	Namibian	
Moir SH	Deputy Chairperson	Non executive	South African with Namibian Permanent Residence	
Capelao OLP	Chief Financial Officer	Executive	Namibian	
Daun JG		Non executive	Namibian	
Haikali CLR		Non executive	Namibian	
Hamer RJC		Non executive	South African	Resigned: 3 December 2018
Hausiku JH		Non executive	Namibian	
Hinda GS		Non executive	Namibian	
Khethe JR		Non executive	South African	
Kruger GCP		Non executive	South African	
Nashandi IN		Non executive	Namibian	Appointed: 31 January 2019
van Zyl SJ	Chief Executive Officer	Executive	Namibian	

Interests of directors
During the financial year, no contracts were entered into which directors or officers of the group had an interest and which significantly affected the business of the group.

Property and equipment
There was no change in the nature of the property and equipment of the group or in the policy regarding their use during the year.

Subsidiary and associate
Interests in subsidiaries and associate are set out in notes 12 and 13 respectively to the annual financial statements.

Holding company
The holding company of First National Bank of Namibia Limited is FirstRand Namibia Limited a Namibia Stock Exchange (NSX) listed company and its ultimate holding company is FirstRand EMA Holdings Limited and its ultimate holding company is FirstRand Limited, both of which are incorporated in the Republic of South Africa.

Events after the reporting period
The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

Company secretary and registered offices
The company secretary is Ms N Ashipala.

Postal address: P O Box 195
Windhoek
Namibia

Business address: 130 Independence Avenue
Windhoek
Namibia

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 an interest during this financial year.

05 RISK REPORT

05. RISK REPORT

Introduction

The group defines risk widely – as any factor that, if not adequately assessed, monitored and managed, may prevent it from achieving its business objectives or result in adverse outcomes, including reputational damage.

Effective risk management is key to the successful execution of strategy and is based on: • risk-focused culture with multiple points of control applied consistently throughout the group; • combined assurance process to integrate, coordinate and align the risk management and assurance processes within the group to optimise the level of risk, governance and control oversight; • strong risk governance through the application of financial and risk management disciplines through frameworks set at the centre; and • Risk taking is an essential part of the group's business and the group explicitly recognises core competencies as necessary and important differentiators in the competitive environment in which it operates.	These core risk competencies are integrated in all management functions, business areas and at risk-type level across the group to support business by providing the checks and balances to ensure sustainability, performance, achievement of desired objectives, and avoidance of adverse outcomes and reputational damage. A business profits from taking risks but will only generate an acceptable profit commensurate with the risk from its activities if the risks are properly managed and controlled. The group's aim is not to eliminate risk, but to achieve an appropriate balance between risk and reward. This balance is achieved by controlling risk at the level of individual exposures, at portfolio level and in aggregate across all risk types and businesses through the application of its risk appetite framework. The group's risk appetite framework enables organisational decision making and is aligned with the Group's strategic objectives.

Risk taking is an essential part of the group's business. It is a key component of the delivery of sustainable returns to its shareholders and is therefore embedded in the group's tactical and strategic decision making.

As an integrated financial services provider, the group wants to be appropriately represented in all significant earnings' pools across all chosen market and risk-taking activities. This entails building revenue streams that are diverse and creating long term value via sustainable earnings' pools with acceptable earnings volatility.

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 several qualitative principles and quantitative measures.

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

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

The aim is to ensure that the Group maintains an appropriate balance between risk and reward. Risk appetite limits and targets are set to ensure the Group achieves its overall strategic objectives, namely to: • deliver long-term shareholder value; • deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and • maintain balance sheet strength.	Risk appetite articulates what proportion of Group's financial resources should be utilised in the execution of its strategy and is determined through consideration of several 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 continued

The board adopted the following guiding statements to frame appetite:

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. • Do not take risk without a deep understanding thereof. • Comply with internal targets in various defined states to the required confidence interval. • Do not implement business models with excessive gearing through either none or off-balance sheet leverage. • Limit concentrations in risky asset classes or sectors. • Avoid reputational damage. • 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. • Ensure the Group's sources of income remain appropriately diversified across business lines, products, markets and regions.

Application of the risk/reward framework

Risk appetite, targets and limits are used to monitor the Group's risk/reward profile on an ongoing basis. The risk/reward profile should be measured at a 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 several qualitative principles that serve to provide guidelines on boundaries for risk taking activities.

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.

Management committees

- Strategic Executive Committee
- Strategic Risk; Business Risk; Conduct Risk

FIRST NATIONAL BANK OF NAMIBIA

Board Risk Committees

- Audit Committee
- Senior Credit Risk Committee
- Assets, Liabilities and Capital Committee

Risk, Capital Management and Compliance Committee

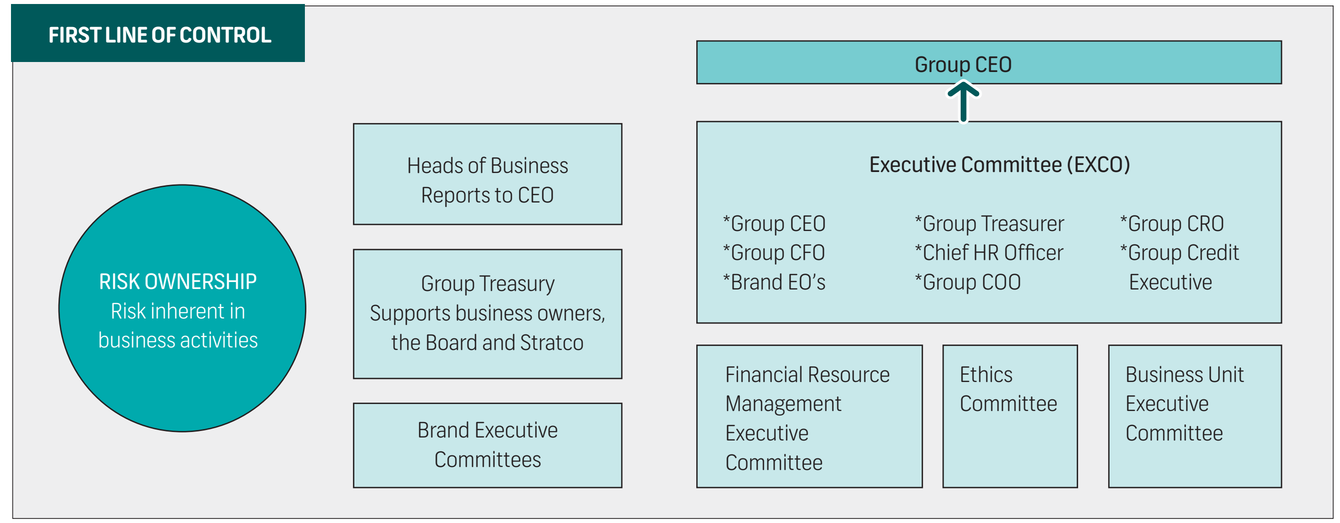
Risk Coverage	
Credit Risk	Tax Risk
Market Risk	Operational Risk
IT Risk	Financial Crime Risk
Regulatory Risk	New Product Risk
Liquidity Risk Capital Management	Reputation Risk

Three lines of control

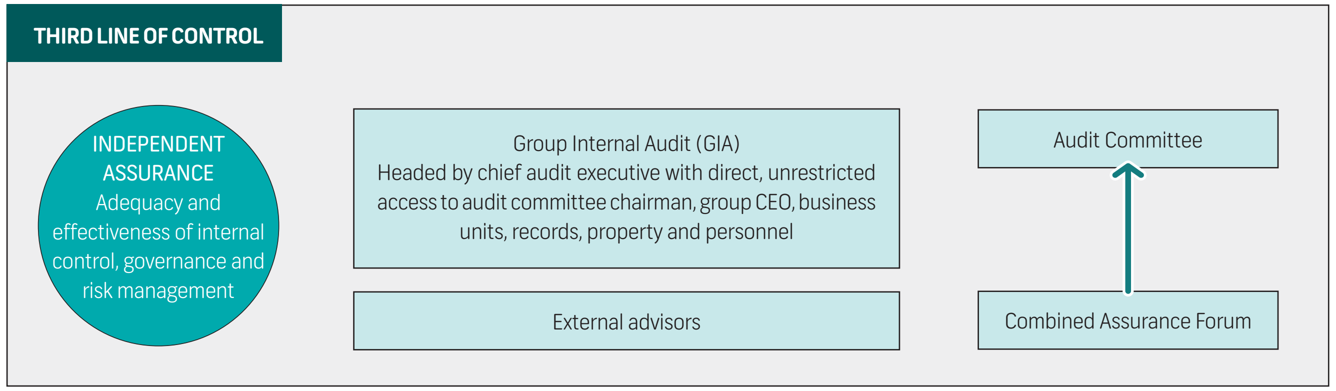
The group obtains assurance that the principles and standards in the risk frameworks are being adhered to by the three lines of control model. In this model, business units own the risk profile as the first line of control.

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.

GIA as the third line of control, provides independent assurance of the adequacy and effectiveness of risk management processes and practices.



Three lines of control continued



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; and
- 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 several risks that are inherent in its operations. Managing these risks appropriately is the core competency of the individual business areas.

Risk Universe

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

RISK UNIVERSE			
Capital Risk	Liquidity Risk	Market Risk	Information Technology Risk
Operational risk	Compliance Risk	People Risk	Reputation Risk
Credit Risk	New Business Risk	Strategic Risk	Accounting and Taxation Risk

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

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.

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 group treasurer. 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

The interest rate risk stemming from the endowment effect is managed dynamically by aligning the house view on rates with the structure of the balance sheet and devising actions to protect and enhance margin earnings.

Interest rate risk is an inevitable risk associated with 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

Liquidity Risk is the risk that an entity will not be able to meet its financial obligations as they fall due or might not be able to liquidate the assets of the entity timeously without incurring losses or at conditions unfavourable to the entity. This risk is managed by firstly distinguishing between structural, daily and contingency liquidity risk and then employing various approaches in the assessment and management of these on a daily, weekly and monthly basis as illustrated in the following chart.

Structural Liquidity Risk Management	Daily Liquidity Risk Management	Contingency Liquidity Risk Management
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 and from one country to another; • ensuring adequate liquidity ratios; • ensuring adequate structural liquidity gap; and • maintaining a funds transfer pricing methodology and processes.	• managing intraday liquidity positions; • managing daily payment queue; • monitoring net funding requirements; • forecasting cash flows; • perform short-term cash flow analysis for all currencies individually and in aggregate; • management of intragroup liquidity; • managing central bank clearing; • managing net daily cash positions; • 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 behaviour 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 the recent credit crisis. 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.

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.

The goal of credit risk management is to maximise the group's measure of economic profit, NIACC, within acceptable levels of earnings volatility by maintaining credit risk exposure within acceptable parameters.

Credit risk management objectives are two-fold:

- Risk control: Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task; and
- Management: Credit risk is taken within the constraints of the risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions fulfil this role.

Based on the group's credit risk appetite, as measured on a ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the group, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement as well as collection and recovery of delinquent accounts.

Credit Risk Profile

	Group		Company	
N$ million	2019	2018	2019	2018
Gross advances	31 118	28 946	30 820	28 578
Credit loss ratio (%)	0.65%	0.45%	0.65%	0.45%
NPLs as % of advances	2.72%	1.67%	2.74%	1.68%
Specific coverage ratio (%)	1.12%	0.60%	1.13%	0.60%
Total impairments coverage ratio (%)	2.27%	1.04%	2.27%	1.05%
Performing book coverage ratio (%)	1.18%	0.45%	1.16%	0.45%

Assessment and Management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the group is split into three distinct portfolios: retail, commercial and corporate, and are aligned to customer profiles.

The assessment of credit risk across the group relies on internally developed quantitative models for addressing regulatory and business needs. The models are used for the internal assessment of the three primary credit risk components:

- Probability of default (PD);
- Exposure at default (EAD); and
- Loss given default (LGD).

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and group level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

Assessment and Management continued

The group employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. FirstRand (FR)1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

Mapping of FR grades to rating agency scales

FirstRand rating	Midpoint PD	International scale mapping
1 - 14	0.06%	AAA, AA, A
15 - 25	0.29%	BBB
26 - 32	0.77%	BB+, BB
33 - 39	1.44%	BB-
40 - 53	2.52%	B+
54 -83	6.18%	B
84 - 90	13.68%	B-
91 - 99	59.11%	Below B-
100	100%	D (Defaulted)

* Indicative mapping to the international rating scales of S&P Global Ratings (S&P)
The group currently only uses mapping to S&P's rating scales.

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.

05.1 Regulatory risk

INTRODUCTION AND OBJECTIVES

The Group expects ethical behaviour that contributes to the overall objective of prudent regulatory compliance and risk management by striving to comply fully with the spirit and the letter of the law. Management's ownership and accountability contributes to this through, within the confines of the law, the provision of appropriate and customer-centric financial products and services, and treating customers fairly. The compliance culture also embraces broader standards of integrity and ethical conduct which affects all employees. The Group RCRM's objective is to ensure business practice, policies, frameworks and approaches across the Group are consistent with applicable laws and that regulatory risks are identified and proactively managed.

Compliance with laws and regulations applicable to its operations is critical to the Group as non-compliance may have potentially serious consequences and lead to both civil and criminal liability, including penalties, claims for loss and damages, or restrictions imposed by regulatory authorities.

YEAR UNDER REVIEW AND FOCUS AREAS

One of the key objectives during the year under review was to strengthen relationships with regulators by providing assurance, not only to the board, but also to the regulators that First National Bank of Namibia was indeed compliant with its governing laws. The strategy implemented in this regard yielded the desired result in that the bank, declared a systemically important bank, was inspected by the Bank of Namibia and the final reports issued concluded as follows:

- The Banking Supervision Department allocated an overall risk rating of "Moderate" and concluded that "the adequacy of the Risk Management Systems (RMS) is considered as Acceptable"; and
- The Exchange Control Department of the Bank of Namibia allocated an overall risk rating of "Satisfactory" and concluded that the "level of compliance and control measures are considered to be adequate and effective".

A huge focus was also on market conduct risk, which is a sub-category of Conduct Risk and can be defined as any action of a financial Institution or individual that leads to customer detriment, or has an adverse effect on market stability or effective competition. Market Conduct ensures organizations promote and maintain as safe, stable and sound systems to protect consumers considers how persons involved in the financial sector conduct themselves and their businesses in relation to customers and each other; and has a strong focus on fairness and integrity.

05.1 Regulatory risk continued

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
Key emerging legislation for the financial services sector: **Key Bills** • Exchange Control & Foreign Financial Transactions Bill; • Banking Institutions Bill, 2017; • Electronic Transactions and Cybercrime Bill; • Financial Institutions and Markets Bill; • Financial Services Adjudicators Bill. **Key newly enacted laws** • Micro lending Act – passed and now applicable; • Administration of Estates Amendment Act; • Deposit Guarantee Act. **Key Determinations in draft:** • Suggested amendments to PSD5 which is the determination on the basic bank account which aims to drive financial inclusion. This determination will have implications to the Bank. • Suggested amendments to PSD-3. Determination on Issuing of Electronic Money. This determination will have implications to FNB Bank.	• Continue to cooperate and build relationships with regulatory authorities and other stakeholders. • Continue to make significant investments in people, systems and processes to manage risks emanating from the large number of new local and international regulatory requirements. • Ongoing investment in systems, processes and resources to ensure compliance with anti-money laundering and combating the financing of terrorism (AML/CFT) legislation as well as new requirements under the payment space. • Strengthen focus on anti-bribery and corruption strategy and programs to ensure compliance with local and international regulatory instruments with extraterritorial reach. • Continue to focus on managing regulatory and conduct risk posed by clients and other external stakeholders. • Continue to focus on managing organizational culture risk detection, prevention and remediation, which supports regulatory risk management. • Ongoing focus on remediation actions required in respect of identified regulatory risk management matters, including matters identified by the Bank of Namibia, the Namibia Financial Institutions Supervisory Authority, and the South African Reserve Bank where applicable. • Continue to manage risks associated with illicit cross-border flows.

ASSESSMENT AND MANAGEMENT

RRM's board mandate is to ensure full compliance with statutes and regulations. To achieve this, RRM has implemented appropriate structures, policies, processes and procedures to identify all regulatory and supervisory risks. RRM monitors the management of these risks and reports on the level of compliance to the board, BON, as well as SARB where required.

These include:

- risk identification through documenting which laws, regulations and supervisory requirements are applicable to the group;
- risk measurement through the development of risk management plans;
- risk monitoring and review of remedial actions;
- risk reporting; and
- providing advice on regulatory compliance-related matters.

Although independent of other risk management and governance functions, the RRM function works closely with the group's business units, GIA, ERM, RCCC, external auditors, internal and external legal advisors, and the company secretary's office to ensure the effective functioning of compliance processes.

05.2 Financial crime risk

INTRODUCTION AND OBJECTIVES

The prevalence of economically motivated crime in many societies remains a substantial threat to the development and stability of economies. Financial crimes range from money laundering, terrorist financing, breaches of economic and trade sanctions, illicit financing of weapons proliferation, including weapons of mass destruction (WMD), bribery, corruption and tax evasion.

Financial crime risk is defined as the risk of economic loss, reputational damage and/or regulatory sanction to the group arising due to the facilitation of transactions involving proceeds of financial crimes because of an inadequate or ineffective control environment including non-compliance with the relevant regulatory requirements.

The group seeks to prevent its platforms from being abused for purposes of financial crime, has zero tolerance for wilful and deliberate non-compliance, and seeks to achieve full compliance with the letter and purpose of regulation and legislation.

There may however be instances of unintended failures which result in non-compliance, however these instances will be addressed on a prioritised basis.

EMERGING RISKS AND CHALLENGES

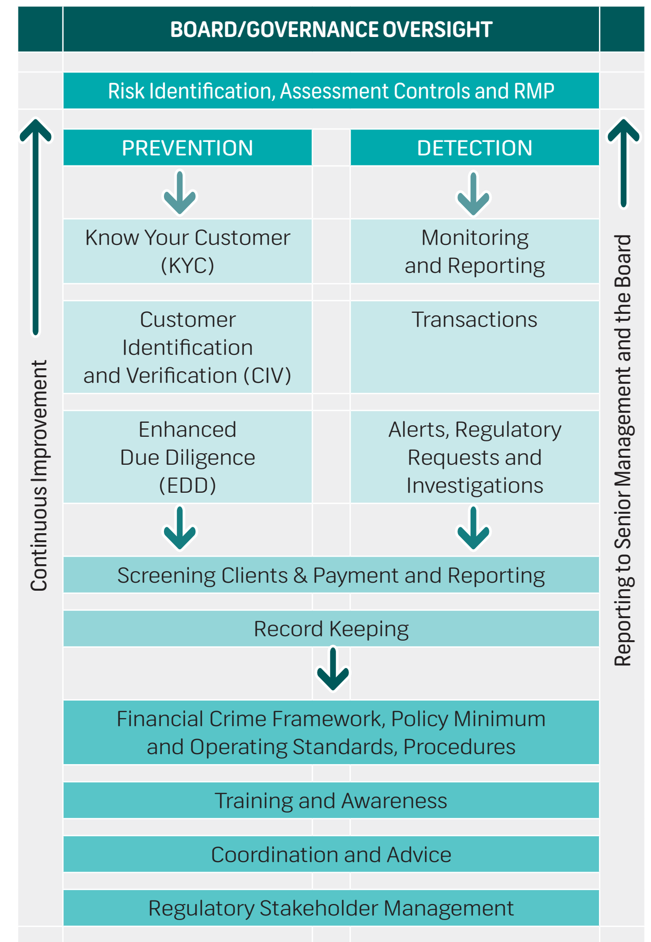
Illicit cross border financial flows has been identified as key and emerging risk. The main challenge considering the evolving regulatory landscape is to continuously invest in processes, people and systems to enhance efficiencies within operational activities, without increasing to the cost of compliance.

OPPORTUNITIES AND RISK MANAGEMENT FOCUS AREAS

Enhanced and real-time data analytics will continue to be a key focus area as it offers an opportunity for more proactive and agile financial crime risk management including more automated compliance monitoring.

FINANCIAL CRIME RISK MANAGEMENT PROGRAM OVERVIEW

The group has established a dedicated financial crime risk management department and implemented systems and measures as part of its program. The following are the key elements of the group's financial crime risk management :



05.3 Operational risk

Operational risk definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems or from external events and human error. It includes fraud and criminal activity (internal and external), project risk, legal risk, business continuity, information and IT risk, process and human resources risk. Strategic, business and reputational risks are excluded from the definition.

Operational Risk Management Framework

Effective management of operational risk is carried out through the continual cyclic process of risk identification, assessment, measurement, monitoring and reporting. Risk profile reports enhance the transparency of business operations and support management in making informed decisions.

The Operational Risk Framework is applied as follows:

Risk Management Principle	Tools / Methodology / Key considerations
Risk Identification	• Process based risk and control identification and assessment ("PRCIA"); • Audit findings; • Analysis of internal Events and Losses; and • Data Quality Assessment
Risk exposure quantification and measurement	• Assess operational risks from two perspectives: likelihood and impact, and use a combination of qualitative and quantitative methods to do so.
Risk monitoring	• Use of Key Risk Indicators against pre-determined thresholds (risk appetite).
Risk reporting	• Risk Profile Reporting to support decision making.
Capital Calculation	• Risk Scenario Analysis; • Assessment of internal loss data; • Consideration of external loss data; and • Evaluation of control environment within the group.

Risk Appetite and Tolerance Thresholds

Establishing a risk appetite that has an adequate balance between risk and reward is a dynamic process that is built on a blend of qualitative and quantitative principles, processes and guidelines. The aim is not to eliminate all operational risk exposure, but to set a framework for effectively managing and mitigating operational risk within the Group and the approved Group operational risk appetite levels.

The Operational Risk Appetite Policy governs the Group's approach to Risk Appetite. All exceptions and breaches of thresholds are reported per the escalation process, to the ERM Committee, EXCO and the RCCC, as appropriate.

First National Bank of Namibia aims to maintain a mix of businesses, business activities, income streams and risk exposures to limit earnings volatility. Risk management within risk appetite contributes towards limiting loss of confidence or adverse reputational impacts.

Operational Losses

The table below shows the distribution of risk events across the Basel risk event categories for the period 1 July 2018 to 30 June 2019.

	2019	2018
Total Operational Losses as a % of Gross Income	0.3%	0.3%

Summarised commentary on operational risk events

- The overall losses incurred were within the Group's risk threshold;
- There was one major event, related to external criminal activity and third-party exposure, that comprised of 51% of the total operational losses incurred. Control enhancements were implemented to reduce future risk exposure;
- Other events in the external fraud category were predominantly due to credit card fraud, identity theft and online banking fraud, which is in line with industry trends; and
- Given the implementation of Verification by Visa, it is expected that the Bank's losses will reduce going forward. For FY 2019, Card Related Operational Losses amounted to 18% of total Operational Losses (24% in FY 2018).

CURRENT AND EMERGING CHALLENGES AND OPPORTUNITIES

Current and Emerging Challenges	Opportunities and Risk Management Focus Areas
• Operational risk is driven by ongoing challenges in the IT environment, growing sophistication of cybercrime, operational challenges in meeting various regulatory requirements (on a national and regional level), current group-wide projects to make system changes that require to be integrated to legacy systems, risk of process breakdowns and organisational change. • Increased business digitisation (including robotics and artificial intelligence) introduces additional IT risk due to the demand and speed of digital technology adoption.	• Continue to improve the internal control environment, improve system security, IT risk processes and operational business resilience capability. • Leverage an integrated group cybercrime strategy and cyber incident response plans. • Improve information management, roll out awareness programmes on records management and data quality. • Continue to improve risk data management, aggregation and reporting. • Align governance frameworks and risk management practices with changing business models and the technology landscape.

ASSESSMENT AND MANAGEMENT

The group obtains assurance that the principles and standards in the operational risk management framework are being adhered to by the three lines of control model which is integrated in operational risk management. In this model, business units own the operational risk profile as the first line of control. In the second line of control, ERM is responsible for consolidated operational risk reporting, policy ownership and facilitation, and coordination of operational risk management and governance processes. Group Internal Audit (GIA), as the third line of control, provides independent assurance on the adequacy and effectiveness of operational risk management processes and practices. In line with international best practice, a variety of tools are employed and embedded in the assessment and management of operational risk.

The Top Operational Risks (Inherent Risks) that the Group is currently facing are:

1. Information Security Risk – Global & Industry-Wide risk given growing sophistication of cyber-attacks (e.g. ransomware);
2. Regulatory Risk – the amount of resources required to comply with existing legislation and/or prepare for emerging legislation. Namibia is exposed to national industry wide regulatory projects, in addition to regional regulatory projects (from South Africa, Common Monetary Area (CMA). The volume and complexity of regulatory requirements is expected to continuously grow. In addition, projects typically do not have any profitable return;
3. Dependency Risk regarding delivery on existing and/or new IT projects – an inherent risk given the broader FirstRand Group Structure, where the Namibian operations are dependent on specialised resources based in RSA to develop new systems and/or deliver on system enhancements; and
4. Execution, delivery and process management risk – risk associated with inadequate internal processes, including human error and control failures within the business. This includes process origination, execution and operations – a landscape that continuously changes as the business continues to grow and evolve (organisational change).

05.4 Legal risk

The Group has in the past two years embarked on upscaling its legal division to ensure a fully-fledged legal division to cater for comprehensive legal risk management throughout the group. The division is headed by Group Legal Advisor who is an admitted legal practitioner, who reports directly to the CRO. The overall objective of Group Legal Services is to establish a functional, world-class legal risk specialist management environment where all legal risks are identified, analysed, monitored, adequately reported, quantified where possible and managed on a consistent basis.

In addition to the Group Legal Advisor, the legal division currently consists of two other admitted legal practitioners and an ESRA specialist. The mandate and functions of the Group Legal Office is contained in the Legal Framework Policy which sets out the core responsibility of the office.

The primary function of Group legal Services comprises of:

- General day to day corporate legal advisory functions;
- Legal drafting and review
- Contract management;
- Management and oversight of litigation and litigious matters;
- Intellectual property;
- Identifying, monitoring and reporting on emerging legislations likely to impact the Group.

In line with the Group's "owner manager" culture, Group Legal Service serves as a support function to the various business unit management throughout the Group. Ultimately, the respective business units remain accountable and responsible for all legal risk management activities within their respective departments.

During the period ended 30 June 2019 Group Legal Services has made good traction and achieved all its set milestones. No significant legal risks materialised.

05.5 Fraud risk

INTRODUCTION AND OBJECTIVES

The objective remains to proactively manage the risk of loss arising from fraudulent activities whether this emanates from an external or internal source and enable the proactive recovery of funds involved in fraud.

The Group is a law-abiding corporate citizen and requires all business entities and employees to, at all time act honestly, with integrity, and within the confines of the law. It further remains the responsibility of the Group to ensure that adequate control and preventative measures are in place to combat all criminal activities, and to adhere to such controls.

The Group views any criminal activity as an extremely serious matter and is committed to the enforcement of an anti-crime culture throughout the organisation including fraud training, awareness and communication for all staff and customers of the group.

Our focus remains to improve our ability to proactively identify all criminal activity, and syndicated / organised criminal activity targeting the group, by establishing detection and prevention strategies that enable this.

A Fraud Risk Management framework/policy that governs key risk management principles and guidelines and by which the critical fraud risks areas are identified, trends monitored, and preventative actions documented, is in place.

TRENDS

With the Digital/Online banking world evolving so is the fraudsters and we had seen a slight migration from ordinary fraud (identity theft, ATM card swap etc) to Digital Fraud e.g. CNP/Online Fraud, Phishing/Hacking & e-wallet product being used as access mechanism to defraud customers.

"Understanding that the Forensics Team does not have eyes and ears everywhere, whistleblowing is strongly encouraged in the group. The group believes in rewarding those who speak up and run a whistle-blower rewards program known as the Leading Light Rewards. The number of entrants has risen by 50% since the last financial year. As at the end of April N$ 93 000 in prize money has been paid out. Every valid entry receives a guaranteed prize of N$ 1 000. Draws are done quarterly and annually.

The protection of whistle-blowers is imperative to the success of whistleblowing and is therefore governed by a whistleblowing policy which is in line with the whistle-blower protection bill."

FOCUS AREAS

During 2020, the team will focus on maturing our electronic surveillance and monitoring tools to improve the proactive detection and deterrence of fraud. Other risk monitoring tools will be integrated into the banking system to aid in the finding and stopping of potential gaps that could be exploited.

06 CORPORATE GOVERNANCE REPORT

The directors and management of First National Bank of Namibia Ltd regard **excellence** in **corporate governance, transparency, fairness, responsibility** and **accountability essential** for its **long-term business sustainability.** Helping to protect and enhance the interests of its stakeholders. First National Bank of Namibia Ltd is **committed to** and **accepts responsibility** for applying these principles to ensure that the group is **managed ethically** within **prudent risk parameters.**

The group is subject to and endorses the on-going disclosure, corporate governance and other requirements required by the Namibian Stock Exchange (NSX). The group supported and applied the principles of the Corporate Governance Code (NamCode) for Namibia. In response to the NSX Gazette #139 the group replaced all references made to King II in the NSX Listing requirements with the NamCode.

Compliance Statement

First National Bank of Namibia Ltd group's main business is banking financial service provision, 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. In addition, FirstRand Namibia Ltd is a duly registered controlling company of First National Bank of Namibia Limited in terms of the Banking Institutions Act, 1998 as amended. First National Bank of Namibia Ltd has debt listed on the Namibian Stock Exchange ("NSX"), and complies with the Stock Exchanges Control Act of 1985, NamCode on Corporate Governance and the listing requirements of the exchange. The directors of First National Bank of Namibia Ltd ensure compliance with relevant legislation and other best practice regulations flowing from both local and international authorities.

The assessments conducted and overseen by the board committees during the year confirmed that the processes implemented by the group relating to corporate governance, internal controls, risk management, capital management and capital adequacy have successfully achieved the above objective. The board is satisfied that the group has complied with all these principles in all material respects throughout the year.

Governance Framework

The board is committed to ensuring, as the fundamental corporate governance principle for the group, that it maintains adequate and effective processes in place that are consistent with the nature, complexity and risk inherent in the group's business activities. Furthermore, that the processes are able to respond to changes in the environment in which the Group operates.

The group operates within a clearly defined board-approved governance framework, which outlines mechanisms for the group to implement robust governance practices and provides clear direction for decision making across all disciplines. The Company Secretarial team monitors the effective implementation of the group governance framework and is satisfied that the framework contributes to role clarity and the effective exercise of board authority and independence thereof. The board approved governance framework that incorporates its commitment to sound corporate governance and ethical business practices, which is the foundation on which we can build the trust of our stakeholders. The strategy is supported by our governance framework, which is continually reviewed to ensure it supports effective decision making and provides robust controls.

Board Governance Structure

The board has overall responsibility for the group. Including approving and overseeing management's implementation of strategic objectives, governance framework and corporate culture. The board performs its duties and responsibilities in terms of a board charter that is reviewed annually. In discharging its responsibilities, the board is empowered to delegate its responsibilities to committees and management. The board is supported by board committees, senior management and other governance forums and panels. The Board met 4 (four) times during the year under review.

The board charter details the board's role and responsibilities. It reflects the principles incorporated in the Companies Act, Banking Institutions Act, the company's articles of association, NamCode, Basel Corporate Governance for Banks, NSX listing requirements and other applicable law and binding regulatory provisions.

Composition of Board, Independence of Directors and Demographics

The company has a unitary board structure comprising 11 (eleven) directors. The directors are drawn from diverse backgrounds and bring a wide range of experience, insight and professional skills to the board to ensure effective leadership of the company. Board members may collectively or individually consult external professional advisors on any matter of concern as appropriate.

	Independence Status	Employed by Group	Resident in Namibia	Gender	Previously Disadvantaged
II Zaamwani-Kamwi	Independent non-executive	No	Yes	Female	Yes
SH Moir	Independent non-executive	No	Yes	Male	No
JG Daun	Independent non-executive	No	Yes	Female	No
CLR Haikali	Independent non-executive	No	Yes	Male	Yes
Adv. GS Hinda	Independent non-executive	No	Yes	Male	Yes
JH Hausiku	Independent non-executive	No	Yes	Male	Yes
IN Nashandi	Non-executive	No	Yes	Male	Yes
JR Khethe	Non-executive	No	No	Male	Yes
GCP Kruger	Non-executive	Yes	No	Male	No
SJ van Zyl	Executive	Yes	Yes	Male	No
OLP Capelao	Executive	Yes	Yes	Male	Yes

The above classification of directors, as independent or otherwise, has been done on the basis of the evaluation of their independence by the Directors' Affairs & Governance Committee (DAGC).

The DAGC conducted a rigorous review of individual directors having regard to various considerations, including tenure, membership to various boards and committees within the group, external directorships, character, judgment and any factors that may impair independence.

Board Changes

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

Appointments		Effective date
IN Nashandi	Non-Executive	31 January 2019

Resignations		**Reason for resignation**	**Effective date**
RJC Hamer	Non-Executive	Change in employment circumstances, which resulted in an inability to attend board meetings in-country.	3 December 2018

Attendances		First National Bank of Namibia Ltd Board	Audit Committee	Risk, Capital and Compliance Committee	Directors' Affairs and Governance Committee	Remuneration Committee	% of Board Attendance
Meetings held		4	4	4	3	2	%
Director	Category						
II Zaamwani-Kamwi	Independent non-executive (Chairperson)	√√√√	NM	NM	√√√	NM	100%
SH Moir	Independent non-executive (Deputy Chairperson)	√√√√	√√√√	√√√√	√√√	√√	100%
CLR Haikali	Independent non-executive	√√√√	√√√√	NM	√√√	√√	100%
JR Khethe	Non-executive	√√√	NM	NM	√√√	√	75%
SJ Van Zyl	Chief Executive Officer	√√√√	NM	NM	NM	NM	100%
OLP Capelao	Chief Financial Officer	√√√√	NM	NM	NM	NM	100%
GS Hinda	Independent non-executive	√√√	NM	NM	NM	NM	75%
JH Daun	Independent non-executive	√√√√	√√√√	NM	NM	NM	100%
JH Hausiku	Independent non-executive	√√	NM	√√	NM	NM	25%
IN Nashandi	Non-executive	√√	NM	NM	NM	NM	50%
GCP Kruger	Non-executive	√√√√	NM	NM	NM	√	100%
RJC Hamer	Non-executive	√√	√√	√√	√√	√√	50%
√ – Number of attendances NM – Non Member							

Note(s):

- RJC Hamer resigned as director and Committee member effective 3 December 2018;
- IN Nashandi was appointed 31 January 2019 and only 2 board meetings were held during his time of appointment (January 2019 and April 2019); and
- JH Hausiku did not meet the required 75% of meeting attendance. Attendance of 25% was recorded due to connectivity issues.

In addition to the annual board meetings the board is required to attend a strategic session and board training. The board is satisfied that all directors, whether classified as executive, non-executive or independent non-executive, act independently, free of undue influence, and in the best interest of the group.

The Chairperson and Deputy-Chairperson of the Board

The First National Bank of Namibia Ltd Board Chairperson and Deputy-Chairperson are both independent non-executive directors, whose roles are separate from that of the Chief Executive Officer. The Chairperson and Deputy-Chairperson held office till the first board meeting in 2019, where they were duly re-elected after consideration of their independence. The Chairperson, duly assisted by the Deputy-Chairperson continue to provide the First National Bank of Namibia Ltd Board the direction necessary for an effective board.

Ongoing Board Development Training Program

The directors are accountable and responsible for all actions of board committees. Ongoing training and education allow directors to familiarise themselves with First National Bank of Namibia Ltd operations, the business environment, fiduciary duties and responsibilities, the board's expectations in respect of a director's commitment and ethical behaviour, and keeping abreast of regulatory changes and trends. The directors' affairs and governance committee oversees director induction and ongoing training programmes, and will continue to make professional development of its members a priority.

Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice in support of their duties at the group's expense.

During the year the following training topics were covered:

- Basel Risk Data Aggregation and Risk Reporting Principles (BCBS 239);
- Banking Institutions Determination 1 (BID-1), the Duties and Responsibilities of Directors, Principal Officers and Executive Officers;
- IT Risk and Cyber Security;
- Regulatory and Conduct Risk with an emphasis on Financial Crime Risk Management, Business Conduct (Ethics, Anti-Bribery and Corruption, Market Conduct);
- Environmental and Social Risk Management; and
- Credit Risk Management and Governance.

Limitation to appointment period

Non-executive directors are appointed every three years, subject to re-election and the Companies Act provisions relating to removal and/or retiring by rotation. Re-appointment of non-executive directors is not automatic. The Chief Executive and Chief Financial Officers are excluded from the rotation.

Tenure

Four directors have served more than 9 years on the Board of First National Bank of Namibia Ltd Namibia Ltd. The Directors' Affairs and Governance Committee reviewed the performance of these directors, taking into consideration factors which may impair their independence and found that they were suitable to act as Independent Non-Executive Directors.

Retirement of directors

Notwithstanding any contrary provision contained in the Articles, the office of a director may be vacated at the close of the Annual General Meeting of the Company relating to the financial year of the Company in which the director reaches the age of 70 (seventy) years, but is subject to the discretion and review by the Board.

S Moir, Deputy-Chairperson retired and was re-elected by shareholders to serve as a director at the 24 October 2018 Annual General Meeting. S Moir has indicated his availability for re-election for one further year, which will be put to shareholders at the 24 October 2019 Annual General Meeting. S Moir will thus formally retire from the First National Bank of Namibia Limited Group as an Independent Non-Executive director and Deputy Chairperson with effect 31 December 2020. The group will commence succession planning given the upcoming vacancy.

Nomination and Appointment to the Board

There is a formal transparent board nomination and appointment process which is a matter for the board assisted by the Directors' Affairs and Governance Committee. The committee assists the board in identifying suitable members to the board. The process takes cognisance of the need for appropriate demographics and diversity which applies to, inter alia, academic qualifications, technical expertise, relevant industry knowledge, nationality, age, race and gender diversity at board level, together with the balance between non-executive and independent non-executive directors. In addition, the appointment process includes interviewing the nominees for the role and performance of reference and background checks of candidates prior to nomination. In terms of the banking regulations, all directors are assessed as fit and proper by the Bank of Namibia and the South African Reserve Bank.

Board Committees

While the board has ultimate responsibility for the affairs of the group, various board committees have been established to assist the board in discharging its duties more effectively. The board committees have clearly-defined terms of reference.

Board Committee Composition

	Audit Committee	Risk, Capital & Compliance Committee	Directors' Affairs & Governance Committee	Remuneration Committee
II Zaamwani-Kamwi			√	
SH Moir	√	√	√	√
GCP Kruger		√		√
CLR Haikali	√		√	√
JG Daun	√			
JH Hausiku		√		
JR Khethe			√	√

Chief Executive Officer

Sarel van Zyl was appointed as the Chief Executive Officer by the board in December 2014. The Chief Executive Officer leads and directs the executive management and serves as the chief link between management and the board. The Chief Executive Officer is accountable to the board for, amongst other things managing the strategies, group performance and vision of First National Bank of Namibia Limited, and ensuring the achievement of its performance targets.

Company Secretary

The company secretary plays an essential role in First National Bank of Namibia Ltd corporate governance and is suitably qualified and experienced. The company secretary is responsible to the board for, inter alia, acting as a central source of information and advice to the board on their duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations.

Nelago Ashipala was appointed as First National Bank of Namibia Ltd company secretary in May 2015, and is also the company secretary to the board committees. Aligned with good governance practice, the appointment and removal of the company secretary is a matter for the board.

All directors have full access to the services and advice of the group company secretary in all aspects of the board's mandate and operations of the group.

Board and Committee Evaluation

Evaluations during the year were formally conducted internally and identified no material concerns in respect of the areas assessed. During the year, an independence assessment was performed on directors with a tenure of more than nine years. The board is satisfied that the independent non-executive directors who have served continuously for nine years or more are able to act independently in decision making in the best interests of the group.

At June 2019 there are 11 directors, of which four (36%) have served more than nine years. The board is satisfied that the evaluation process is improving its performance and effectiveness, and will continue to find ways to improve on the evaluation process.

A key consideration when selecting directors is the group's competency framework. The financial services sector is complex and suitably qualified directors with the requisite skills and business experience are rare. As such, the group has directors with a tenure greater than nine years.

An overview of the Directors Evaluation results are as follows:

Composition	The board's composition is not effective and designed to ensure efficient operation. Improvement required here.
Board succession	The board and the board committee succession plan require improvement to ensure that it is adequate to ensure board/ committee continuity.
Strategic plan	Improvement required in giving the Board sufficient information to enable it to evaluate the strategic plan.
Emerging Issues	Improvement is required in the form of provision of more information. The board can be given sufficient information to enable it to evaluate the strategic plan. The board's involvement in the strategic plan can be improved upon.
Information	Executive Management needs to provide sufficient information to enable an informed decision when approval is sought.
Executive succession	Improvement in ensuring that there is an appropriate succession plan in place for those executives over which the board has discretion.
Remuneration	The company's remuneration structure needs to strive to support sound corporate governance (fair, responsible and transparent) so as to promote the creation of value in a sustainable manner.

Governance Structure

While the board ultimately retains responsibility for the proper fulfilment of all functions, it delegates authority to the Group Chief Executive Officer, Executive Directors and Senior Management for the implementation of the strategy and the ongoing management of the business on a day-to-day basis.

The board is supported by its committees which provide in-depth focus on specific areas and make recommendations on matters delegated to them, encompassing, inter alia, risk, internal control, financial reporting, strategy and, appointments and remuneration issues. Through the deliberations and reporting of the various committees, the board ensures that the company and its subsidiaries are being managed in line with its objectives.

Considering the evolving and challenging environment in which the group operates, the board recognises that governance must be dynamic to meet current and future business requirement. Each committee has its own charter, approved by the board and reviewed as deemed necessary. The charter sets out the committees' role, responsibility, composition, powers, structure, resources and any other relevant matters.

The following board committees exist:

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

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

06.1 Audit Committee

Audit Committee

The fundamental role of the audit committee is to assist the board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems, and the internal and external audit functions. The objectives and functions of the committee are set out in its charter. The independence of the audit committee is paramount, the committee is composed of three independent directors.

The board assures stakeholders that the committee's collective skills are appropriate to oversee integrated reporting taking into consideration the industry, the group's size and circumstances. The period for which the audit committee members have served is as follows:

SH Moir	Appointed 2006
CLR Haikali	Appointed 2016
JG Daun	Appointed 2017

The committee discharged its duties by inter alia complying with its legal and regulatory responsibilities, as well as:

- Overseeing internal and external audits, including review and approval of internal and external audit plans, review of significant audit findings, monitoring progress reports on corrective actions required to rectify any reported internal control shortcomings;
- Reviewing legal and compliance matters that could have a significant impact on the financial statements;
- Monitoring the internal audit process and assessing the effectiveness of the internal audit function;
- Reviewing the quality, independence and cost-effectiveness of the statutory audit and non-audit engagements;
- Monitoring internal control frameworks and procedures, including accounting policies, legislative compliance, regulatory matters and governance;
- Reviewing the effectiveness of the systems of internal control, including IT internal controls and risk management, based on written reports from the Chief Audit Executive;
- Recommending the appointment of external auditors, who in the opinion of the committee are independent of the company, for approval by shareholders at the Annual General Meeting;
- Approving the remuneration of the external auditors and assessment of their performance;
- Performing an annual assessment of the independence of the external auditors;
- Setting the principles for recommending the use of external auditors for non-audit services;
- Advising and updating the board on issues ranging from accounting standards to published financial information;
- Providing independent oversight of the integrity of the annual financial statements and other external reports issued and recommending the annual integrated report to the board for approval;
- Assessing combined assurance from the external auditors, internal auditors and management and ensuring that the combined assurance received is adequate to address all material risks;
- Reviewing the appointment of the external auditors for recommendation to the board; and
- Assessing the expertise, resources and experience of the group financial director and finance function.

The Audit Committee is satisfied with the efficacy and independence of the independent auditor, Deloitte & Touche, who performed the audit for the year and further confirms that the appointment of Deloitte & Touche, together with that of the designated individual audit partner, was assessed in accordance with the Listings Requirements. The audit firm Deloitte & Touche, will be proposed to the shareholders at the upcoming Annual General Meeting for approval to be the Group's auditor for the 2020 financial year.

Following the review of the financial statements, the Audit Committee is of the opinion that, in all material respects they comply with the relevant provisions of the Companies Act and IFRS and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and that they fairly present in all material respects, the results of operations, cash flows and financial position of the company and the Group for the year then ended.

Audit Committee continued

The audit committee has recommended to the board the entire Integrated Report for approval. The audit committee is of the opinion that it has discharged its functions in terms of its proposed Charter and as ascribed to it by the Companies Act. The audit committee confirms that the company has established appropriate financial reporting procedures and that those procedures are operating.

Assurance to stakeholders

Going concern

The committee has reviewed a documented assessment including key assumptions, prepared by management of the going concern status of the company and accordingly confirmed to the board that the company is expected to be a going concern for the foreseeable future.

Expertise and adequacy of finance function

The committee is satisfied that Mr. OLP Capelao, the Group Chief Financial Officer and Executive Director, possesses the appropriate expertise and experience to perform his duties as the finance director. In addition, the committee considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

The committee is satisfied with:

- The expertise and adequacy of resources within the finance function, and
- The experience, expertise and continuous professional development of the management members of the finance function.

Internal Audit and Internal control

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

SH Moir
Chairperson, Audit Committee

06.2 Risk, Capital & Compliance Committee (RCCC)

The objective of this committee is to provide an **independent review** and challenge the group's risk, capital management and compliance within the First National Bank of Namibia Ltd group. This includes ensuring that **effective policies** and **plans** for **risk management** have been implemented to **improve First National Bank of Namibia Ltd's ability** to **achieve its desired outcomes** and that **risk disclosures are timely**, **sufficiently detailed** and **relevant** to the group's stakeholders.

The committee is also responsible for providing independent and objective oversight of regulatory risk management and compliance, financial crime risk management and enterprise risk across the group. The committee is satisfied that the group has adequate resources, systems, skills and remuneration practices to facilitate the ongoing effectiveness of the risk, capital management and compliance functions.

The RCCC discharged its duties by:

- Approving Group policies, frameworks, strategies and processes, specifically regulatory risk management and financial crime risk management policies;
- Monitoring containment of risk exposures within the risk appetite framework;
- Reporting assessment of the adequacy and effectiveness of the risk appetite, risk management, ICAAP and compliance processes to the board. In doing this the committee approved assumptions underlying the group's ICAAP and stress testing process, including review of management plans to address additional risks arising from risk scenarios;
- Monitoring implementation of the risk and compliance management strategy, risk appetite limits and effectiveness of risk and compliance management;
- Reviewing and approving the group recovery plan;
- Monitoring that the group takes appropriate action to manage its regulatory and supervisory risks, and complies with applicable laws, rules, codes and standards in a way that supports the group in being an ethical and good corporate citizen;
- Approving regulatory capital models, risk and capital targets, limits and thresholds;
- Monitoring capital adequacy and ensuring that a sound capital management process exists;
- Receiving reports on the increased regulatory scrutiny and enforcement across the Group, including initiatives to address these risks. Further initiating and monitoring corrective action, where appropriate; and
- Considering presentations on regulatory and conduct risk matters and considered group-wide monitoring coverage plans for regulatory and conduct risk management.

SH Moir
Chairperson, Risk, Capital & Compliance Committee

06.3 Remuneration Committee (REMCO)

REMCO is charged with ensuring that an **appropriate remuneration governance framework** is in place to **attract, retain** and **incentivise talent** in order to **sustain the 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.

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 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 makes use of a Performance Management System (PMS) to manage performance at individual, team, business unit and group levels relative to targets set at each of these levels.

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

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

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

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

REMCO is pleased to report that the group's reward philosophy as encapsulated in the following remuneration components is fully aligned to the group's core purpose:

GUARANTEED PAY

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

An individual's guaranteed pay is determined by:

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

Remuneration 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 PwC Remchannel® salary survey is used to benchmark against the market. This approach ensures that guaranteed pay packages are competitive allowing First National Bank of Namibia Ltd to attract and retain the right caliber of employees.

Annual salary increases are determined using a combination of the bottom-up and top-down approaches. The top-down approach is informed by retention considerations and individual employee performance all of which are anchored against remuneration competitiveness relative to market.

The group has recognised the Namibia Bank Workers Union (NBWU) as the exclusive bargaining agent for non-managerial employees. As part of the bottom-up approach, the group negotiates salary increases with the NBWU on an annual basis as provided for in the Recognition Agreement. Salary negotiations and resulting settlement are generally informed by prevailing macro-economic factors as well as individual employees' performance.

All remuneration increases 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.

Short-Term Incentive (STI) Scheme

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 twice a year, measured against specific quantitative financial and qualitative non-financial performance criteria. Specific quantitative performance measures include, amongst others the following:

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

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

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

These include:

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

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

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

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

Long-Term Incentive Scheme

The group offers long-term award incentive schemes to retain key executives and critical skills who are expected to generate long-term value for the group as well as to reinforce and align their interests with those of shareholders and other stakeholders. The First National Bank of Namibia Limited Conditional Incentive Plan (CIP) is utilised to achieve this objective. The CIP has a zero strike, meaning it has value from day one and the participant still get value even if the share price falls.

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

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

All long-term incentive awards are deferred by a conditional award, in terms of the group's conditional incentive plan for three 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 exit 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.

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.

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

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

- ensuring guaranteed pay is commensurate with the volume of work, level of responsibility and individual performance in the role;
- protecting stakeholder value through compensation based on performance measured after adjusting for the level of risk assumed and the cost of capital incurred during 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.

Executive Directors' remuneration increased by 7.8%. Chief Executive increased by 8.6% and the Chief Financial Officer by 6.6% respectively. During the year ended 30 June 2019 the group ROE and NIACC reduced by 1.0% and 0.9% respectively. The committee believes that this increase and the underlying remuneration mix detailed in this report, is consistent with the group's remuneration governance framework.

06.3 Remuneration Committee (REMCO) continued

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 to meet the remuneration philosophy of the group that advocates for fair and responsible remuneration. The fees are reviewed by the remuneration committee and are approved in advance by shareholders at the annual general meeting.

Non-executive directors do not receive share options or other incentive awards, besides the implementation of the BEE/Transformation agreement entered into in 2005. Further information on exposure of directors to the shares of the company is provided in the notes of the annual financial statements. In terms of the group's 2005 BEE transaction as approved by shareholders on 21 April 2005, 15 million FirstRand shares were allocated to a black non-executive director's trust. Allocations of participation rights in the black non-executive directors' trust have been made to certain black non-executive directors in the group. In terms of the group's remuneration policy these allocations are not considered to be incentive schemes as their raison d'être is one of BEE ownership.

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

REMCO TERMS OF REFERENCE

The committee exercise stewardship over First National Bank of Namibia Limited 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 First National Bank of Namibia Ltd 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 incentivised.

REMCO TERMS OF REFERENCE continued

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

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

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

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

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

REMCO TERMS OF REFERENCE continued

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

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

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

REMCO PROCEEDINGS

The committee meets twice a year. Meetings were held in July 2018 and April 2019.

The Chairperson attends the annual general meeting.

The group's remuneration policies for the upcoming financial year remain unchanged from the current financial year and will be put to a shareholder's vote at the annual general meeting to ratify the current Remuneration Policy, as provided in the notice of the annual general meeting.

CLR Haikali
Chairperson, Remuneration Committee

06.4 Directors' Affairs and Governance Committee (DAGC)

The purpose of the committee is to **evaluate the adequacy, efficiency and appropriateness** of the **corporate governance practices** of the group and assist the board in discharging its duties in respect of governance and board effectiveness, board continuity and board succession planning. The committee similarly fulfils the responsibilities of a nominations committee. The Directors' Affairs and Governance Committee is constituted as a committee of the Board and reports to the board.

The duties and responsibilities of the members of the Committee are in addition to those as members of the board. The deliberations of the Committee do not reduce the individual and collective responsibilities of board members with regard to their fiduciary duties and responsibilities. The Committee's mandate extends, on behalf of First National Bank of Namibia Ltd, to include all companies in the First National Bank of Namibia Ltd.

The committee discharged its duties by:

- Monitoring the adequacy and effectiveness of group's corporate governance structures and processes.
- Reviewing the board structure, size and composition, taking account of skill and experience requirements and a need for appropriate demographics and the balance between non-executive and executive directors as well as the need for independent non-executive directors.
- Successfully vetting candidates for appointment to the board and recommending them to the full board in a formal and transparent manner. The committee in making its recommendations takes cognisance of the candidate's integrity, skills and further ensures that any statutory requirements for the proposed appointments are complied with.
- Regularly reviewing the board structure and composition of the significant operating companies and non-statutory boards and committees in First National Bank of Namibia Ltd and making recommendations thereon to the board.
- Monitoring progress with the boards on-going director development programme and identifying relevant areas of training for the board.
- To consider the independence of non-executive directors on an annual basis as required by law and/or recommended by the NamCode.
- Advising the Board on succession planning in respect of the office of chairman of the Board and executive and non-executive directors.
- Overseeing the board and committee evaluation assessment process, and considers the outcomes from all assessments.
- Considering and approving the annual review of non-executive directors' fees.
- Making recommendations on the re-election of directors retiring by rotation.

S Moir will formally retire from the First National Bank of Namibia Ltd group as director with effect 30 June 2020. The group through the DAGC committee will commence succession planning.

SH Moir
Chairperson, Directors' Affairs & Governance Committee

06.5 Ethics and Conduct Committee

First National Bank of Namibia Limited **subscribes** to and **promotes the principles of good ethical conduct**, as set out in the group code of ethics. The Ethics and Conduct Committee was established to **support the Board in overseeing ethics** and **conduct** within the First National Bank of Namibia Ltd Group.

The committee in terms of its written terms of reference reviews and assesses the state and implementation of the ethics and conduct programmes and initiatives, including matters relating to fair dealing with customers, to ensure proper behaviour within the group in respect of ethics and conduct. In addition, the board is supported by the group ethics office, which acts as a formal custodian of the group code of ethics.

The committee is constituted as a board committee of the company and has oversight of and reports on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. This assists to ensure sustainability while serving the interests of stakeholders on whom the business depends.

The role of the committee is to:

- Fulfil principal vision and spirit of Ethics as described in the NamCode.
- Oversee and report on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships.
- Assist the board in facilitating and supporting the development of transformation objectives, ensuring the corporate culture is supportive of the approach and monitoring and reporting actual performance against transformation objectives.
- Providing oversight of all culture and conduct risk programmes in all businesses of the group.

Responsibility for governance of ethics is one of the principles followed by the group and the committee plays a key role in discharging its duties by:

- Setting the direction for how ethics should be approached and addressed by the Group.
- Ensuring the continuance of the whistleblowing platform, including managing the leading light programme which is a whistleblower and anti-theft, fraud or corruption reward programme that recognises staff who display high ethical characteristics.
- Managing the Code of Ethics and the automated declarations of interest process for staff. Continuous ethics and whistleblowing awareness through ongoing communications encouraging safe and effective whistleblowing.
- Review and update of various policy documents including the Conflict of Interest Management Policy, Whistleblowing Policy, Ethics Conduct in Financial Markets Policy and the Code of Ethics.
- Ethics risk assessment to identify areas requiring additional focus in 2019 and 2020 to strengthen the overall programme.

The committee convenes quarterly to monitor and assess the effectiveness of the Ethics program where the ethics officer reports on the maturity and deployment of the ethics program throughout the group.

S van Zyl
Chairperson, Ethics and Conduct Committee

06.6 Board of Directors

INGE ZAAMWANI-KAMWI
Namibian (60)
Chairperson

Independent non-executive director

Appointed April 2003

LLB (Hons) - London; LLM - Dundee

STUART MOIR
South African with Namibian Permanent Residence (71)
Deputy Chairperson

Independent non-executive director

Appointed November 2005

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

GERSON HINDA
Namibian (57)

Independent non-executive director

Appointed February 2017

B.Juris, LLB, LLM

SAREL VAN ZYL
Namibian (57)
Chief Executive Officer

Executive director

Appointed December 2014

BBA Certificate in Applied Management, BBA, MBA

OSCAR CAPELAO
Namibian (40)

Chief Financial Officer

Executive Director

Appointed March 2016

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

JABULANI KHETHE
South African (56)

*Non-executive director**
*(*no longer employed by FirstRand Group)*

Appointed August 2006

BCom (Banking), MBA

JANTJE DAUN
Namibian (52)

Independent non-executive director

Appointed March 2017

CA (SA), B.Com (Hon)

ROBERT HAMER
South African (51)

*Non-executive director**
*(*Resigned from the board December 2018)*

Appointed March 2018

MCom, CA (SA) ACA (UK) and BCom (Honours), Higher Diploma in Tax

GERT KRUGER
South African (46)

Non-executive director

Appointed June 2018

BCom (Acc) (Honours), CA (SA), MSc Financial Economics

CHRISTIAAN RANGA HAIKALI
Namibian (50)

Independent non-executive director

Appointed February 2006

BBA (Entrepreneurship)

JUSTUS HAUSIKU
Namibian (40)

Independent non-executive director

Appointed April 2017

Post Graduate Diploma (Accounting) and CTA Honours Degree, Bachelor of Accounting

I-BEN NASHANDI
Namibian (48)

Non-executive director

Appointed January 2019

BCom, MSc Financial Economics, Masters Development Finance

06.6 Board of Directors continued

DIRECTORSHIPS, TRUSTEESHIPS AND COMMITTEE MEMBERSHIP

INGENESIA INGE ZAAMWANI-KAMWI Namibian

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, FNB Employee Share Incentive Trust
FirstRand Namibia group committee membership: Directors' Affairs and Governance Committee
External directorships: Swakop Uranium (Pty) Ltd, Farm Rimini, Tungeni Africa Investments (Pty) Ltd, Zan Tag Investment (Pty) Ltd, Feist Investments CC

SAREL VAN ZYL Namibian

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

STUART HILTON MOIR

South African with Namibian Permanent Residence

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, Ashburton Unit Trust Management Company Ltd, FNB BEE Trust, Ashburton Investments Namibia Holdings (Pty) Ltd, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd
FirstRand Namibia group committee membership: Audit Committee, Risk, Capital and Compliance, Remuneration Committee, Directors' Affairs and Governance Committee, FNB Employee Share Incentive Trust
External directorships and trusteeships: Stimulus Investments Ltd, The Namibia Procurement Fund I, The Namibia Procurement Fund II

OSCAR CAPELAO Namibian

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, OUTsurance Insurance Company of Namibia Ltd, Ashburton Unit Trust Management Company Ltd, Swabou Investments (Pty) Ltd, Talas Properties (Windhoek) (Pty) Ltd, RMB Investments (Pty) Ltd, FNB Nominees Namibia (Pty) Ltd, FNB Staff Assistance Trust, Ashburton Investments Namibia Holdings (Pty) Ltd, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd, FNB Easy Loans Ltd, Ashburton Property Unit Trust Management Company Ltd
External directorships & trusteeships: National Housing Enterprise, Namibian Stock Exchange

JANTJE DAUN Namibian

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, FNB Insurance Brokers (Namibia) (Pty) Limited, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd, Ashburton Investments Namibia Holdings (Proprietary) Limited, FNB Easy Loans Ltd
FirstRand Namibia group committee membership: Audit Committee, Asset, Liabilities and Capital Committee
External directorships & trusteeships: Cornerstone (Pty) Ltd

CHRISTIAAN RANGA HAIKALI Namibian

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited, FNB Insurance Brokers Namibia (Pty) Ltd
FirstRand Namibia group committee membership: Remuneration, Audit, Directors' Affairs and Governance Committee, Senior Credit Risk Committee
External directorships and trusteeships: Inexma Electrical Namibia (Pty) Ltd, Africa Personnel Services, Namibia Stevedoring Services, Hanu Investments, Tulongeni Family Trust, Gecko Holdings and Mining, Namibia Drum and Cladding, Okahandja Sink & Staal (Pty) Ltd, Chappa Ai Investments, Petronam Investments, Namibia Liquid Fuel, New Frontiers Investments / Safland Property Services, Mertens Mining and Trading, Ndalonga Investments CC, Morgan Cargo-Namibia, Tulonga Investments (Pty) Ltd, Oryx Investments (Pty) Ltd, Frontier Property Trust, PC Centre through Duiker Investments 175 (Pty) Ltd, Tulongeni Strategic Investments (Pty) Ltd, Tulongeni Mining (Pty) LTd, Tualonga Investments (Pty) Ltd

ROBERT HAMER South African

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited, Ashburton Investments Namibia Holdings (Proprietary) Limited, Ashburton Management Company Namibia (Proprietary) Limited, Ashburton Fund Managers Namibia (Proprietary) Limited
FNB group committee membership: Audit, Risk, Capital & Compliance Committee, Directors' Affairs and Governance Committee

JUSTUS HAUSIKU Namibian

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, Ashburton Fund Managers Namibia (Pty) Ltd, Ashburton Management Company Namibia (Pty) Ltd, Ashburton Investments Namibia Holdings (Proprietary) Limited
FirstRand Namibia group committee membership: Risk, Capital and Compliance Committee
External directorships & trusteeships: Quanta Holdings, Arch Group of Companies, MMI Short Term Insurance, Roads Contractor Company Limited (term of directorship expired December 2018), InoHarrith Capital (Pty) Ltd

GERSON HINDA Namibian

FirstRand Namibia group directorships and trusteeships: FirstRand Namibia Limited, First National Bank of Namibia Limited, OUTsurance Insurance Company of Namibia Ltd, FNB Fiduciary Ltd, FNB Easy Loans (Pty) Ltd
External directorships & trusteeships: Sabmiller Breweries ABInbev, P E Minerals (Pty) Ltd, Rosh Pinah Zinc Corporation Limited, Sada Investments (Pty) Ltd, Namport, Daureb Investments CC, Roeder Property Ten CC, Erf One Eight Six Langstrand Extension One, Tristan Enterprises CC, FGK Investments Sixty Seven (Pty) Ltd

JABULANI KHETHE South African

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited
FirstRand Namibia group committee membership: Directors' Affairs and Governance Committee, Remuneration Committee
FirstRand group directorships: First National Bank of Botswana Ltd, FNB Moçambique S.A.

GERT KRUGER South African

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited
FirstRand Namibia group committee membership: Remuneration Committee
FirstRand group directorships: RMB Australia Holdings, RMB Morgan Stanley, RMB Nigeria

I-BEN NATANGWE NASHANDI Namibian

FirstRand Namibia group directorships: FirstRand Namibia Limited, First National Bank of Namibia Limited
External directorship: GIPF Trustee

07 CAPITAL MANAGEMENT

07. CAPITAL MANAGEMENT

First National Bank of Namibia Ltd actively manages its capital base aligned to strategy, risk appetite and risk profile. The group recognises that allocating resources, including capital, in a manner which maximises value for shareholders, is considered a core competency and a key focus area.

The overall objective of capital management is to maintain sound capital ratios, ensuring confidence in the group's solvency and quality of capital during calm and turbulent periods of the economy and financial markets. The optimal level and composition of capital is determined after considering:

- Prudential requirements, including buffers.
- Rating agencies considerations.
- Investors expectation (debt and equity holders).
- Strategic and organic growth plans.
- Regulatory, accounting and tax changes.
- Economic and regulatory capital requirements.
- Macro environment and stress tests impact.
- Issuance of capital instruments.

The capital planning process ensures that the capital positions remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the group remains appropriately capitalised under a range of stress and risk scenarios which include future regulatory, accounting and tax considerations. In addition, the capital planning, through its internal capital adequacy assessment process (ICAAP) also takes cognisance of economic risks not captured through the regulatory calculation, and the group capitalises accordingly.

Capital for First National Bank of Namibia Ltd is managed in line with the board approved capital management framework. The framework sets the objectives, policies and principles relating to the capital management processes which ensure that regulatory capital requirements are always met, and the bank is sufficiently capitalised to achieve its objectives and create value for the shareholders.

Governance and oversight

The board-approved capital management framework focuses on three elements:

- Setting and maintaining sufficient capital levels to meet regulatory and economic capital requirements;
- Active allocation of capital which supports the banks' strategy and risk appetite as well as managing the structure of the capital base to ensure that it remains cost effective while creating value for the stakeholders; and
- Establish policies and procedures for the effective management of capital demand and supply.

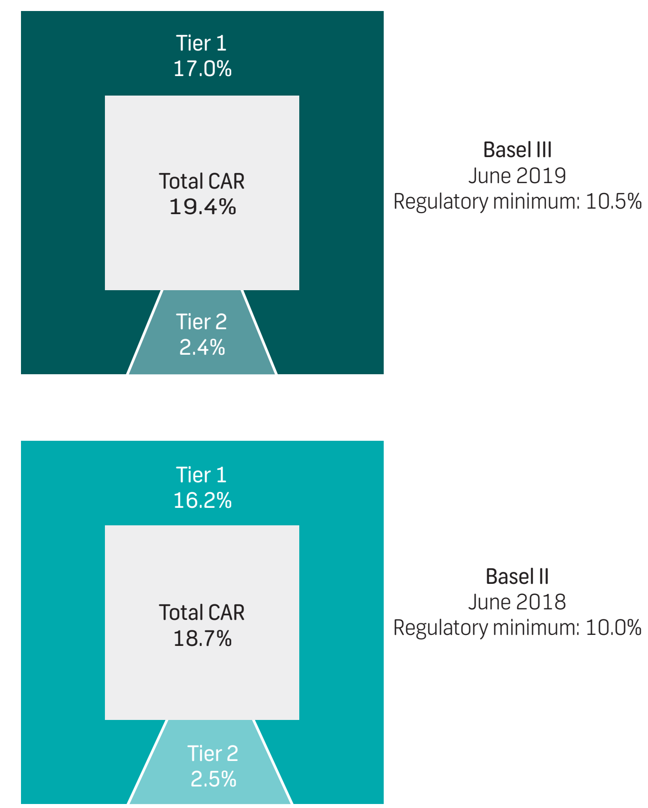
Well-defined roles and responsibilities are set out for successful capital planning and management. The board reviews and challenges the recommendation of the risk, capital and compliance committee (RCCC), a board designated risk committee. The RCCC takes responsibility for the group's internal capital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

Capital overview

The group engages in a dynamic capital process to ensure overall capital management objectives are met.

During the year under review, the capital adequacy ratios exceeded the regulatory minimum requirements and targets, as summarised below.

Capital adequacy compliance



The dividend policy plays a pivotal role in the management of the group's CET1 position and the group maintained a dividend cover of 2 for the 2019 financial year. The long-term dividend cover range remains unchanged at 1.8x to 3x. The total dividends for the year amounted to N$571 million, of which N$525 million was paid out in cash and N$46 million was a distribution in specie.

Regulatory developments and proposals

During the current financial year, BoN published BID-5A, an updated determination on the measurement and calculation of capital charges for credit risk, operational risk and market risk for domestic systemically-important banks, and was effective on 01 September 2018.

The updated determination introduced major adjustments to capital components, measures, limits and new buffers. The calculation of risk weighted assets however remained unchanged.

The supply of capital consists of the sum of the following elements:

- Tier 1 Capital, which comprises:
  - Common Equity Tier 1 (CET1) Capital
  - Additional Tier 1 Capital(new allowance)
- Tier 2 Capital

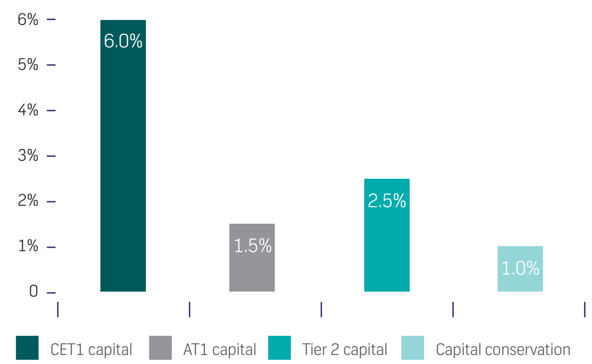
For each of the categories above the determination has a set of criteria that instruments are required to meet before qualifying as regulatory capital.

The following diagram illustrates the key components of the various capital elements:

TIER 1 capital
CET1 capital
• Share capital and premium
• Retained earnings
• Other reserves
• Non-controlling interests
• Less deductions
– Goodwill and intangibles
– Deferred tax assets
– Investment in financial and banking entities
– Other
Additional Tier 1 capital
• Qualifying capital instruments

TIER 2 capital
• Qualifying capital instruments
• Revaluation reserves
• Loan loss reserves
• Unaudited profits (approved by the board, with a phase-out over 5 years, after which only "reviewed" profits are included in Tier 1 capital)

The minimum requirements and limits for 2019 are illustrated in the diagram below (note that the full requirement could consist of CET1; AT1 and Tier 2 remains optional):



The determination also specifies that the Tier 2 capital adequacy ratio must not exceed 25% of total capital. In addition, a capital conservation buffer of 2.5% is required to be held in CET1 capital, however, this requirement is subject to a transitional arrangement over 5 years, i.e. 0.5% in year 1 (1 September 2018), stepping up by an additional 0.5% each year until 1 September 2022. Therefore, Capital conservation buffer for 2019 is 1% and takes the total minimum requirement to 11%. Banking institutions that do not maintain this capital conservation buffer will be limited in their ability to pay dividends or other discretionary payments.

In addition to the 6.0% CET1 requirement, there is also a limit on the sub-categories of 1.5% for AT1 capital and 2.5% Tier 2 capital. Basel III requires a principal loss absorption feature for qualifying AT1 or Tier 2 capital instruments. This can be in the form of a conversion into CET1 capital or a write-down of principal. Capital instruments that would no longer qualify as Tier 1 or Tier 2 capital will be phased out. Capital instruments that do not meet the strict criteria for inclusion in CET1 are fully excluded from qualifying regulatory capital, i.e. not subject to any transitional arrangements.

Leverage ratio as per the implemented determination is 6% and is defined as Tier 1 capital divided by total on- and off- balance sheet exposures, as defined in the determination.

Capital adequacy of Banking Operations

	Banking operations	
	Year ended 30 June	
N$ 000	**2019**	2018
Risk weighted assets		
Credit risk	25 368 468	23 695 641
Market risk	53 508	18 977
Operational risk	4 524 168	4 228 852
Total risk weighted assets	29 946 144	27 943 470
Regulatory capital		
Share capital and share premium	1 142 792	1 142 792
Retained profits	4 032 962	3 506 042
Other disclosed reserves	6 000	
Capital impairment: intangible assets	(92 799)	(104 244)
Total tier 1	5 088 955	4 544 590
Eligible subordinated debt	400 000	400 000
General risk reserve, including portfolio impairment	316 675	291 663
Capital impairments*		
Total tier 2	716 675	691 663
Total tier 1 and tier 2 capital	5 805 630	5 236 253
Banking group		
Capital adequacy ratios		
Tier 1	17.0%	16.2%
Tier 2	2.4%	2.5%
Total	19.4%	18.7%
Tier 1 leverage ratio	11.2%	11.7%

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

08. ACCOUNTING POLICIES

1. INTRODUCTION AND BASIS OF PREPARATION

1.1 Introduction

The First National Bank of Namibia 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, which have been consistently applied to all years presented, except for policies related to IFRS 9 and IFRS 15.

Summary of significant accounting policies

2	**Subsidiaries and associate**	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 IFRS 9**	Classification (section 4.1)	Impairment (section 4.2)	Transfers and de-recognition (section 4.3)
		Offset and collateral (section 4.4)	Derivatives and hedge accounting (section 4.5)	
5	**Financial instruments IAS 39**	Classification (section 5.1)	Measurement (section 5.2)	Impairment (section 5.3)
		Transfers and recognition (section 5.4)	Offset and collateral (section 5.5)	Derivatives and hedge accounting (section 5.6)
6	**Other assets and liabilities**	Property and equipment (section 6.1)	Intangible assets (section 6.1)	Provisions (section 6.1)
		Leases (section 6.2)		
7	**Capital and reserves**	Share capital	Dividends	Other reserves
8	**Transactions with employees**	Employee liabilities (section 8.1)	Share-based payment transactions (section 8.2)	

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

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.1 Introduction continued

The following new standards were adopted in the current year:

New / revised IFRS	Description of change	Impact on First National Bank of Namibia group
IFRS 9	The group adopted IFRS 9 in the current year. The following resulted from the implementation: • the classification of financial assets under IFRS 9 is based on both the business model for holding the instruments as well as the contractual characteristics of the instruments; • impairments in terms of IFRS 9 are determined based on an expected credit loss model that considers the significant changes to the assets' credit risk and the expected loss that will arise in the event of default; • the requirements for the classification of liabilities remained unchanged; • the general hedge accounting requirements under IFRS 9 are more closely aligned to how entities undertake risk management activities when hedging financial and non-financial risk exposures; and • IFRS 7 has been amended to include additional disclosures as a result of the introduction of IFRS 9.	The main impacts on the group's financial statements from the adoption of IFRS 9 were the following: • certain items have been reclassified based on the new classification rules. The details of these reclassifications are provided in note 10 of the accounting policies; • the loss allowance on financial assets has increased because of the change from an incurred loss to an expected credit loss model. For details refer to note 10 of the accounting policies; and • the amended disclosure requirements of IFRS 7 will be prospectively applied by the group. Therefore, all comparative disclosures relating to financial instruments are based on the classification and measurement requirements of IAS 39 and disclosure requirements of IFRS 7 before the IFRS 9 amendments.
IFRS 15	IFRS 15 contains a single model that is applied when accounting for contracts with customers. It replaces substantially all the current revenue recognition guidance, except for contracts that are out of scope – e.g. leases and insurance. The model specifies that revenue is recognised as and when control of goods or services are transferred to a customer and that revenue is recognised at the amount that an entity expects to receive. Depending on certain criteria revenue is recognised at a point in time or over time. IFRS 15 includes new quantitative and qualitative disclosure requirements to enable users of financial statements to understand the nature, amount and timing of revenue from contract with customers.	IFRS 15 requires that goods and services are split out into their separate performance obligations and that the revenue from each performance obligation is recognised at a point in time or over time, depending on the IFRS 15 criteria for revenue recognition. The transition to IFRS 15 resulted in the deferral of revenue relating to certain products. The group applied IFRS 15 retrospectively with the cumulative effect of initially applying IFRS 15 at 1 July 2018 in retained earnings. The details of the impact are provided in note 10 of the accounting policies.

1.1 Introduction continued

New / revised IFRS	Description of change	Impact on First National Bank of Namibia group
IFRS 2 amendments	**Classification and measurement of share-based payment transactions** As a result of work performed 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 relate to the following areas: • accounting for the effects of vesting and non-vesting conditions on the measurement of the liability of cash settled share based payment transactions; • the classification of share based payment transactions with net settlement features for withholding tax obligations; and • accounting for a modification to the terms and conditions of a share based payment that changes the transaction from cash settled to equity settled.	The group currently has both cash-settled and equity-settled share-based payment schemes. The group is currently in line with the first two amendments as the group is accounting for these items in line with the clarifications. The third amendment will be considered when such transactions take place and will be applied prospectively to any modifications. No such transactions have taken place in the current financial year.
IFRIC 22	**Foreign currency transaction and advance consideration** IFRIC clarifies the date of the transaction when determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.	IFRIC 22 will be considered when applicable. Not applicable in the current financial year.

1. INTRODUCTION AND BASIS OF PREPARATION continued

1.2 Basis of preparation

The group prepares consolidated financial statements which include the assets, liabilities and results of the operations of First National Bank of Namibia Ltd group its' subsidiaries and its' share of earnings of associate. To compile the consolidated financial statements the following information is used:

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

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

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

Use of judgements and estimates
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined in policy 9.

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).

1.2 Basis of preparation continued

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	As permitted by IFRS, 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	Namibia Dollars (N$)
Level of rounding	All amounts are presented in thousands of Namibia Dollars. The group has a policy of rounding up in increments of N$ 1 000. Amounts less than N$ 1 000 will therefore round down to N$ nil and are presented as a dash.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.

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).

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 financial assets held at FVOCI (2018: Available for sale) 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 AND ASSOCIATE

2.1 Basis of consolidation and equity accounting

	Subsidiaries and other structured entities	Associate
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%
When an entity is a structured entity and control of an entity is not evidenced through shareholding, the group considers the substance of the arrangement and the group's involvement with the entity to determine whether the group has control, joint control or significant influence over the significant decisions that impact the relevant activities of the entity.		
Nature of the relationship between the group and the investee	Entities over which the group has control as defined in IFRS 10 are consolidated. These include investment funds managed by the group, securitisation structures or other entities used for the purpose of buying or selling credit protection.	Entities over which the group has significant influence as defined in IAS 28. These include investment funds which are not consolidated but the group has significant influence over the fund.
Separate financial statements		
The company measures investments in these entities at cost less impairment (in terms of IAS 36).		
Consolidated financial statements		
	Consolidation	Equity accounting
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting for business combinations. The excess (shortage) of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets, is recognised as goodwill or a gain on bargain purchase, as is set out further below. Transaction costs are included in operating expenses within profit or loss when incurred.	Associate are initially recognised at cost (including goodwill) and subsequently equity accounted. The carrying amount is increased or decreased to recognise the group's share of profit or loss from the investee after the date of acquisition. Items that impact the investee's net asset value that don't impact other comprehensive income are recognised directly in gains less losses from investing activities within non-interest revenue.
Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset; in which case the transferred asset will be tested for impairment in accordance with the group's impairment policies.	Unrealised gains on transactions are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

2.1 Basis of consolidation and equity accounting continued

	Consolidated financial statements continued	
	Consolidation	Equity accounting
Impairment	In the consolidated financial statements either the cash generating unit (CGU) is tested i.e. a grouping of assets no higher than an operating segment of the group; or if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.	The group applies the indicators of impairment in IAS 28 to determine whether a loss event exists, which would constitute objective evidence of impairment. Objective evidence of impairment for an investment in associate or joint venture includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates. This indicates that the cost of the investment in associate may not be recovered. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. 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, and are measured in terms of IFRS 9. The value of such loans after any expected credit losses raised for IFRS 9 where such loans are measured at amortised cost 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.

08. ACCOUNTING POLICIES continued

2. SUBSIDIARIES AND ASSOCIATE continued

2.2 Related party transactions

Related parties of the group, include:

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

The principal shareholder of First National Bank of Namibia is FirstRand Namibia Ltd, whose principal shareholder is FirstRand EMA Holdings (Pty) Ltd, with its ultimate holding company FirstRand Limited, incorporated in South Africa.

Key management personnel of the group are the First National Bank of Namibia Ltd board of directors and the First National Bank of Ltd 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

Interest income includes:

- Interest on financial instruments measured at amortised cost and debt instruments measured at fair value through other comprehensive income.

Interest income is calculated using the effective interest rate which includes fees and transaction costs that form an integral part of generating an involvement with the resulting financial instrument. The original effective interest rate is applied to:

- the gross carrying amount of financial assets which are not credit-impaired; and
- the amortised cost of financial assets from the month after the assets become credit-impaired (refer to section 4.2 on the impairment of financial assets).

Modified advances (derecognition not achieved) - the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. The interest income on the modified financial asset (refer to policy 4.3) is calculated by applying the original effective interest rate to the asset's modified gross carrying amount.

Modified advances (derecognition is achieved) - the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan.

Interest expense includes:

- interest on debt instruments measured at fair value through profit or loss that are held by and managed as part of the group's insurance or funding operations;
- the interest portion of the net gains or losses on derivatives that are used to economically hedge interest rate risk; and
- the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advances or deposit is measured at amortised cost, because the amount is in substance interest.

The total interest expense is reduced by the amount of interest incurred in respect of liabilities used to fund the group's fair value activities. This amount is reported in fair value income within non-interest revenue.

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest revenue recognised in profit or loss	
Net fee and commission income	
IFRS 15 Revenue from contracts with customers replaced all existing revenue recognition criteria under IFRS and was applied for all contracts with clients, unless the contracts are in the scope of the standard on leases, insurance contracts and financial instruments. The group has applied IFRS 15 retrospectively with the cumulative effect of initially applying IFRS 15 at 1 July 2018 in retained earnings and accordingly did not restate comparatives. Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the group assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the group can identify the contract; the performance obligation (i.e. the different services) and can determine the transaction price which is allocated to the identifiable performance obligations. The revenue is then recognised as and when the performance obligation is satisfied, which may be over time or at a point in time.	
Fee and commission income	Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers and are recognised as set out in section 3.1 of the accounting policies. Fee and commission income is earned by the group by providing customers with a range of services and products, consists of the following main categories: • Banking fees and commission income; • Knowledge-based fee and commission income; • Management, trust and fiduciary fees; • Fees and commission income from service providers; and • Other non-banking fee and commission income. Fees and commission income is earned on the execution of a significant performance obligation, which may be over time as the performance obligation is fulfilled (over time) or when the significant performance obligation has been performed (point in time). Fees earned on the execution of a significant act typically include transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income. Where the performance obligation is satisfied over a period of time, the fees are recognised as follows: • fees for services rendered are recognised on an accrual basis as the service is rendered and the group's performance obligation is satisfied, e.g. annual card fees and asset management and related fees; 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. Commitment fees for unutilised funds made available to customers in the past, are recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the group, are recognised as revenue on a straight-line basis over the period for which the funds are available.

3.1 Income and expenses continued

Non-interest revenue recognised in profit or loss continued	
Net fee and commission income continued	
Fee and commission income	Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent, this includes commission earned from the sale of prepaid airtime, data vouchers, electricity and traffic fines paid through FNB channels as well insurance commission.
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.
Customer loyalty programmes	The group operates a customer loyalty programme, Rewards, in terms of which it undertakes to provide reward credits to customers when they transact. The reward credits are accounted for as a fee and commission expense.
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 are not used for hedging (both formal hedge accounting or economic hedging) and adjustments relating to non-recourse investments and deposits (except where the group owns the commercial paper issued by the conduits); • fair value adjustments that are not related to credit risk on advances designated at fair value through profit or loss; • 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 adjustment on 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. The change in the fair value of a financial liability designated at fair value through profit or loss attributable to changes in its credit risk are presented in other comprehensive income unless this would cause or enlarge an accounting mismatch in profit or loss. The total fair value adjustment on policyholder liabilities and non-recourse liabilities (including movements due to changes in credit risk) is included in profit or loss since the fair value movements on these liabilities are directly linked to fair value movements on the underlying assets; • ordinary and preference dividends on equity instruments designated at fair value through profit or loss or held for trading; and • any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued.	

3. INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest revenue recognised in profit or loss	
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 and associate; • Any amounts recycled from other comprehensive income in respect of available-for-sale financial assets; • 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 and associates; and • Impairments and reversal of impairments of investment securities measured at amortised cost and debt instruments measured at fair value through other comprehensive income;	
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 (including ECL movements) of certain financial assets and liabilities, including derivative contracts; • Provisions for post-retirement medical benefits; • Tax losses carried forward; and • Investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the difference will not reverse in the foreseeable future.
Measurement	Using the liability method under IAS 12 and applying tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred income tax	
Presentation	In profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relates to the issue or buy back of share capital, fair value re-measurement of available-for-sale investments, re-measurements of defined benefit post-employment plans and derivatives designated as hedging instruments in effective cash flow hedges. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The group recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised. The group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

4. FINANCIAL INSTRUMENTS IFRS 9

4.1 Classification and measurement

4.1.1 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.

Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost or fair value through other comprehensive income debt instruments.

4.1.2 Classification and subsequent measurement of financial assets

Classification and subsequent measurement of financial assets

Management determines the classification of its financial assets at initial recognition, based on:

- the group's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Business model

The group distinguishes 3 main business models for managing financial assets:

- holding financial assets to collect contractual cash flows; and
- managing financial assets and liabilities on a fair value basis or selling financial assets.

The business model assessment is not performed on an instrument by instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment is done for each legal reporting entity at least at a franchise level, although franchises will perform the assessment on a portfolio or sub-portfolio level depending on the manner in which groups of financial assets are managed in each franchise.

The main consideration in determining the different business models across the group is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, amongst other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the group only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repo transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction as substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

If sales of financial assets are not infrequent, the significance of these sales is considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows.

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets continued

Business model continued

Determining whether sales are significant or frequent requires management to use their judgement. The significance and frequency of sales is assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is considered to be infrequent. If sales take place more than once per annum it doesn't mean that the business models are not to collect contractual cash flows but rather the reasons for the sales need to be more carefully considered. Management will consider both the volume and amount of sales relative to the total assets in the business model to determine whether it is significant,

A change in business model of the group only occurs on the rare occasion when the group changes the way in which it manages financial assets. Any changes in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.

Cash flow characteristics

In order for a debt instrument to be measured at amortised cost or fair value through other comprehensive income, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement.

The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation and can therefore be considered reasonable compensation which would not cause these assets to fail the SPPI test.

For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Wholesale advances that do not pass the SPPI test and that have to be measured at fair value through profit or loss include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that will be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.

4. FINANCIAL INSTRUMENTS IFRS 9 continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classes of financial assets	Business model considerations	Cash flow characteristics
Amortised cost		
Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are solely payments of principle and interest, and sales of such assets are not significant or frequent. These include the majority of the retail, corporate and commercial advances of the group as well as certain investment securities utilised for liquidity risk management of the group. For purchased or originated credit-impaired financial assets, the group applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised cost and not the gross carrying amount of the financial asset, and incorporates the impact of expected credit losses in the estimated future cash flows of the financial asset.		
Retail advances	The FNB and WesBank franchises hold retail advances to collect contractual cash flows. Their business models focus on growing these advances within acceptable credit appetite limits and maintaining strong collection practices. The products included under this business models include: • residential mortgages; • vehicle and asset finance; • personal loans, credit card and other retail products such as overdrafts. The key risk in these business models is credit risk. This is influenced by the macro environment within which the business operates.	The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.
Corporate and commercial advances	The business models of FNB Commercial, and RMB Corporate are also focused on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits. The products included under this business model include: • trade and working capital finance; • specialised finance; • commercial property finance; and • asset-backed finance. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold under securitisation transactions. These sales are however insignificant in value in relation to the value of advances held to collect cash flows, and are usually also infrequent, and therefore the held to collect business model is still appropriate.	The cash flows on these corporate and commercial advances are solely payments of principal and interest. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classes of financial assets	Business model considerations	Cash flow characteristics
Amortised cost continued		
Corporate and commercial advances continued	Within the RMB Investment Banking Division (IBD) is one where the advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets could be sold in the secondary market to facilitate funding. These sales are however insignificant in value in relation to the value of IBD advances held to collect cash flows and therefore the held to collect business model is still appropriate. In other portfolios, RMB IBD originate corporate and commercial advances with the intention to distribute. These advances are included under a different business model and are measured at fair value through profit or loss (as is set out further below).	The cash flows on these advances are considered to be solely payments of principal and interest if the loan contract does not contain equity kickers, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract. Any advances that do contain such features are mandatorily measured at fair value through profit or loss.
Investment securities	Group Treasury holds investment securities with lower credit risk (typically with counterparties such as the government) that are convertible into cash within a short time period as and when required for liquidity risk management purposes. The types of instruments used for liquidity risk management purposes are generally government bonds and treasury bills. These investment securities are held to collect contractual cash flows, but are also available to be pledged as collateral or sold if required for liquidity management purposes. Sales are often in the form of a repurchase agreement transaction. If the accounting requirements for derecognition are not met, the transaction does not constitute a sale for IFRS 9 business model assessment purposes. For accounting purposes, repurchase agreement transactions are treated as a secured funding transaction rather than a sale, and the group continues to recognise the asset and collect the contractual cash flows. These investment securities are only sold before maturity to meet liquidity needs in a stress scenario, which is consistent with a business model to collect contractual cash flows.	The cash flows on these investment securities are solely payments of principal and interest.
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
Accounts receivable	Financial accounts receivable are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.

4. FINANCIAL INSTRUMENTS IFRS 9 continued

4.1 Classification and measurement continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classes of financial assets	Business model considerations	Cash flow characteristics
Mandatory at fair value through profit or loss		
Financial assets of the group are mandatorily measured at fair value through profit or loss when they are held for trading, managed on a fair value basis, held to sell/distribute, or are held to collect contractual cash flows which are not solely payments of principal and interest.		
Corporate and commercial advances	On origination of advances, IBD routinely originates additional advances in excess of approved credit limits with the mandate of distributing an identified portion of the total advances in the secondary market within an approved time frame, which is usually 6 months to 1 year post origination. This may take place in various forms but would typically resemble an underwriting position, arranger of a syndication, or a sale to a conduit or fund. The reason for originating these additional advances is not to collect the contractual cash flows, but rather to realise the cash flows through the sale of the assets and potentially earn a margin on the sale. The performance and reporting of these assets is primarily based on the success rate of distribution of the assets in the required timeframe and any profit that may have been generated on the sale.	Any IBD advances held to collect contractual cash flows which are originated to distribute or managed on a fair value basis; or are held to collect contractual cash flows but include cash flows related to equity kickers, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract, will be included in this category.
Investment securities	RMB holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short term profit realisation. These securities are managed on a fair value basis.	Not applicable
	All equity investments of the group are managed on a fair value basis, either through FVTPL or designated at fair value through other comprehensive income.	Not applicable
Derivative assets	Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.	Not applicable
Equity investments at fair value through other comprehensive income		
Investment securities	The group has elected to designate certain equity investments not held for trading to be measured at fair value through other comprehensive income.	Not applicable

4.1 Classification and measurement continued

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

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. Tier 2 and other funding liabilities are presented in separate lines on the statement of financial position of the group.
Financial liabilities measured at amortised cost
The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at fair value through profit or loss: • Deposits; • Creditors • Tier 2 liabilities; and • Other funding liabilities.
Financial liabilities measured mandatory at fair value through profit or loss
The following held for trading liabilities are measured at fair value through profit or loss: • Derivative liabilities. These liabilities are measured at fair value at reporting date as determined under IFRS 13, with fair value gains or losses recognised in profit or loss.

4. FINANCIAL INSTRUMENTS IFRS 9 continued

4.2 Impairment of financial assets and off balance-sheet exposures subject to impairment

This policy applies to:

- financial assets measured at amortised cost including financial accounts receivable and cash;
- debt instruments measured at fair value through other comprehensive income;
- loan commitments;
- financial guarantees; and
- finance lease debtors where group is the lessor

IFRS 9 establishes a three-stage approach for impairment of financial assets.

- Stage 1 – at initial recognition of a financial asset, the asset is classified as stage 1 and 12-month expected credit losses are recognised, which are credit losses related to default events expected to occur within the next 12 months;
- Stage 2 – if the asset has experienced a significant increase in credit risk since initial recognition, the asset is classified as stage 2 and lifetime expected credit losses are recognised; and
- Stage 3 – non-performing assets are classified as stage 3, with expected credit losses measured and recognised on a lifetime basis.

Refer to note 9.3 whereby all risk parameters, scenarios and sources of estimating are detailed more extensively.

Expected credit losses			
Loss allowance on financial assets			
Credit risk has not increased significantly since initial recognition (Stage 1)	Credit risk has increased significantly since initial recognition, but asset is not credit-impaired (Stage 2)	Asset has become credit-impaired since initial recognition (Stage 3)	Purchased or originated credit impaired
12-month expected credit losses	Lifetime expected credit losses (LECL)	LECL	Movement in LECL since initial recognition

4.2 Impairment of financial assets and off balance-sheet exposures subject to impairment continued

Advances	
Significant increase in credit risk since initial recognition (SICR)	In order to determine whether an advance has experienced a significant increase in credit risk, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined to be the most recent date at which the group re-prices an advance/facility. A change in terms result in derecognition of the original advance/facility and recognition of a new advance/facility. SICR test thresholds are re-assessed and, if necessary, updated, on at least an annual basis. Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of wholesale and commercial SME facilities on a credit watch list. Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No minimum period for transition from Stage 2 back to Stage 1 is applied, with the exception of distressed restructured exposures that are required to remain in Stage 2 for a minimum period of 6 months before re-entering Stage 1.
Low credit risk	The group does not use the low credit risk assumption.
Credit-impaired financial assets	Advances are considered credit impaired if they meet the definition of default. The group's definition of default applied for calculating provisions under IFRS 9 has been aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, more than 3 unpaid instalments. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the group to actions such as the realisation of security. Indicators of unlikeliness to pay are determined based on the requirements of BID 2 of the Banking Institutions Act. Any distressed restructures of accounts which have experienced a significant increase in credit risk since initial recognition are defined as default events. Accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defined rates.

4. FINANCIAL INSTRUMENTS IFRS 9 continued

4.2 Impairment of financial assets and off balance-sheet exposures subject to impairment continued

Advances continued	
Write-offs	Write-off must occur when it is not economical to pursue further recoveries i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised): • by implication, in both retail and wholesale, for secured as well as unsecured, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account; and • within Retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries; and • within Wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee. Partial write-offs are not performed within credit portfolios. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.
Other financial assets	
Cash and cash equivalents	All physical cash is classified as Stage 1. Other exposures are classified as stage 1 unless specific evidence of impairment exists, in which case due to the nature of these assets are classified immediately as Stage 3. ECL for cash and cash equivalents is zero. In applying the loss rate approach, loss-rate statistics on the basis of the amount written off over the life of the financial assets rather than using separate probability of default and loss given default statistics is calculated. The group then adjusts these historical credit loss statistics to reflect current conditions and expectations about the future.
Accounts receivable and contract assets	ECL for accounts receivable is calculated using the simplified approach. Items outstanding for over 90 days are provided for.
Investment securities	Impairment parameters for investment securities (PDs, LGDs and EADs) are determined using appropriate models, with the models to be applied determined with reference to the issuer of the security and the nature of the debt instrument. The tests for a significant increase in credit risk and default definitions are then applied and the ECL calculated in the same way as for advances. The significant increase in credit risk thresholds applied for investment securities are the same as those applied within the Wholesale credit portfolio to ensure consistency in the way that a significant increase in credit risk is identified for a particular counterparty and for similar exposures. The group does not use the low credit risk assumption for investment securities, including government bonds.

4.3 Transfers, modifications and derecognition

Financial instruments are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are derecognised 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 IFRS 9).

If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the group determines whether this is a substantial modification, following which, results in the derecognition of the existing asset, and the recognition of a new asset, or whether the change is simply a non-substantial modification of the existing terms which does not result in derecognition.

A modification of a financial asset is substantial, and thus results in derecognition of the original financial asset, where the modified contractual terms are priced to reflect current conditions on the date of modification, and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition the original asset continues to be recognised.

Derecognition of financial liabilities 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, or modifies the contractual terms of the asset and either achieves derecognition or continues to recognise the asset:

4. FINANCIAL INSTRUMENTS IFRS 9 continued

4.3 Transfers, modifications and derecognition continued

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 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 measured at fair value with any gains or losses included in fair value gains or losses within non-interest revenue. As these transactions do not result in the derecognition of assets from an accounting perspective, these transactions are not inconsistent with a business model whose objective is met by collecting contractual cash flows.
Securities lending and reverse repurchase agreements	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.	
Modifications without derecognition		
Modification of contractual cash flows	Modified contractual terms are not priced to reflect current conditions and are thus not substantial. For retail advances, this includes debt restructuring accounts where the new terms of the contract (such as a lower interest rate) is mandated by law and do not have the same commercial terms as a new product that the group would be willing to offer a customer with a similar risk profile. The same principle is applied for wholesale advances on a case-by-case basis.	Existing asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL. Other non-distressed modifications are financially inconsequential and therefore included in ECL as well.
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.	
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying a non-distressed advance is substantially the same as the process for raising a new advance, including re-assessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	Existing asset is derecognised and a new asset is recognised at fair value based on the modified contractual terms.

4.4 Offsetting of financial instruments and collateral

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

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

Derivative financial instruments	The group's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting). Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.
Other advances and deposits	The advances and deposits that are offset relate to transactions where the group has a legally enforceable right to offset the amounts and the group has the intention to settle the net amount.
Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions	Where the group has entered into a repurchase and reverse repurchase or securities borrowing and lending transaction, with the same counterparty, the advance and liability balances are offset in the statement of financial position only if they are due on a single day, denominated in the same currency and the group has the intention to settle these amounts on a net basis. The group receives and accepts collateral for these transactions in the form of cash and other investment securities.

4.5 Derivative financial instruments

Derivative instruments are classified as held either for trading or formally designated as hedging instruments, which impacts the method of recognising the resulting fair value gains or losses.

The group elected to adopt IFRS 9 for cash flow and fair value hedges where IAS 39 will continue to be applied to macro hedges. From 1 July 2018, the group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and the hedges in place at 30 June 2018 will be treated as continuing hedges from 1 July 2018.

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.

5. FINANCIAL INSTRUMENTS IAS 39

5.1 Classification

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

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

5.2 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.

5.3 Impairment of financial assets

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

Scope	This policy applies to: • Advances measured at amortised cost; • Investment securities at amortised cost; • Advances and debt instruments designated as available-for-sale; and • Accounts receivable.
Objective evidence of impairment	The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. The following factors are considered when determining whether there is objective evidence that the asset has been impaired: • Breaches of loan covenants and conditions; • Time period of overdue contractual payments; • Actuarial credit models; • Loss of employment or death of the borrower; and • Probability of liquidation of the customer. Where objective evidence of impairment exists, impairment testing is performed based on LGD, PD and EAD. For available-for-sale equity instruments objective evidence of impairment includes information about significant changes with an adverse effect on the environment in which the issuer operates and indicates that the cost of the investment in the equity instrument may not be recovered and a significant or prolonged decline in the fair value of the security below its cost.

5. FINANCIAL INSTRUMENTS IAS 39 continued

5.3 Impairment of financial assets continued

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.

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:

5.3 Impairment of financial assets continued

	Type of advance	Group policy on past due/impaired
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. Debt-review accounts are not reclassified and remain in non-performing loans until fully cured.
	Commercial and wholesale loans	Analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.
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.		

5.4 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.

5. FINANCIAL INSTRUMENTS IAS 39 continued

5.5 Offset and collateral

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

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

It is the group's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect.

5.6 Derivative financial instruments

Derivative instruments are classified as held either for trading or formally designated as hedging instruments, which impacts the method of recognising the resulting fair value gains or losses.

The group elected to adopt IFRS 9 for cash flow and fair value hedges where IAS 39 will continue to be applied to macro hedges. From 1 July 2018, the group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and the hedges in place at 30 June 2018 will be treated as continuing hedges from 1 July 2018.

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.

6. OTHER ASSETS AND LIABILITIES

6.1 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. Depreciation is on a straight line basis over the useful life of the asset.
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. Software and development costs 3 years. Trademarks 10 – 20 years. Other 3 - 10 years.
Goodwill arising from business combinations is recognised as an intangible asset.	Tested for impairment annually.
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.

6. OTHER ASSETS AND LIABILITIES continued

6.2 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
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 the impairment of financial assets policy in section 4.2. No practical expedients are applied, and fully-compliant IFRS 9 models are used for impairment calculation on leases.
Over life of lease	The asset is depreciated – refer to policy 6.1.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method. Finance lease debtors are assessed for impairment in terms of IFRS 9 as set out in the impairment of financial assets policy section 4.2.
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 6. 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.	

7. CAPITAL AND RESERVES

Transaction	Liability	Equity
Shares issued and issue costs	Ordinary shares and any preference shares which meet the definition of equity issued by the group less any incremental costs directly related to the issue of new shares or options, net of any related tax benefit.	
Dividends paid/ declared	Recognised as interest expense on the underlying liability.	Dividends on ordinary shares are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company's board of directors and distribution is no longer at the discretion of the entity.
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.

8. TRANSACTIONS WITH EMPLOYEES

8.1 Employee benefits

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

Post-employment benefits	
Defined contribution plans	
Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.	
Defined benefit obligation liability	**Recognition:** The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
	Measurement: The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.
Profit or loss – as part of staff costs	• Current and past service costs calculated on the projected unit credit method included as part of staff costs; • Gains or losses on curtailments and settlements that took place in the current period; • Net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability; and • Actuarial gains or losses on long term employee benefits.
Other comprehensive income	All other re-measurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.

8.1 Employee benefits continued

Post-employment benefits continued	
Termination benefits	
The group recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of when the group can no longer withdraw the offer of the termination benefit and when the group recognises any related restructuring costs.	
Liability for other employee benefits	
Other	The group recognises severance pay as a liability in the statement of financial position and as an expense in profit and loss. The group is required to pay employees a severance benefit in terms of the Labour Act of 2007, when: • The employee is dismissed under certain circumstances; or • The employee dies while employed. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plan. Qualified actuaries perform annual valuations.
Leave pay	The group recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the group is based on current salary of employees and the contractual terms between the employee and the group. The expense is included in staff costs.
Bonuses	The group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

8.2 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.

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 28.

Associate
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.

9.2 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.

9.3 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	
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.
Impairment assessment of collateralised financial assets	The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the group elects to foreclose or not.
Advances	
The group continuously assesses its credit portfolios for impairment. Significant advances are monitored by the credit committee and impaired in accordance with 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 PD, EAD and LGD.	
Performing loans	
The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset. In retail portfolios the account status, namely arrears versus non-arrears status, is taken as a primary indicator of an impairment event. In 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.	

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.3 Financial instruments continued

Advances continued

Impairment of financial assets

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, which is a measure of the expectation of how likely the customer is to default;
- the exposure at default, which is the expected amount outstanding at the point of default; and
- the loss given default, which is the expected loss that will be realised at default after considering recoveries through collateral and guarantees.

Where impairment is required to be determined for the performing book, the following estimates are required:

- The IBNR provision, calculated on this subsegment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non-performing status 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 assessment performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio. Refer to the table below for additional information; and
- The PSI in the decrease in future cash flows, primarily estimated based on analysis of historical loss and recovery rates for comparable subsegments of the portfolio.

The sensitivity of modelled provisions to key assumptions has been assessed for each portfolio. This assessment was performed by calculating the impact on modelled provisions of adjusting model inputs to reflect conservative assumptions. The impact of increasing conservatism was tested by varying assumptions individually and simultaneously.

The sensitivity of modelled provisions for performing loans was assessed by adjusting loss emergence period assumptions and arrears definitions. The arrears definition was adjusted so that early and/or partial arrears are considered to be objective evidence of impairment and the loss emergence period was increased by one month.

Non-performing loans

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.

Management is comfortable that the level of provisions held for non-performing loans is appropriate.

9.3 Financial instruments continued

Impairment of advances

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.

The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure.

The group adopted the PD/LGD approach for the calculation of ECL for advances. The ECL is based on an average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario, weighted by the probability of occurrence.

Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.

Forward-looking information

Forward-looking macroeconomic information has been incorporated into expected loss estimates through the application of quantitative modelling and expert-judgement-based adjustments. The quantitative techniques applied estimate the impact of forecasted macroeconomic factors on expected credit losses using regression techniques.

The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for baseline, downside, upside and stress scenarios. The baseline, downside and upside scenarios are used in the ECL calculations. These scenarios are overseen by the FirstRand macro forum, which is responsible for oversight and is independent from credit and modelling functions.

To arrive at the macroeconomic forecasts, a bottom-up and top-down process is followed. The bottom-up process is conducted by teams of economists both locally and within the various subsidiaries. These economists assess micro and macroeconomic developments to formulate (bottom-up) and adjust (top-down) the macroeconomic forecasts. A number of internal and external economists are then requested to assign a probability to each scenario. The rationale for probabilities assigned by each respondent are noted and explained.

ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process.

The following scenarios were applied at 30 June 2019:

Baseline regime	Assumes that global growth slows below trend, developed market (DM) inflation remains benign and interest rates turn more accommodative while domestic policy uncertainty reduces relative to 2018 and meaningful economic reform remains absent.
Upside regime	Assumes that the global economy expands at a solid pace whilst DM inflation and interest rates lift gradually, and domestic policy certainty improves substantially, opening the door for positive economic reforms to drive growth higher.
Downside regime	Assumes that the global economy slows down whilst DM inflation and interest rates lift. Increased policy uncertainty, increased populism and fiscal drive Namibia's growth lower.

The macro forum currently assigns a 57% probability to the baseline macroeconomic regime.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.3 Financial instruments continued

Impairment of advances continued

Forward-looking information continued

Namibia

The latest annual figures reaffirm the recessionary pressures experienced by all economic agents with -0.1% recorded at the end of 2018. Negative investment growth eroded any gains experienced by the improving trading balance with foreign and domestic gross fixed capital formation printing -14.1%.

The situation has however bottomed out with an expectation that a semblance of growth will likely be experienced in 2019 pursuant to the latest consumption growth figures which recorded 1.9% on an annual basis. The central bank, however, expects growth to come in at around 0.3% in 2019 amidst fears of sluggish performance across most industries, particularly agricultural sector that remains at the mercy of a persistent drought.

Fiscal strategy will continue to run its course of consolidation with expenditure growth likely not to exceed 3% over the medium term. A further layer of conservatism was added by the Ministry of Finance who now sees revenue growth trailing below inflation. Growth in inflation is likely to remain lacklustre as consumers continue tightening their belts. Increases to the profile will likely stem from statistical base effects and supply side pressures from general administered prices and a rising food inflation outlook. Quite recently, the rise in global oil prices should push transport inflation upwards as well. Overall, prices are likely to remain within the 3% to 6% band over the next few years.

Significant macroeconomic factors

The table below sets out the most significant macroeconomic factors used to estimate the FLI on the ECL provisions:

Namibia	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	1.50	0.30	(0.75)
Policy interest rate (%)	6.75	6.75	7.25

The following table reflects the impact on the IFRS 9 impairment provisions on advances at amortised cost, if the probability weighting assigned to each of the scenarios were increased to 100%.

	N$'000	% change on total IFRS 9 provision
IFRS 9 impairment provision at 30 June 2019		
Scenarios		
Baseline	706 298	0.47%
Upside	611 343	(13.0%)
Downside	762 817	8.5%

9.4 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 and 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 for litigation

The group uses judgement to determine whether to recognise provisions for litigations and claims, as well as the amount of the provisions. Management in consultation with legal counsel assesses the probability of the claims resulting in a cash outflow for the group and ranks the risks of claims in the group's litigation database. The assessment takes into account all available information, including events that occur after the reporting date but before the financial statements are issued. The group recognises a provision when a present obligation exists and when it is probable that an outflow of economic benefits will be required to settle the claim.

9.5 Transactions with employees

Employee benefits – defined contribution plans

The group operates 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.

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.5 Transactions with employees continued

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

9. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.6 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.

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS

The group adopted IFRS 9 and IFRS 15 during the current period. As set out in Accounting policy note 1, comparative information has not been restated, but the retained earnings, as at the date of initial adoption (DIA) of 1 July 2018, has been restated. The key impact of adopting the revised standards has been set out below.

Note	Description of change	Impact on First National Bank of Namibia Limited
1	Classification and measurement	
	IFRS 9 introduced a principle-based approach for classifying financial assets, based on the entity's business model (for example how an entity manages its financial assets to generate cash flows) and the nature of its cash flows. Financial assets held to collect contractual cash flows, which relate to SPPI, are classified at amortised cost. Financial assets held in a mixed business model (for example, held to collect contractual cash flows which meet the SPPI test and held for sale) are classified at fair value through other comprehensive income (FVOCI). All other financial assets held under a different business model or cash flows that do not meet the SPPI test are classified at FVTPL. The classification of financial liabilities remains relatively unchanged, with the exception of financial liabilities designated at fair value. Any changes in the fair value of the liability due to the entity's own credit risk will now be recognised in other comprehensive income.	The items were first reclassified as indicated in the reclassification column and then remeasured, with the remeasurement included in the remeasurement column. Based on the business model assessments performed, the following were the significant reclassifications and remeasurements:
	IFRS 9 also allows for the once-off reclassification of financial liabilities.	• Advances to empowerment development funds were reclassified from amortised cost to FVTPL as they do not meet the SPPI test. • N$ 4 775 million in investment securities held in the group's liquid asset portfolio were reclassified from available-for-sale to amortised cost because they are held to collect contractual cash flows that meet the SPPI test. This resulted in a N$ 24.1 million (after tax) release of available-for-sale reserve.

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

Note	Description of change	Impact on First National Bank of Namibia Limited
2.	ECL impairment	
	IFRS 9 introduced an ECL model which includes the incorporation of forward-looking information (FLI) for the recognition of impairments on financial assets. It is no longer required that a credit event occurs before credit losses are recognised. This applies to financial assets classified at amortised cost and FVOCI, lease receivables and trade receivables. It also applies to loan commitments, unutilised facilities and financial guarantee contracts not designated at FVTPL, referred to collectively as off-balance sheet exposures. The level of ECL to be recognised is determined with reference to the credit risk of the asset at reporting date in relation to its credit risk at origination. Where the credit risk has not increased significantly since origination, impairment is calculated based on a 12-month ECL. If there has been a significant increase in credit risk (SICR), impairment is based on LECL.	The revised impairment requirements increased impairments by N$ 142.6 million, excluding ISP, due to earlier recognition of ECL, incorporating FLI, the inclusion of off-balance sheet exposures and the extension of the measurement period.
3.	Other ECL	
	Investment securities and non-advances.	Debt investment securities comprising government and corporate bonds were classified as available-for-sale under IAS 39. These securities are short dated and held under a business model to collect contractual cash flows until maturity. These contractual cash flows are SPPI and these debt investment securities have therefore been classified at amortised cost under IFRS 9. Accordingly, an ECL provision of N$ 888 thousand has been raised against these securities, referenced to the sovereign credit rating where these relate to government bonds. As a result of the reclassification, the available-for-sale reserve of N$ 35.3 million (net of tax N$ 24.1 million) was released, resulting in an adjustment to the carrying amount of the investment securities and the non-distributable reserves.

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

Note	Description of change	Impact on First National Bank of Namibia Limited
4.	ISP	
	In terms of IAS 39 ISP was not capitalised to advances and interest suspended was tracked and managed separately off-balance sheet. Under IFRS 9, interest revenue is calculated by applying the effective interest rate to the amortised cost of financial assets classified in stage 3. The difference between the contractual interest and the interest recognised in line with IFRS 9 is therefore suspended. This suspended interest is capitalised to the advance and immediately impaired.	ISP is recognised against the ECL allowance, reflecting the fact that it is unrecoverable and therefore impaired. To the extent that the impairment coverage ratio under IAS 39 is identical to that under IFRS 9, the impact of ISP on transition to IFRS 9 is a gross-up of the advance and loss allowance by the amount of the suspended interest, with no impact on retained earnings. Where the coverage ratios under the two standards differ, the difference is reflected in retained earnings. The amount of ISP recognised under IFRS 9 was also impacted by the reclassification of RMBIB and certain FNB commercial advances from FVTPL to amortised cost. ISP is not calculated on advances at FVTPL. The amount of ISP under IAS 39 was N$ 67.2 million and remained the same under IFRS 9. Gross advances increased by N$67.2 million and impairments increased by N$ 67.2 million.
5.	IFRS 15	
	IFRS 15 requires revenue to be recognised as an entity satisfies its performance obligations, which can be at a point in time or over time. The group's revenue that does not fall within the scope of IFRS 9 is mainly derived from providing services to customers and was therefore recognised over the period of time in which the services were provided, in accordance with IAS 18 Revenue. As the revenue from the provision of services is still required to be recognised over time in terms of IFRS 15, the adoption of IFRS 15 had an immaterial impact on the group.	The adoption of IFRS 15 had an immaterial impact on the group.

10.1 Impact of adoption of IFRS 9

The table below sets out information about financial instruments that have been reclassified from available-for-sale to amortised cost upon the adoption of IFRS 9. The table sets out information about the financial instruments' fair value and fair value gains and losses that would have been recognised in OCI or profit or loss if the reclassification had not taken place.

N$'000	Fair value as at 30 June 2019	Fair value gain that would have been recognised in other comprehensive income	Effective interest rate on 1 July 2018	Interest revenue or expense recognised for the year ended June 2019
Assets				
Classified from available-for-sale under IAS 39				
Investment securities	7 214 253	69 711	7.4%	494 363

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

10.2 Transition impact on consolidated financial position

Group

N$ 000	Notes	IAS 39	Remeasurement	ECL impairment	Total adjustments	IFRS 9
Assets						
Investment securities		5 080 115	35 339	(888)	34 451	5 114 566
Advances		28 644 017	-	(141 761)	(141 761)	28 502 256
Accounts receivable		239 535	-	-	-	239 535
Investment in associate		8 608	-	-	-	8 608
Other assets		5 207 310	-	-	-	5 207 310
Total assets		39 179 585	35 339	(142 649)	(107 310)	39 072 275
Equity and liabilities						
Liabilities						
Deposits		32 559 128	-	-	-	32 559 128
Other liabilities		220 447	-	-	-	220 447
Deferred income tax liability		320 732	11 277	(11 409)	(132)	320 600
Other liabilities		1 280 004	-	-	-	1 280 004
Total liabilities		34 380 311	11 277	(11 409)	(132)	34 380 179
Equity						
Ordinary shares		1	-	-	-	1
Share premium		1 142 791	-	-	-	1 142 791
Reserves		3 656 482	24 062	(131 240)	(107 178)	3 549 304
Total equity		4 799 274	24 062	(131 240)	(107 178)	4 692 096
Total equities and liabilities		39 179 585	35 339	(142 649)	(107 310)	39 072 275

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

10.3 Transition impact on statement of changes in equity

Group

N$'000	Share capital and share premium	Defined benefit post-employment reserve	Available-for-sale reserve	General risk reserve*	Share -based payment reserve	Total reserves	Retained earnings	Total Equity
Balance as at 30 June 2018	1 142 792	3 632	(24 062)	163 140	7 727	150 437	3 506 046	4 799 275
Opening retained earnings adjustment for IFRS 9	-	-	24 062	(163 140)	-	(139 078)	31 900	(107 178)
Reclassification	-	-	24 062	-	-	24 062	-	24 062
Investment securities	-	-	35 339	-	-	35 339	-	35 339
Deferred tax	-	-	(11 277)	-	-	(11 277)	-	(11 277)
Remeasurement	-	-	-	(163 140)	-	(163 140)	163 140	-
Advances	-	-	-	(163 140)	-	(163 140)	163 140	-
ECL impairment	-	-	-	-	-	-	(131 240)	(131 240)
Advances	-	-	-	-	-	-	(131 240)	(131 240)
Balance as at 1 July 2018	1 142 792	3 632	-	-	7 727	11 359	3 537 946	4 692 097

* Due to the provisions as provided for by IFRS 9 exceeding BID 2 required provisions, the general risk reserve was no longer required.

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

10.4 Summary of difference between IAS 39 and IFRS 9

The table below represents a reconciliation of the statement of financial position under IAS 39 to IFRS 9 and sets out the impact of both the revised classification and measurement requirements of IFRS 9.

Group

N$'000	New classification under IFRS 9	Original classification under IAS 39	IAS 39 carrying amount	Reclassification	Remeasurement	ECL Impairment	ISP due to change in coverage ratio	IFRS 9 carrying amount
Assets								
Investment securities			5 080 115	-	35 339	(888)	-	5 114 566
	Mandatory FVTPL	Held for trading	24 303	-	-	-	-	24 303
	Mandatory FVTPL	Designated at FVTPL	300 342	-	-	-	-	300 342
	Amortised cost			4 755 470	35 339	(888)	-	4 789 921
	Amortised cost	Available for sale	4 755 470	(4 755 470)	-	-	-	-
Advances			28 644 017	-	-	(141 761)	-	28 502 256
	Amortised cost	Loans and receivables/held to maturity	28 224 248	-	-	(138 098)	-	28 086 150
	Designated at FVTPL	Designated at FVTPL	419 769	-	-	(3 663)	-	416 106
Accounts receivable			239 535	-	-	-	-	239 535
Investment in associate			8 608	-	-	-	-	8 608
Other assets			5 207 310	-	-	-	-	5 207 310
Total assets			39 179 585	-	35 339	(142 649)	-	39 072 275
Liabilities								
Deposits			31 661 720	-	-	-	-	31 661 720
	Amortised cost	Amortised cost	31 661 720	-	-	-	-	31 661 720
	Designated at FVTPL	Designated at FVTPL	-	-	-	-	-	-
	Mandatory FVTPL	Mandatory FVTPL	-	-	-	-	-	-
Due to banks and other financial institutions			897 408	-	-	-	-	897 408
Other liabilities			220 447	-	-	-	-	220 447
Deferred income tax liability			320 732	-	11 277	(11 409)	-	320 600
Non - financial liabilities			1 280 004	-	-	-	-	1 280 004
Total liabilities			34 380 311	-	11 277	(11 409)	-	34 380 179
Equity adjustment as at 1 July 2018			-	-	24 062	(131 240)	-	(107 178)

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

10.5 Transition impact on consolidated financial position

Company

N$ 000	Notes	IAS 39	Remeasurement	ECL impairment	Total adjustments	IFRS 9
Assets						
Investment securities		5 080 115	35 339	(888)	34 451	5 114 566
Advances		28 278 842	-	(141 761)	(141 761)	28 137 081
Accounts receivable		270 498	-	-	-	270 498
Investment in associate		1 154	-	-	-	1 154
Investments in subsidaries		300 277				300 277
Other assets		5 187 184	-	-	-	5 187 184
Total assets		39 118 070	35 339	(142 649)	(107 310)	39 010 760
Equity and liabilities						
Liabilities						
Deposits		32 580 435	-	-	-	32 580 435
Other liabilities		220 447	-	-	-	220 447
Deferred income tax liability		326 209	11 277	(11 409)	(132)	326 077
Other liabilities		1 286 131	-	-	-	1 286 131
Total liabilities		34 413 222	11 277	(11 409)	(132)	34 413 090
Equity						
Ordinary shares		1	-	-	-	1
Share premium		1 142 791	-	-	-	1 142 791
Reserves		3 562 056	24 062	(131 240)	(107 178)	3 454 878
Total equity		4 704 848	24 062	(131 240)	(107 178)	4 597 670
Total equities and liabilities		39 118 070	35 339	(142 649)	(107 310)	39 010 760

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

10.6 Transition impact on statement of changes in equity

Company

N$'000	Share capital and share premium	Defined benefit post-employment reserve	Available-for-sale reserve	General risk reserve*	Share -based payment reserve	Total reserves	Retained earnings	Total Equity
Balance as at 30 June 2018	1 142 792	3 632	(24 062)	163 140	7 727	150 437	3 411 618	4 704 847
Opening retained earnings adjustment for IFRS 9	-	-	24 062	(163 140)	-	(139 078)	31 906	(107 172)
Reclassification	-	-	24 062	-	-	24 062	-	24 062
Investment securities	-	-	35 339	-	-	35 339	-	35 339
Deferred tax	-	-	(11 277)	-	-	(11 277)	-	(11 277)
Remeasurement	-	-	-	(163 140)	-	(163 140)	163 140	-
Advances	-	-	-	(163 140)	-	(163 140)	163 140	-
ECL impairment	-	-	-	-	-	-	(131 240)	(131 240)
Advances	-	-	-	-	-	-	(131 240)	(131 240)
Balance as at 1 July 2018	1 142 792	3 632	-	-	7 727	11 359	3 443 518	4 597 675

* Due to the provisions as provided for by IFRS 9 exceeding BID 2 required provisions, the general risk reserve was no longer required.

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

10.7 Summary of difference between IAS 39 and IFRS 9

The table below represents a reconciliation of the statement of financial position under IAS 39 to IFRS 9 and sets out the impact of both the revised classification and measurement requirements of IFRS 9.

Company

N$'000	New classification under IFRS 9	Original classification under IAS 39		IAS 39 carrying amount	Reclassification	Remeasurement	ECL Impairment	ISP due to change in coverage ratio	IFRS 9 carrying amount
Assets									
Investment securities				5 080 115	-	35 339	(888)	-	5 079 095
	Mandatory FVTPL	Held for trading		24 303	-	-	-	-	24 303
	Mandatory FVTPL	Designated at FVTPL		300 342	-	-	-	-	300 342
	Amortised cost				4 755 470	35 339	(888)	-	4 754 450
	Amortised cost	Available for sale		4 755 470	(4 755 470)	-	-	-	-
Advances				28 278 842	-	-	(141 761)	-	28 137 081
	Amortised cost	Loans and receivables/held to maturity		27 859 073	-	-	(138 098)	-	27 720 975
	Designated at FVTPL	Designated at FVTPL		419 769	-	-	(3 663)	-	416 106
Accounts receivable				270 498	-	-	-	-	270 498
Investment in associate				1 154	-	-	-	-	1 154
Investment in subsidaries				300 277	-	-	-	-	300 277
Other assets				5 187 184	-	-	-	-	5 187 184
Total assets				39 118 070	-	35 339	(142 649)	-	38 975 289
Liabilities									
Deposits				31 683 027	-	-	-	-	31 683 027
	Amortised cost	Amortised cost		31 683 027	-	-	-	-	31 683 027
	Designated at FVTPL	Designated at FVTPL		-	-	-	-	-	-
	Mandatory FVTPL	Mandatory FVTPL		-	-	-	-	-	-
Due to banks and other financial institutions				897 408	-	-	-	-	897 408
Other liabilities				220 447	-	-	-	-	220 447
Deferred income tax liability				326 209	-	11 277	(11 409)	-	326 077
Non - financial liabilities				1 286 131	-	-	-	-	1 286 131
Total liabilities				34 413 222	-	11 277	(11 409)	-	34 413 090
Equity adjustment as at 1 July 2018				-	-	24 062	(131 240)	-	(142 649)

10. IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS continued

10.8 Reconciliation of impairment loss allowance

The group has changed its accounting policies in respect of the classification of financial instruments under IFRS 9. The application of these changes resulted in changes in the impairment loss allowance balances for IFRS 9 adoption when compared to the IAS 39 impairment loss allowance balances. In addition, the application of the ECL impairment model under IFRS 9 has also resulted in an increase in the impairment loss allowance recognised.

The table below reconciles the impairment allowance measured in line with IAS 39 and IAS 37 to the IFRS 9 loss allowance recognised as at 1 July 2018.

Group N$'000	**Loss allowance under IAS 39/ Provisions under IAS 37**	Recognition of expected credit loss	ISP reclassified to loss allowance under IFRS 9 on day 1	IFRS 9 carrying amount impairment loss allowance
Assets				
Advances				
- Residential mortgages	62 957	(48)	39 038	101 947
- Vehicle and asset finance	42 104	15 627	6 047	63 778
- Credit card	6 698	17 986	2 290	26 974
- Personal loans	46 670	24 790	4 213	75 673
- Other retail	15 337	8 024	580	23 941
- FNB commercial	98 236	60 102	14 987	173 325
- RMB corporate and investment banking	29 558	15 238	-	44 796
Investment securities	-	888	-	888
Total	301 560	142 607	67 155	511 322

Company N$'000	**Loss allowance under IAS 39/ Provisions under IAS 37**	Recognition of expected credit loss	ISP reclassified to loss allowance under IFRS 9 on day 1	IFRS 9 carrying amount impairment loss allowance
Assets				
Advances				
- Residential mortgages	60 409	(1 307)	39 038	98 140
- Vehicle and asset finance	42 104	15 627	6 047	63 778
- Credit card	6 698	17 986	2 290	26 974
- Personal loans	46 670	24 790	4 213	75 673
- Other retail	15 337	8 024	580	23 941
- FNB commercial	98 236	60 102	14 987	173 325
- RMB corporate and investment banking	29 558	15 238	-	44 796
Investment securities	-	888	-	888
Total	299 012	141 348	67 155	507 515

08. ANNUAL FINANCIAL STATEMENTS

09. STATEMENTS OF COMPREHENSIVE INCOME
for the period ended 30 June 2019

N$'000	Note(s)	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Interest and similar income	1	3 861 956	3 580 460	3 817 827	3 524 615
Interest expense and similar charges	1	(1 852 528)	(1 762 198)	(1 831 476)	(1 734 131)
Net interest income before impairment of advances		2 009 428	1 818 262	1 986 351	1 790 484
Impairment and fair value of credit advances	10	(214 808)	(128 261)	(216 380)	(127 179)
Net interest income after impairment of advances		1 794 620	1 690 001	1 769 971	1 663 305
Non-interest revenue	2	1 661 671	1 646 284	1 660 100	1 588 567
Income from operations		3 456 291	3 336 285	3 430 071	3 251 872
Operating expenses	3	(1 880 702)	(1 809 666)	(1 882 048)	(1 803 674)
Net income from operations		1 575 589	1 526 619	1 548 023	1 448 198
Share of profit of associate after tax		3 730	1 039	-	-
Income before indirect tax		1 579 319	1 527 658	1 548 023	1 448 198
Indirect tax	4	(45 515)	(45 113)	(45 496)	(46 988)
Profit before direct tax		1 533 804	1 482 545	1 502 527	1 401 210
Income tax expense	4	(473 766)	(460 308)	(465 968)	(446 965)
Profit for the year		1 060 038	1 022 237	1 036 559	954 245
Other comprehensive income:					
Items that may not subsequently be reclassified to profit or loss:					
Remeasurements on defined benefit post-employment plans		(146)	1 272	(146)	1 272
Deferred income tax		47	(407)	47	(407)
Total items that will not be reclassified to profit or loss		(99)	865	(99)	865
Items that may subsequently be reclassified to profit or loss:					
Available-for-sale financial assets adjustments *		-	(3 725)	-	(3 725)
Deferred income tax		-	1 192	-	1 192
Total items that may be reclassified to profit or loss		-	(2 533)	-	(2 533)
Other comprehensive income for the year net of taxation		(99)	(1 668)	(99)	(1 668)
Total comprehensive income for the year		**1 059 939**	1 020 569	**1 036 460**	952 577

* Comparability will not be achieved as the comparative financial results were prepared based on IAS 39. The group elected not to restate the comparative balances as permitted by IFRS 9.

10. STATEMENTS OF FINANCIAL POSITION
as at 30 June 2019

N$'000	Note(s)	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Assets					
Cash and cash equivalents	6	1 380 801	1 326 075	1 380 801	1 326 075
Due by banks and other financial institutions		2 803 841	2 782 221	2 803 841	2 782 221
Derivative financial instruments	7	459 072	93 520	459 072	93 520
Investment securities	8	7 577 680	5 080 115	7 577 680	5 080 115
Advances	9	30 412 740	28 644 017	30 119 613	28 278 842
Accounts receivable	11	272 399	239 535	306 026	270 498
Investment in associate	12	12 339	8 608	1 154	1 154
Investments in subsidiaries	13	-	-	170 864	300 277
Property and equipment	14	859 081	901 250	839 313	881 124
Intangible assets	15	92 799	104 244	92 798	104 244
Total Assets		**43 870 752**	39 179 585	**43 751 162**	39 118 070
Equity and Liabilities					
Liabilities					
Derivative financial instruments	7	480 490	109 754	480 490	109 754
Creditors and accruals	18	371 483	351 688	369 998	368 434
Current tax liability		181 539	178 403	176 578	167 784
Deposits	19	36 401 396	32 559 128	36 398 982	32 580 435
- Deposits from customers		26 174 449	24 305 263	26 172 035	24 326 570
- Debt securities		9 796 914	7 356 457	9 796 914	7 356 457
- Due to banks and other financial institutions		430 033	897 408	430 033	897 408
Employee liabilities	16	237 587	237 376	237 587	237 376
Other liabilities	20	220 486	220 447	220 486	220 447
Tier 2 liabilities	21	402 804	402 783	402 804	402 783
Deferred tax	17	393 209	320 732	399 408	326 209
Total Liabilities		**38 688 994**	34 380 311	**38 686 333**	34 413 222
Equity					
Ordinary shares	22	1	1	1	1
Share premium	22	1 142 791	1 142 791	1 142 791	1 142 791
Reserves		4 038 966	3 656 482	3 922 037	3 562 056
Total equity		5 181 758	4 799 274	5 064 829	4 704 848
Total Equity and Liabilities		**43 870 752**	39 179 585	**43 751 162**	39 118 070

11. STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2019

N$'000	Share capital	Share premium	Available-for-sale reserve	Share-based payment reserve	Defined benefit post-employment reserve	General risk reserve	Retained earnings	Total equity
Group								
Balance as at 1 July 2017	1	1 142 791	(21 529)	16 113	2 767	160 054	3 002 851	4 303 048
Profit for the year	-	-	-	-	-	-	1 022 237	1 022 237
Other comprehensive income	-	-	(2 533)	-	865	-	-	(1 668)
Total comprehensive income for the year	-	-	(2 533)	-	865	-	1 022 237	1 020 569
Transfers to/(from) reserves	-	-	-	-	-	3 086	(3 086)	-
Transfer of vested equity options	-	-	-	3 882	-	-	-	3 882
Share-based payments	-	-	-	(12 268)	-	-	12 268	-
Ordinary dividend	-	-	-	-	-	-	(528 224)	(528 224)
Balance as at 30 June 2018	1	1 142 791	(24 062)	7 727	3 632	163 140	3 506 046	4 799 274
Adjustment for adoption of IFRS 9	-	-	24 062	-	-	-	(131 240)	(107 178)
Restated balance as at 1 July 2018	1	1 142 791	-	7 727	3 632	163 140	3 374 806	4 692 097
Profit for the year	-	-	-	-	-	-	1 060 038	1 060 038
Other comprehensive income	-	-	-	-	(99)	-	-	(99)
Total comprehensive income for the year	-	-	-	-	(99)	-	1 060 038	1 059 939
Transfers to/(from reserves	-	-	-	-	-	(163 140)	163 140	-
Transfer of vested equity options	-	-	-	1 120	-	-	-	1 120
Share-based payments	-	-	-	(6 380)	-	-	6 380	-
Ordinary dividend	-	-	-	-	-	-	(525 424)	(525 424)
Distribution in specie	-	-	-	-	-	-	(45 974)	(45 974)
Balance as at 30 June 2019	1	1 142 791	-	2 467	3 533	-	4 032 966	5 181 758
Note(s)	22	22						

11. STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2019 continued

N$'000	Share capital	Share premium	Available-for-sale reserve	Share-based payment reserve	Defined benefit post-employment reserve	General risk reserve	Retained earnings	Total equity
Company								
Balance as at 1 July 2017	1	1 142 791	(21 529)	16 113	2 767	160 054	2 976 415	4 276 612
Profit for the year	-	-	-	-	-	-	954 245	954 245
Other comprehensive income	-	-	(2 533)	-	865	-	-	(1 668)
Total comprehensive income for the year	-	-	(2 533)	-	865	-	954 245	952 577
Transfers to/(from) reserves	-	-	-	-	-	3 086	(3 086)	-
Transfer of vested equity options	-	-	-	3 882	-	-	-	3 882
Share-based payment	-	-	-	(12 268)	-	-	12 268	-
Ordinary dividend	-	-	-	-	-	-	(528 224)	(528 224)
Balance as at 30 June 2018	1	1 142 791	(24 062)	7 727	3 632	163 140	3 411 618	4 704 848
Adjustment for adoption of IFRS 9	-	-	24 062	-	-	-	(131 234)	(107 172)
Restated balance as at 1 July 2018	1	1 142 791	-	7 727	3 632	163 140	3 280 384	4 597 675
Profit for the year	-	-	-	-	-	-	1 036 559	1 036 559
Other comprehensive income	-	-	-	-	(99)	-	-	(99)
Total comprehensive income for the year	-	-	-	-	(99)	-	1 036 559	1 036 460
Transfers to/(from) reserves	-	-	-	-	-	(163 140)	163 140	-
Transfer of vested equity options	-	-	-	1 120	-	-	-	1 120
Share-based payments	-	-	-	(6 380)	-	-	6 380	-
Ordinary dividend	-	-	-	-	-	-	(525 424)	(525 424)
Distribution in specie	-	-	-	-	-	-	(45 002)	(45 002)
Balance as at 30 June 2019	1	1 142 791	-	2 467	3 533	-	3 916 037	5 064 829
Note(s)	22	22						

12. STATEMENTS OF CASH FLOWS
for the year ended 30 June 2019

N$'000	Note(s)	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Cash flows from operating activities					
Interest and commission receipts		5 319 515	4 962 737	5 273 722	4 906 974
Other non-interest income		194 822	185 301	194 496	180 951
Interest payments		(1 852 528)	(1 762 198)	(1 831 476)	(1 734 131)
Other operating expenditure		(1 651 382)	(1 552 465)	(1 653 066)	(1 542 449)
Cash flows from operating activities	24	2 010 427	1 833 376	1 983 676	1 811 345
Increase in liquid assets and trading securities		(2 922 785)	(1 548 475)	(2 925 449)	(1 572 736)
Increase in advances		(1 969 035)	(420 942)	(2 042 235)	(492 829)
Increase in deposits		3 865 653	815 383	3 818 547	893 193
Increase/(decrease) in other operating liabilities		71 441	(133 371)	54 206	(162 496)
Taxation paid		(398 153)	(323 057)	(383 975)	(298 335)
Net cash flows from operating activities		657 548	222 914	504 770	178 142
Cash flows from investing activities					
Acquisition of property and equipment		(58 011)	(89 582)	(57 991)	(101 667)
Cash outflow from disposal of subsidiary	13	(23 385)	-	-	-
Reduction in loan to subsidiary		-	-	129 413	169 409
Proceeds from sale of property and equipment		3 998	87 671	3 958	8 048
Net cash flows from investing activities		(77 398)	(1 911)	75 380	75 790
Cash flows from financing activities					
Proceeds from issue of other liabilities	20	-	219 000	-	219 000
Dividends paid		(525 424)	(528 224)	(525 424)	(528 224)
Net cash flows from financing activities		(525 424)	(309 224)	(525 424)	(309 224)
Net increase/(decrease) in cash and cash equivalents		54 726	(88 221)	54 726	(55 292)
Cash and cash equivalents at the beginning of the year*		1 326 075	1 414 296	1 326 075	1 381 367
Cash and cash equivalents at the end of the year	6	1 380 801	1 326 075	1 380 801	1 326 075

* Includes mandatory reserve deposits with the central bank.

13. NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

1. Analysis of interest income and interest expense

Analysis of interest and similar income

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Instruments at amortised cost	3 861 956	3 179 273	3 817 827	3 123 428
Instruments at fair value through other comprehensive income (available-for-sale)	-	401 187	-	401 187
	3 861 956	3 580 460	3 817 827	3 524 615
Advances	3 199 550	3 051 667	3 155 421	2 996 571
- Overdrafts and cash managed accounts	367 714	403 561	367 714	403 561
- Term loans	581 949	586 436	581 949	586 436
- Card loans	58 967	51 453	58 967	51 453
- Instalment sales and hire purchase agreements	340 730	342 398	340 730	342 398
- Lease payments receivable	25 850	30 491	25 850	30 491
- Property finance	1 419 908	1 321 325	1 375 779	1 266 230
- Personal loans	333 986	301 004	333 986	301 004
- Preference share agreements	18 326	-	18 326	-
- Investment bank term loans	750	1 562	750	1 562
- Other advances	51 370	13 436	51 370	13 436
Cash and cash equivalents	166 940	111 637	166 940	111 637
Investment securities	494 783	401 187	494 783	401 187
Unwinding of dicounted present value on non-performing loans (IAS 39)	-	13 766	-	13 017
Accrued on off-market advances	683	2 203	683	2 203
Interest and similar income	3 861 956	3 580 460	3 817 827	3 524 615

1. Analysis of interest income and interest expense continued

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Interest expense and similar charges				
Analysis of interest expense and similar charges				
Instruments at amortised cost	1 852 528	1 762 198	1 831 476	1 734 131
Interest expense and similar charges	1 852 528	1 762 198	1 831 476	1 734 131
Deposits from customers	1 076 287	984 304	1 067 249	974 556
- Current accounts	123 681	123 328	114 643	113 580
- Savings deposits	8 803	7 042	8 803	7 042
- Call deposits	343 064	295 024	343 064	295 024
- Term deposits	600 739	558 910	600 739	558 910
Debt securities	694 643	694 053	694 643	697 286
- Negotiable certificates of deposit	576 254	573 902	576 254	573 902
- Fixed and floating rate notes	118 389	120 151	118 389	123 384
Deposits from banks and other financial institutions	24 561	34 799	12 547	13 247
Other liabilities	17 963	9 967	17 963	9 967
Tier 2 liabilities	39 074	39 075	39 074	39 075
Interest expense and similar charges	1 852 528	1 762 198	1 831 476	1 734 131

2. Non-interest revenue

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Analysis of non-interest revenue				
Fee and commission income	1 630 850	1 543 957	1 629 614	1 543 106
Instruments at amortised cost	1 630 850	1 543 957	1 629 614	1 543 106
Fee and commission expenses	(159 477)	(136 334)	(159 486)	(136 346)
Net fee and commission income	1 471 373	1 407 623	1 470 128	1 406 760
- Mandatory (2018: IAS 39 Held for trading)	98 092	96 140	98 092	96 140
- Designated	45 122	47 011	45 122	47 011
Fair value gains or losses	143 214	143 151	143 214	143 151
Instruments at fair value through other comprehensive income / (2018: IAS 39 Available for sale)	22 388	22 221	22 388	22 221
Gains less losses from investing activities	22 388	22 221	22 388	22 221
Other non-interest revenue	24 696	73 289	24 370	16 435
Total non-interest revenue	**1 661 671**	1 646 284	**1 660 100**	1 588 567
2.1 Net fee and commission income				
Banking fee and commission income:				
- Card commissions	176 885	157 922	176 885	157 922
- Cash deposit fees	109 076	112 590	109 076	112 590
- Commissions: bills, drafts and cheques	148 863	155 073	149 146	155 470
- Bank charges	1 196 026	1 118 372	1 194 507	1 117 124
- Transaction and service fees	1 086 676	990 032	1 085 446	989 043
- Documentation and administration fees	26 524	30 021	26 235	29 762
- Cash handling fees	82 826	98 319	82 826	98 319
Fee and commission income	**1 630 850**	1 543 957	**1 629 614**	1 543 106

2. Non-interest revenue continued

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
2.1 Net fee and commission income continued				
Fee and commission expense:				
- Transaction processing fees	(107 423)	(90 130)	(107 432)	(90 142)
- Cash sorting, handling and transportation charges	(26 229)	(23 547)	(26 229)	(23 547)
- Customer loyalty programmes	(16 365)	(8 869)	(16 365)	(8 869)
- ATM commissions paid	(5 642)	(5 724)	(5 642)	(5 724)
- Other	(3 818)	(8 064)	(3 818)	(8 064)
Fee and commission expenses	**(159 477)**	(136 334)	**(159 486)**	(136 346)
Net fees and commission income	1 471 373	1 407 623	1 470 128	1 406 760
2.2 Fair value gains or losses				
- Foreign exchange	94 191	89 981	94 191	89 981
- Other fair value gains	49 023	53 170	49 023	53 170
Total fair value gains	**143 214**	143 151	**143 214**	143 151
2.3 Gains less losses from investing activities				
- Gains on investment securities designated at fair value through profit or loss (money market funds)	17 590	16 557	17 590	16 557
- Dividends received (unlisted investments) (money market funds)	4 798	5 664	4 798	5 664
Gains less losses from investing activities	**22 388**	22 221	**22 388**	22 221
2.4 Other non-interest revenue				
- Gain/(loss) on disposal of property and equipment	661	49 252	661	(3 252)
- Rental income	5 131	8 942	4 805	4 744
- Other income	18 904	15 095	18 904	14 943
Other non-interest revenue	**24 696**	73 289	**24 370**	16 435
Total non-interest revenue	**1 661 671**	1 646 284	**1 660 100**	1 588 567

3. Operating expenses

N$'000	Note(s)	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Auditors' remuneration		10 261	6 303	9 881	5 840
- Audit fees		9 972	6 021	9 592	5 558
- Fees for other services		289	282	289	282
Operating lease charges		61 353	64 552	66 710	69 914
Staff costs		1 028 685	977 560	1 028 685	977 540
- Salaries, wages and allowances		805 644	755 759	805 644	755 759
- Contributions to employee benefit funds		169 397	168 861	169 397	168 861
> Defined contribution schemes: pension		83 510	78 032	83 510	78 032
> Defined contribution schemes: medical		85 887	90 829	85 887	90 829
- Severance pay provision: death in service	16	1 033	904	1 033	904
- Post-retirement medical expenses	16	3 211	3 239	3 211	3 239
- Social security levies		2 050	2 086	2 050	2 086
- Training levies		7 857	9 218	7 857	9 218
- Share-based payments	26	37 660	33 303	37 660	33 303
- Other staff costs		1 833	4 189	1 833	4 190
Other operating costs		780 403	761 251	776 772	750 380
- Amortisation of intangible assets	15	11 446	17 797	11 446	14 657
- Depreciation of property and equipment	14	96 844	96 881	96 506	96 425
- Impairments incurred	15	-	39 244	-	23 551
- Impairment of investment in subsidiary		-	-	-	23 312
- Insurance		8 881	8 644	8 812	8 482
- Advertising and marketing*		52 294	47 562	52 294	47 562
- Donations*		10 537	11 042	10 537	11 042
- Property and maintenance		75 665	80 320	74 793	78 582
- Computer		339 960	306 574	339 873	306 518
- Stationery		8 155	11 841	8 155	11 839
- Telecommunications		19 082	18 530	19 079	18 528
- Legal fees		12 572	11 632	12 554	11 625
- Postage		4 199	4 224	4 199	4 224
- Professional fees		9 480	6 241	9 420	6 241
- Business travel		17 477	16 889	17 465	16 870
- Total directors' emoluments		12 085	11 253	12 085	11 219
- Other operating expenditure		101 726	72 577	99 554	59 704
Total operating expenses		**1 880 702**	1 809 666	**1 882 048**	1 803 674

* Prior year donations towards social responsibility has been reclassified from advertising and marketing in order to better reflect its nature. The overall operating expenses amount remains unchanged as this was a reclassification from the advertising and marketing amount.

3. Operating expenses continued

Significant impairments incurred during 2018

Intangible assets – Ebank trademark
First National Bank of Namibia Ltd, impaired the Ebank Ltd trademark after management reviewed the value of the trademark and found that it would no longer meet future needs of the group. This trademark has been impaired to a carrying amount of N$ nil based on its anticipated value in use to the business and an impairment loss of N$13.7 million recognised.

Intangible assets – software and development costs
Ebank Ltd, a subsidiary of First National Bank of Namibia Ltd, impaired software after management reviewed their information technology platform and found that the software would no longer meet future needs as Ebank was migrated onto the FNB Core banking system. This software has been impaired to a carrying amount of N$ nil based on its anticipated value in use to the business and an impairment loss of N$25.6 million recognised.

Directors' emoluments

	Group		Company	
N$'000	**2019 IFRS 9**	2018 IAS 39	**2019 IFRS 9**	2018 IAS 39
Executive directors	8 912	8 266	8 912	8 266
Non-executive directors	3 173	2 987	3 173	2 953
Total directors' emoluments	12 085	11 253	12 085	11 219

Included in executive director remuneration is cash package, performance-related, retirement contributions and other allowances that reflect what was paid during the year ended 30 June 2019 although the remuneration cycle runs from 1 August to 31 July. Variable compensation paid in cash with respect to the year ended 30 June 2019 is paid (with an interest factor) in three tranches, during the following year ending 30 June.

4. Taxation

	Group		Company	
N$'000	**2019**	2018	**2019**	2018
4.1 Indirect tax				
Value-added tax (net)	34 008	36 278	33 989	38 153
Stamp duties	11 507	8 835	11 507	8 835
	45 515	45 113	45 496	46 988
4.2 Direct tax				
Namibian income tax				
Current				
Current year	401 158	399 194	392 637	384 759
Deferred				
Current year	72 608	61 114	73 331	62 206
Total income tax expense	473 766	460 308	465 968	446 965
Tax rate reconciliation – Namibian income tax				
Standard rate of income tax	32,00%	32,00%	32,00%	32,00%
Total tax has been affected by:				
Dividend income	(0,85)%	(0,48)%	(0,87)%	(0,51)%
Other non-taxable income	(0,29)%	(1,21)%	(0,14)%	(0,22)%
Disallowed expenditure	0,02%	0,74%	0,02%	0,63%
Effective rate of tax	30,88%	31,05%	31,01%	31,90%

5. Analysis of assets and liabilities

The following table analyses the assets and liabilities in the statement of financial position per category of financial instrument and therefore by measurement basis and according to when the assets are expected to be realised and liabilities settled.

Group – 2019 IFRS 9

N$'000	Amortised cost	At fair value through profit or loss mandatory	At fair value through profit or loss designated	Non-financial instruments	Total carrying value
Assets					
Cash and cash equivalents	1 380 801	–	–	–	1 380 801
Due from banks and other financial institutions	2 803 841	–	–	–	2 803 841
Derivative financial instruments	–	459 072	–	–	459 072
Investment securities	7 144 544	120 407	312 729	–	7 577 680
Advances	30 043 808	–	368 932	–	30 412 740
Accounts receivable	27 504	–	–	–	27 504
Non-financial assets	–	–	–	1 209 114	1 209 114
Total assets	41 400 498	579 479	681 661	1 209 114	43 870 752
Liabilities					
Derivative financial instruments	–	480 490	–	–	480 490
Creditors and accruals	197 489	–	–	–	197 489
Deposits	36 401 396	–	–	–	36 401 396
Other liabilities	220 486	–	–	–	220 486
Tier 2 liabilities	402 804	–	–	–	402 804
Non-financial liabilities	–	–	–	986 329	986 329
Total liabilities	37 222 175	480 490	–	986 329	38 688 994

Group – 2018 IAS 39

N$'000	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total carrying value
Assets							
Cash and cash equivalents	–	–	1 326 075	–	–	–	1 326 075
Due from banks and other financial institutions	–	–	2 782 221	–	–	–	2 782 221
Derivative financial instruments	93 520	–	–	–	–	–	93 520
Investment securities	24 303	300 342	–	4 755 470	–	–	5 080 115
Advances	–	419 769	28 224 248	–	–	–	28 644 017
Accounts receivable	–	–	6 146	–	–	–	6 146
Non-financial assets	–	–	–	–	–	1 247 491	1 247 491
Total assets	117 823	720 111	32 338 690	4 755 470	–	1 247 491	39 179 585
Liabilities							
Derivative financial instruments	109 754	–	–	–	–	–	109 754
Creditors and accruals	–	–	–	–	83 369	–	83 369
Deposits	–	–	–	–	32 559 128	–	32 559 128
Other liabilities	–	–	–	–	220 447	–	220 447
Tier 2 liabilities	–	–	–	–	402 783	–	402 783
Non-financial liabilities	–	–	–	–	–	1 004 830	1 004 830
Total liabilities	109 754	–	–	–	33 265 727	1 004 830	34 380 311

5. Analysis of assets and liabilities continued

Company – 2019 IFRS 9

N$'000	Amortised cost	At fair value through profit or loss mandatory	At fair value through profit or loss designated	Non-financial instruments	Total carrying value
Assets					
Cash and cash equivalents	1 380 801	-	-	-	1 380 801
Due from banks and other financial institutions	2 803 841	-	-	-	2 803 841
Derivative financial instruments	-	459 072	-	-	459 072
Investment securities	7 144 544	120 407	312 729	-	7 577 680
Advances	29 750 681	-	368 932	-	30 119 613
Accounts receivable	27 504	-	-	-	27 504
Non-financial assets	-	-	-	1 382 651	1 382 651
Total assets	41 107 371	579 479	681 661	1 382 651	43 751 162
Liabilities					
Derivative financial instruments	-	480 490	-	-	480 490
Creditors and accruals	197 489	-	-	-	197 489
Deposits	36 398 982	-	-	-	36 398 982
Other liabilities	220 486	-	-	-	220 486
Tier 2 liabilities	402 804	-	-	-	402 804
Non-financial liabilities	-	-	-	986 082	986 082
Total liabilities	37 219 761	480 490	-	986 082	38 686 333

Company – 2018 IAS 39

N$'000	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total carrying value
Assets							
Cash and cash equivalents	-	-	1 326 075	-	-	-	1 326 075
Due from banks and other financial institutions	-	-	2 782 221	-	-	-	2 782 221
Derivative financial instruments	93 520	-	-	-	-	-	93 520
Investment securities	24 303	300 342	-	4 755 470	-	-	5 080 115
Advances	-	419 769	27 859 073	-	-	-	28 278 842
Accounts receivable	-	-	6 146	-	-	-	6 146
Non-financial assets	-	-	-	-	-	1 551 151	1 551 151
Total assets	117 823	720 111	31 973 515	4 755 470	-	1 551 151	39 118 070
Liabilities							
Derivative financial instruments	109 754	-	-	-	-	-	109 754
Creditors and accruals	-	-	-	-	83 369	-	83 369
Deposits	-	-	-	-	32 580 435	-	32 580 435
Other liabilities	-	-	-	-	220 447	-	220 447
Tier 2 liabilities	-	-	-	-	402 783	-	402 783
Non-financial liabilities	-	-	-	-	-	1 016 434	1 016 434
Total liabilities	109 754	-	-	-	33 287 034	1 016 434	34 413 222

6. Cash and cash equivalents

Cash and cash equivalents consist of:

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Coins and bank notes	516 232	430 888	516 232	430 888
Balances with central bank	864 569	895 187	864 569	895 187
Total cash and cash equivalents	1 380 801	1 326 075	1 380 801	1 326 075
Mandatory reserve balance included in above:	381 671	344 765	381 671	344 765

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is available for use by the group subject to certain restrictions and limitations levelled by the central bank in terms of the Banking Institutions Act, no 2 of 1998. These deposits bear little or no interest.

An amount of $nil was recognised at date of initial application of IFRS 9 relating to the expected credit-loss provision raised against cash and cash equivalents.

ECL for cash and cash equivalents are nil.

7. Derivative financial instruments

Use of derivatives
The group transacts in derivatives for two purposes: to create risk managemnt solutions for clients and to manage and hedge the group's own risk. The group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with off-setting deals being utilised to achieve this where necessary.

For further notes on the valuation of derivatives refer to note 28.

Fair value hedges
The group's fair value hedges mainly consist of currency forwards and interest rate swaps used to hedge the fair value risk associated with changes in interest rates.

For further details on the group's approach to managing interest rate risk and market risk, refer to note 29.

By using derivative financial instruments to hedge exposures to changes in interest rates, the group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. For information on how the group minimises counterparty risk in derivative instruments, refer to note 29.

In these hedging relationships, the main sources of ineffectiveness are:

- The effect of the counterparty and the group's own credit risk on the fair value of the derivative, which is not reflected on the fair value of the hedged item attributable to the change in the underlying interest rate; and
- Differences in maturities of the interest swap and loans or notes.

	Group and company			
	2019 IFRS 9			
N$'000	Assets notional	Fair value	Liabilities notional	Fair value
Held for trading				
Currency derivatives	3 839 687	418 403	4 152 101	424 270
Interest rate derivatives	2 390 638	40 669	2 438 578	56 220
Total	6 230 325	459 072	6 590 679	480 490

	Group and company			
	2018 (IAS 39)			
N$'000	Assets notional	Fair value	Liabilities notional	Fair value
Held for trading				
Currency derivatives	795 994	90 246	831 124	92 486
Interest rate derivatives	746 738	3 274	1 836 396	17 268
Total	1 542 732	93 520	2 667 520	109 754

All derivatives are over-the-counter instruments.

8. Investment securities

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Treasury bills	5 052 083	3 676 161	5 052 083	3 676 161
Other government and government guaranteed stock	2 214 176	1 103 612	2 214 176	1 103 612
Other undated securities (money market funds)	312 730	300 342	312 730	300 342
Total gross carrying amount of investment securities	7 578 989	5 080 115	7 578 989	5 080 115
Loss allowances on investment securities	(1 309)	-	(1 309)	-
Total investment securities	7 577 680	5 080 115	7 577 680	5 080 115
Analysis of Investment securities				
Other securities – fair value through profit or loss	312 730	300 342	312 730	300 342
Debt	7 264 950	4 779 773	7 264 950	4 779 773
Amortised cost	7 144 543	-	7 144 543	-
Fair value through profit or loss	120 407	24 303	120 407	24 303
Available-for-sale	-	4 755 470	-	4 755 470
Total investment securities	7 577 680	5 080 115	7 577 680	5 080 115

N$ 7 146 million (2018: N$ 4 755 million) of the financial instruments 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.

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.

The loss allowance on investment securities measured at amortised cost is N$ 1.3 million.

8. Investment securities continued

Reconciliation of the loss allowance – investment securities at amortised cost

N$'000	Group and Company 2019 IFRS 9 Amortised cost
Amount as at 30 June 2018 (IAS 39)	-
IFRS 9 adjustments	888
Amount as at 1 July 2019 (IFRS 9)	888
Impairment charge for the period	421
– Stage 1	421
Amount as at 30 June 2019 (IFRS 9)	1 309
– Stage 1	1 309

The impairment charge in the income statement can be broken down as follows:

N$'000	Group and Company 2019 IFRS 9 Amortised cost
Provision created in the current period	421
– New business and changes in exposure	421

9. Advances

	Group		Company	
N$'000	2019 IFRS 9	2018 IAS 39	2019 IFRS 9	2018 IAS 39
Notional value of advances	31 117 819	29 012 732	30 820 092	28 642 214
IAS 39 contractual interest suspended	-	(67 155)	-	(64 360)
Gross value of advances	31 117 819	28 945 577	30 820 092	28 577 854
Category analysis				
Overdrafts and cash managed accounts	3 514 597	3 357 351	3 514 597	3 357 351
Term loans	6 052 609	5 548 394	6 052 609	5 548 394
Card loans	474 923	400 708	474 923	400 708
Instalment sales	3 108 445	3 072 818	3 108 465	3 072 835
Lease payments receivable	192 078	305 648	192 078	305 648
Property finance	13 549 050	13 116 923	13 251 303	12 749 184
Personal loans	2 380 215	2 148 749	2 380 215	2 148 749
Preference share agreements	949 020	-	949 020	-
Investment bank term loans	368 932	419 769	368 932	419 769
Other	527 950	575 217	527 950	575 216
Gross value of advances	31 117 819	28 945 577	30 820 092	28 577 854
Impairment and fair value of credit of advances (note 11)	(705 079)	(301 560)	(700 479)	(299 012)
Net advances	30 412 740	28 644 017	30 119 613	28 278 842
Portfolio analysis				
Designated at fair value through profit or loss	368 932	419 769	368 932	419 769
Loans and receivables	30 043 808	28 224 248	29 750 681	27 859 073
Net advances	30 412 740	28 644 017	30 119 613	28 278 842

9. Advances continued

Instalment sale and lease payments receivable

Group and company – 2019 IFRS 9

N$'000	Instalment sale and lease payments receivable	Less: unearned finance charges	Net
Within 1 year	1 626 833	(313 337)	1 313 496
Between 1 and 5 years	2 267 360	(272 059)	1 995 301
More than 5 years	2 250	(71)	2 179
Sub-total	3 896 443	(585 467)	3 310 976
Less: interest in suspense	(10 454)	-	(10 454)
Total net instalment sale and lease payment receivable	3 885 989	(585 467)	3 300 522

Group and company – 2018 IAS 39

N$'000	Instalment sale and lease payments receivable	Less: unearned finance charges	Net
Within 1 year	1 585 122	(292 604)	1 292 518
Between 1 and 5 years	2 375 475	(290 728)	2 084 747
More than 5 years	1 286	(84)	1 202
Sub-total	3 961 883	(583 416)	3 378 467
Total net instalment sale and lease payment receivable	3 961 883	(583 416)	3 378 467

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.

9. Advances continued

Analysis of advances per class

Group – 2019 IFRS 9

N$'000	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	13 388 628	13 554 950	–	(166 322)
Vehicle and asset finance	3 438 462	3 521 602	–	(83 140)
Total retail secured	16 827 090	17 076 552	–	(249 462)
Credit card	390 944	432 948	–	(42 004)
Personal loans	2 283 011	2 377 678	–	(94 667)
Other retail	520 486	548 597	–	(28 111)
Total retail unsecured	3 194 441	3 359 223	–	(164 782)
FNB commercial	6 510 450	6 760 954	–	(250 504)
RMB corporate and investment banking	3 880 759	3 552 158	368 932	(40 331)
Total corporate and commercial	10 391 209	10 313 112	368 932	(290 835)
Total advances	30 412 740	30 748 887	368 932	(705 079)

Company – 2019 IFRS 9

N$'000	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	13 106 412	13 268 134	–	(161 722)
Vehicle and asset finance	3 438 462	3 521 602	–	(83 140)
Total retail secured	16 544 874	16 789 736	–	(244 862)
Credit card	390 944	432 948	–	(42 004)
Personal loans	2 283 011	2 377 678	–	(94 667)
Other retail	509 575	537 686	–	(28 111)
Total retail unsecured	3 183 530	3 348 312	–	(164 782)
FNB commercial	6 510 450	6 760 954	–	(250 504)
RMB corporate and investment banking	3 880 759	3 552 158	368 932	(40 331)
Total corporate and commercial	10 391 209	10 313 112	368 932	(290 835)
Total advances	30 119 613	30 451 160	368 932	(700 479)

9. Advances continued

Reconciliation of the gross carrying amount of advances measured at amortised cost.

Group – 2019

N$'000	Total	Stage 1	Stage 2	Stage 3
Amount as at 30 June 2018 (IAS 39)	28 945 577	28 007 251	456 789	481 537
IFRS 9 adjustments	67 155	–	–	67 155
Amount as at 1 July 2018 (IFRS 9)	29 012 732	28 007 251	456 789	548 692
Transfers to stage 1	–	785 622	(785 131)	(491)
Transfers to stage 2	–	(1 701 212)	1 703 228	(2 016)
Transfers to stage 3	–	(254 919)	(183 563)	438 482
Bad debts written off	(54 658)	–	–	(54 658)
New business and changes in exposure	2 159 745	2 198 051	133 294	(101 604)
Amount as at 30 June 2019 (IFRS 9)	31 117 819	28 667 070	1 324 617	828 405

Company – 2019

N$'000	Total	Stage 1	Stage 2	Stage 3
Amount as at 30 June 2018 (IAS 39)	28 577 854	27 639 528	456 789	481 537
IFRS 9 adjustments	67 155	–	–	67 155
Amount as at 1 July 2018 (IFRS 9)	28 645 009	27 639 528	456 789	548 692
Transfers to stage 1	–	785 622	(785 131)	(491)
Transfers to stage 2	–	(1 701 212)	1 703 228	(2 016)
Transfers to stage 3	–	(254 919)	(183 563)	438 482
Bad debts written off	(54 658)	–	–	(54 658)
New business and changes in exposure	2 229 741	2 198 051	133 294	(101 604)
Amount as at 30 June 2019 (IFRS 9)	30 820 092	28 667 070	1 324 617	828 405

9. Advances continued

Credt 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 overdraft exposures are generally secured via cession of various deposits, investment policies, debtors and personal guarantees;
- Credit card exposures are generally unsecured; and
- Agricultural finance: Collateral consist of first and second covering bonds over the farms.

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

The valuation at inception is based on physical inspection.

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

	2019 IFRS 9		2018 IAS 39	
N$'000	Performing	Non-performing	Performing	Non-performing
Instalment sales and lease payments receivables	8 691	7 906	2 478	2 990
Property finance	292 429	260 832	14 914	13 568
Total	301 120	268 738	17 392	16 558

The financial effect of collateral and other credit enhancements has been calculated with reference to the unsecured loss given default ("LGD") per class for the performing book (IBNR and portfolio specific impairments) and the non-performing book separately. The amounts disclosed above represent the difference between the statement of financial position impairment using the actual LGD and the proxy unsecured LGD for all secured portfolios.

Where there is no collateral or where collateral is disregarded for provisioning purposes, no financial effect.

10. Impairment of advances

	Group		Company	
N$'000	2019 IFRS 9	2018 IAS 39	2019 IFRS 9	2018 IAS 39
Increase in loss allowance (2018: IAS 39 impairment provision)	222 252	134 596	221 461	133 424
Recoveries of bad debts	(7 444)	(6 335)	(5 081)	(6 245)
Impairment of advances recognised during the period	214 808	128 261	216 380	127 179

10. Impairment of advances continued

Reconciliation of the loss allowance on total advances

Group IFRS 9

N$'000	Total	Stage 1	Stage 2	Stage 3
Amount as at 30 June 2018 (IAS 39)	301 560	51 900	76 622	173 038
IFRS 9 adjustments	208 873	103 267	38 451	67 155
Amount as at 1 July 2018 (IFRS 9)	510 433	155 167	115 073	240 193
Transfers to stage 1	-	38 121	(37 933)	(188)
Transfers to stage 2	-	(8 294)	9 064	(770)
Transfers to stage 3	-	(7 495)	(15 073)	22 568
Bad debts written off	(54 658)	-	-	(54 658)
Increase/(decrease) in impairment	222 254	11 675	95 519	115 060
- Changes in models and risk parameters	120 928	(12 170)	38 189	94 909
- New business and changes in exposure	22 944	26 825	17 228	(21 109)
- Changes in economic forecasts	29 749	24 145	2 915	2 689
- Provision created/(released) due to transfers	48 633	(27 125)	37 187	38 571
Interest suspended	27 050	-	-	27 050
Closing balance	705 079	189 174	166 650	349 255
Residential mortgages	166 322	16 416	43 253	106 653
Vehicle and asset finance	83 140	15 304	14 232	53 604
Total retail secured	249 462	31 720	57 485	160 257
Credit card	42 004	16 218	9 002	16 784
Personal loans	94 668	29 918	13 906	50 844
Other retail	28 112	10 968	8 520	8 624
Total retail unsecured	164 784	57 104	31 428	76 252
FNB commercial	250 503	74 022	63 738	112 743
RMB corporate and investment banking	40 330	26 330	14 000	-
Total corporate and commercial	290 833	100 352	77 738	112 743
Closing balance	705 079	189 176	166 651	349 252

10. Impairment of advances continued

Company IFRS 9

N$'000	Total	Stage 1	Stage 2	Stage 3
Amount as at 30 June 2018 (IAS 39)	299 012	50 838	76 622	171 552
IFRS 9 adjustments	207 614	102 350	38 109	67 155
Amount as at 1 July 2018 (IFRS 9)	506 626	153 188	114 731	238 707
Transfers to stage 1	-	38 121	(37 933)	(188)
Transfers to stage 2	-	(8 294)	9 064	(770)
Transfers to stage 3	-	(7 495)	(15 073)	22 568
Bad debts written off	(54 658)	-	-	(54 658)
Increase/(decrease) in impairment	221 461	11 268	95 316	114 878
- Changes in models and risk parameters	120 928	(12 170)	38 189	94 909
- New business and changes in exposure	22 151	26 418	17 025	(21 291)
- Changes in economic forecasts	29 749	24 145	2 915	2 689
- Provision created/(released) due to transfers	48 633	(27 125)	37 187	38 571
Interest in suspense	27 050	-	-	27 050
Closing balance	700 479	186 787	166 105	347 587
Residential mortgages	161 753	14 058	42 707	104 988
Vehicle and asset finance	83 140	15 304	14 232	53 604
Total retail secured	244 893	29 362	56 939	158 592
Credit card	42 004	16 218	9 002	16 784
Personal loans	94 668	29 918	13 906	50 844
Other retail	28 112	10 968	8 520	8 624
Total retail unsecured	164 784	57 104	31 428	76 252
FNB commercial	250 472	73 991	63 738	112 743
RMB corporate and investment banking	40 330	26 330	14 000	-
Total corporate and commercial	290 802	100 321	77 738	112 743
Closing balance	700 479	186 787	166 105	347 587

10. Impairment of advances continued

Reconciliation of the loss allowance on total advances per class.

	Group – 2019 IFRS 9							
	Retail secured		Retail unsecured			Corporate and commercial		Total
N$'000	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other	FNB Commercial	RMB corporate and investment banking	
Amount as at 30 June 2018 (IAS 39)	62 957	42 104	6 698	46 670	15 337	98 236	29 558	301 560
IFRS 9 adjustments	38 990	21 674	20 276	29 003	8 604	75 089	15 238	208 874
Amount as at 1 July 2018 (IFRS 9)	101 947	63 778	26 974	75 673	23 941	173 325	44 796	510 434
Transfers to stage 1	2 165	(280)	1 515	5 982	3 165	4 595	21 702	38 844
Transfers to stage 2	(3 076)	(6 506)	(1 514)	(7 794)	(4 046)	(15 815)	(21 702)	(60 453)
Transfers to stage 3	910	6 786	-	1 812	881	11 220	-	21 609
Bad debts written off	(2 732)	(3 602)	(3 945)	(21 336)	(9 074)	(13 969)	-	(54 658)
Provision created/(released) for current period	54 683	20 559	12 430	35 046	21 222	82 778	(4 466)	222 252
Stage 1	33 379	(5 880)	(4 348)	(9 925)	(6 458)	11 003	(1 875)	15 896
Stage 2	4 593	11 906	8 995	13 591	7 869	25 133	(2 590)	69 496
Stage 3	16 710	14 534	7 783	31 381	19 811	46 642	-	136 862
Interest in suspense	12 979	2 405	302	2 642	353	8 370	-	27 051
Amount as at 30 June 2019 (IFRS 9)	166 876	83 140	35 762	92 025	36 442	250 504	40 330	705 079
Stage 1	16 971	15 304	9 976	27 275	19 298	74 023	26 330	189 177
Stage 2	43 252	14 232	9 002	13 906	8 520	63 738	14 000	166 650
Stage 3	106 653	53 604	16 784	50 844	8 624	112 743	-	349 252

10. Impairment of advances continued

	Group – 2018 IAS 39							
N$'000	Card loans	Overdrafts and cash managed accounts	Instalment sales and lease receivables	Property finance	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	3 709	60 337	46 006	40 519	68 578	219 149	93 160	125 989
Amounts written off	(8 569)	(10 075)	(4 032)	(199)	(15 541)	(38 416)	(38 416)	-
Unwinding of discounted present value on non-performing loans	-	(1 390)	-	(8 436)	(3 943)	(13 769)	(13 769)	-
Net new impairments created/(released)	8 271	19 628	19 377	13 909	73 411	134 596	132 063	2 533
Closing balance	3 411	68 500	61 351	45 793	122 505	301 560	173 038	128 522
Increase/(decrease) in provision	8 271	19 628	19 377	13 909	73 411	134 596	132 063	2 533
(Recoveries)/write-offs of bad debts	(85)	(4 143)	(982)	(269)	(856)	(6 335)	(6 335)	-
Impairment loss recognised in profit or loss	8 186	15 485	18 395	13 640	72 555	128 261	125 728	2 533

10. Impairment of advances continued

N$'000	Company– 2019 IFRS 9							
	Retail secured		Retail unsecured			Corporate and commercial		Total
	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other	FNB Commercial	RMB corporate and investment banking	
Amount as at 30 June 2018 (IAS 39)	60 409	42 104	6 698	46 670	15 337	98 236	29 558	299 012
IFRS 9 adjustments	37 731	21 674	20 276	29 003	8 604	75 089	15 238	207 615
Amount as at 1 July 2018 (IFRS 9)	98 140	63 778	26 974	75 673	23 941	173 325	44 796	506 627
Transfers to stage 1	2 163	(280)	1 515	5 982	3 165	4 595	21 702	38 842
Transfers to stage 2	(3 076)	(6 506)	(1 514)	(7 794)	(4 046)	(15 815)	(21 702)	(60 453)
Transfers to stage 3	910	6 786	-	1 812	881	11 220	-	21 609
Bad debts written off	(2 732)	(3 602)	(3 945)	(21 336)	(9 074)	(13 969)	-	(54 658)
Provision created/(released) for current period	53 921	20 560	12 430	35 047	21 222	82 747	(4 465)	221 461
Stage 1	33 003	(5 880)	(4 348)	(9 925)	(6 458)	10 972	(1 875)	15 489
Stage 2	4 390	11 906	8 995	13 591	7 869	25 133	(2 590)	69 294
Stage 3	16 528	14 534	7 783	31 381	19 811	46 642	-	136 679
Interest in suspense	12 979	2 405	302	2 642	353	8 370	-	27 051
Amount as at 30 June 2019 (IFRS 9)	162 308	83 140	35 762	92 025	36 442	250 473	40 330	700 479
Stage 1	15 678	15 304	9 976	27 275	19 298	73 992	26 330	187 852
Stage 2	42 707	14 232	9 002	13 906	8 520	63 738	14 000	166 105
Stage 3	103 923	53 604	16 784	50 844	8 624	112 743	-	346 522

10. Impairment of advances continued

N$'000	Company – 2018 IAS 39							
	Card loans	Overdrafts and cash managed accounts	Instalment sales and lease receivables	Property finance	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	3 709	60 337	46 005	38 396	68 579	217 025	91 036	125 989
Amounts written off	(8 569)	(10 075)	(4 032)	(199)	(15 541)	(38 416)	(38 416)	-
Unwinding of discounted present value on non-performing loans	-	(1 390)	-	(7 688)	(3 943)	(13 021)	(13 021)	-
Net new impairments created/(released)	8 271	19 628	19 377	12 737	73 411	133 424	131 953	1 471
Closing balance	3 411	68 500	61 350	43 246	122 506	299 012	171 552	127 460
Increase/(decrease) in provision	8 271	19 628	19 377	12 737	73 411	133 424	131 953	1 471
(Recoveries)/write-offs of bad debts	(85)	(4 143)	(982)	(179)	(856)	(6 245)	(6 245)	-
Impairment loss recognised in profit or loss	8 186	15 485	18 395	12 558	72 555	127 179	125 708	1 471

11. Accounts receivable

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Accounts receivable				
Items in transit	48 949	55 466	82 679	87 152
Deferred staff costs	121 759	104 749	121 759	104 749
Property in possession	37 355	32 316	37 355	32 316
Prepayments	51 007	39 579	51 007	39 579
Other accounts receivable	13 329	7 425	13 226	6 702
Total	272 399	239 535	306 026	270 498

Information about the credit quality of the above balances is set out in the risk management note 29.
The carrying value of accounts receivable approximates the fair value.
ECL of accounts receivable is nil.

12. Investment in associate

Details of investment in unlisted associate company

Name of company	Nature of relationship	% ownership interest 2019	% ownership interest 2018	Carrying amount 2019	Carrying amount 2018
Namclear (Pty) Ltd	Interbank clearing house	25,00%	25,00%	12 339	8 608

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

	Country of incorporation	Method	% Ownership interest 2019	% Ownership interest 2018
Namclear (Pty) Ltd	Namibia	Equity	25%	25%

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

12. Investment in associate continued

Summarised financial information

Statement of comprehensive income N$ 000	Namclear (Pty) Ltd Unaudited Jun-19	Namclear (Pty) Ltd Unaudited Jun-18
Revenue	33 227	26 348
Other income and expenses	(20 798)	(19 375)
Profit before tax	12 429	6 973
Tax expense	(3 877)	(1 385)
Profit for the period	8 552	5 588
Total comprehensive income for the period	8 552	5 588

Statement of Financial Position N$ 000	Namclear (Pty) Ltd Unaudited Jun-19	Namclear (Pty) Ltd Unaudited Jun-18
Assets		
Non-current	52 801	45 314
Current	49 128	29 817
Total assets	101 929	75 131
Liabilities		
Non-current	36 996	30 169
Current	15 410	9 282
Total liabilities	52 406	39 451
Total net assets	49 523	35 680

12. Investment in associate continued

Effective holdings and carrying amounts in unlisted associate company	Group		Company	
N$'000	2019	2018	2019	2018
Unlisted investment				
Namclear (Pty) Ltd	12 339	8 608	1 154	1 154
Carrying value of investment in associate	12 339	8 608	1 154	1 154
Opening balance	8 608	7 569	1 154	1 154
Share of profit	3 731	1 039	-	-
Closing balance	12 339	8 608	1 154	1 154

The associate's financial year ends on 31 December. The summarised information presented above reflects the managment accounts of the associate as at 30 June 2019.

13. Investments in subsidiaries

				Effective holding		
Significant subsidiary	Nature of business	Date of acquisition	Country of incorporation	Listed/ unlisted	% 2019	% 2018
Swabou Investments (Pty) Ltd Number of shares issued: 2 of 0.5 cents each (2018: 2 of 0.5 cents each)	Property finance	1-Jul-03	Namibia	Unlisted	100	100

	Aggregate income of subsidiary (before tax)		Total indebtedness		Total investment	
N$'000	2019	2018	2019	2018	2019	2018
Swabou Investmensts (Pty) Ltd	24 984	23 731	170 864	255 275	170 864	255 275
FNB Easy Loans Ltd (formerly FNB Consumer Ltd)	-	4 330	-	45 002	-	45 002
	24 984	28 061	170 864	300 277	170 864	300 277

13. Investments in subsidiaries continued

Interest paid by Swabou Investments (Pty) Ltd to First National Bank of Namibia Ltd totalled N$14.8 million (2018: N$23.8 million).

During the year, First National Bank of Namibia Ltd disposed of 100% of it's shareholding in FNB Easy Loans Ltd to FirstRand Namibia Ltd.

Disposal of subsidiary

	Group	
N$'000	2019	2018
Carrying amounts of net assets over which control was lost		
Assets		
Cash and cash equivalents	23 385	-
Accounts receivable	22 589	-
Total assets	45 974	-
Liabilities		
Liabilities	-	-
Net assets derecognised	45 974	-
Consideration received:		
Transfer of shares	45 974	-
Gain/(loss) on disposal	-	-

14 . Property and equipment

Group	2019			2018		
N$'000	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Property						
Freehold land and buildings	648 194	(34 905)	613 289	645 255	(29 104)	616 150
Leasehold property	70 452	(57 495)	12 957	70 094	(50 999)	19 095
	718 646	(92 400)	626 246	715 349	(80 103)	635 245
Equipment						
Automatic teller machines	73 736	(41 366)	32 370	64 777	(31 711)	33 066
Capitalised lease equipment	12 289	(12 289)	-	12 289	(12 289)	-
Computer equipment	171 594	(130 806)	40 788	172 904	(113 447)	59 457
Furniture and fittings	248 345	(126 579)	121 766	235 371	(105 831)	129 540
Motor vehicles	8 202	(4 461)	3 741	9 443	(4 757)	4 686
Office equipment	122 185	(88 015)	34 170	125 923	(86 667)	39 256
	636 351	(403 516)	232 835	620 707	(354 702)	266 005
Total	1 354 997	(495 916)	859 081	1 336 056	(434 805)	901 250

14 . Property and equipment continued

Company	2019			2018		
N$'000	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Property						
Freehold land and buildings	616 583	(22 328)	594 255	613 647	(16 531)	597 116
Leasehold property	69 138	(57 495)	11 643	68 779	(50 999)	17 780
	685 721	(79 823)	605 898	682 426	(67 530)	614 896
Equipment						
Automatic teller machines	73 736	(41 366)	32 370	64 777	(31 711)	33 066
Capitalised lease equipment	12 289	(12 289)	-	12 289	(12 289)	-
Computer equipment	171 584	(130 797)	40 787	172 808	(113 351)	59 457
Furniture and fittings	247 340	(125 696)	121 644	234 380	(104 976)	129 404
Motor vehicles	8 202	(4 461)	3 741	9 443	(4 757)	4 686
Office equipment	121 166	(86 293)	34 873	124 905	(85 290)	39 615
	634 317	(400 902)	233 415	618 602	(352 374)	266 228
Total	1 320 038	(480 725)	839 313	1 301 028	(419 904)	881 124

14 . Property and equipment continued

Reconciliation of property and equipment – Group

N$'000	Freehold property	Leasehold property	Equipment	Total
Net book value as at 1 July 2017	638 638	20 002	288 325	946 968
Cost	666 848	67 029	602 837	1 336 717
Accumulated depreciation	(28 210)	(47 027)	(314 512)	(389 749)
Movements for the year	(22 488)	(906)	(22 323)	(45 717)
Additions	11 335	11 536	66 712	89 582
Disposals	(28 192)	(184)	(10 043)	(38 419)
Depreciation charge for the year	(5 631)	(12 258)	(78 992)	(96 881)
Net book value as at 30 June 2018	616 150	19 095	266 005	901 250
Cost	645 255	70 094	620 707	1 336 056
Accumulated depreciation	(29 104)	(50 999)	(354 702)	(434 805)
Movements for the year	(2 861)	(6 138)	(33 171)	(42 170)
Acquisitions	3 143	2 288	52 580	58 011
Disposals	(203)		(3 133)	(3 337)
Depreciation charge for the year	(5 801)	(8 425)	(82 618)	(96 844)
Net book value as at 30 June 2019	613 289	12 957	232 834	859 081
Cost	648 194	70 452	636 351	1 354 997
Accumulated depreciation	(34 905)	(57 495)	(403 517)	(495 917)

14 . Property and equipment continued

Reconciliation of property and equipment – Company

N$'000	Freehold property	Leasehold property	Equipment	Total
Net book value as at 1 July 2017	597 065	20 001	282 219	899 289
Cost	608 048	65 231	589 903	1 263 186
Accumulated depreciation	(10 983)	(45 230)	(307 684)	(363 897)
Movements for the year	50	(2 221)	(15 994)	(18 165)
Acquisitions	11 076	10 221	68 262	89 560
Disposals	(5 401)	(184)	(5 714)	(11 299)
Depreciation charge for the year	(5 625)	(12 258)	(78 542)	(96 425)
Net book value as at 30 June 2018	597 116	17 780	266 228	881 124
Cost	613 647	68 779	618 602	1 301 028
Accumulated depreciation	(16 531)	(50 999)	(352 374)	(419 904)
Movements for the year	(2 861)	(6 138)	(32 813)	(41 811)
Acquisitions	3 137	2 288	52 566	57 991
Disposals	(203)		(3 093)	(3 296)
Depreciation charge for the year	(5 795)	(8 425)	(82 286)	(96 506)
Net book value as at 30 June 2019	594 255	11 643	233 416	839 313
Cost	616 583	69 138	634 317	1 320 038
Accumulated depreciation	(22 328)	(57 495)	(400 902)	(480 725)

15. Intangible assets

Group

N$'000	2019 Cost / Valuation	2019 Accumulated amortisation	2019 Carrying value	2018 Cost / Valuation	2018 Accumulated amortisation	2018 Carrying value
Trademarks	380 713	(335 884)	44 829	395 373	(339 099)	56 274
Software	46 515	(46 512)	3	78 213	(78 210)	3
Goodwill	47 967	-	47 967	47 967	-	47 967
Total	475 195	(382 396)	92 799	521 553	(417 309)	104 244

Company

N$'000	2019 Cost / Valuation	2019 Accumulated amortisation	2019 Carrying value	2018 Cost / Valuation	2018 Accumulated amortisation	2018 Carrying value
Trademarks	354 099	(309 271)	44 828	368 760	(312 486)	56 274
Software	46 515	(46 512)	3	58 619	(58 616)	3
Goodwill	47 967	-	47 967	47 967	-	47 967
Total	448 581	(355 783)	92 798	475 345	(371 102)	104 244

15. Intangible assets continued

Reconciliation of intangible assets – Group – 2019

N$'000	Opening balance	Amortisation	Closing balance
Trademarks	56 274	(11 446)	44 829
Software	3	-	3
Goodwill	47 967	-	47 967
	104 244	(11 446)	92 799

Reconciliation of intangible assets – Group – 2018

N$'000	Opening balance	Amortisation	Impairment loss	Closing balance
Trademarks	82 380	(12 422)	(13 683)	56 274
Software	30 939	(5 375)	(25 561)	3
Goodwill	47 967	-	-	47 967
	161 736	(17 797)	(39 244)	104 244

Reconciliation of intangible assets – Company – 2019

N$'000	Opening balance	Amortisation	Closing balance
Trademarks	56 274	(11 446)	44 828
Software	3	-	3
Goodwill	47 967	-	47 967
	104 244	(11 446)	92 798

Reconciliation of intangible assets – Company – 2018

N$'000	Opening balance	Additions	Amortisation	Impairment loss	Closing balance
Trademarks	82 379	-	(12 422)	(13 683)	56 274
Software	3	12 103	(2 235)	(9 868)	3
Goodwill	47 967	-	-	-	47 967
	130 349	12 103	(14 657)	(23 551)	104 244

15. Intangible assets continued

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash generating units (CGU) at the lowest level of operating activity (business) to which it relates, and is therefore not combined at group level.

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

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

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

16. Employee liabilities

	Group and Company	
N$'000	2019	2018
Liability for short-term employee benefits	163 732	152 198
Share-based payment liability*	33 433	47 010
Defined contribution post-employment benefit liabilities	40 422	38 168
Closing balance	237 587	237 376

* Refer to note 26 for more detail on the cash settled share-based payment schemes.

Defined contribution post-employment benefit liabilities

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

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

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

3) The medical plan is regulated by the Namibia Financial Institutions Supervisory Authority (NAMFISA). The medical fund is governed by a board of trustees independent from the group. An external auditor performs an audit of the fund on an annual basis.

The employer contributed N$2.1 million (2018: N$2.0 million) to the post-retirement medical benefit.
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.

16. Employee liabilities continued

The independent actuarial valuations are done on an annual basis.	Group and Company					
	2019			2018		
N$'000	Medical	Severance Pay	Total	Medical	Severance Pay	Total
Present value of unfunded liabilities	34 290	6 132	40 422	32 505	5 663	38 168
Post-employment liabilities	34 290	6 132	40 422	32 505	5 663	38 168
The amounts recognised in the statement of comprehensive income are as follows:						
Profit and loss portion						
Current service cost	201	472	673	192	407	599
Interest cost	3 010	561	3 571	3 047	497	3 544
Total included in staff costs (note 4)	3 211	1 033	4 244	3 239	904	4 143
Recognised in other comprehesnsive income:						
Actuarial gains and losses recognised	1 019	(564)	455	17	(225)	(208)
Total included in staff costs	1 019	(564)	455	17	(225)	(208)
Movement in post-employment liabilities:						
Present value at the beginning of the year	32 505	5 663	38 168	32 309	4 984	37 293
Current service cost	201	472	673	192	407	599
Interest cost	3 010	561	3 571	3 047	497	3 544
Benefits paid	(2 445)	-	(2 445)	(3 060)	-	(3 060)
Re-measurements : Recognised in OCI						
- Actuarial (gains) losses from changes in demographic assumptions	1 019	(564)	455	17	(225)	(208)
Present value at the end of the year	34 290	6 132	40 422	32 505	5 663	38 168
The principal actuarial assumptions used for accounting purposes were:						
Discount rate (%)	9.52%	10.38%		9.54%	9.58%	
Medical aid inflation (%)	7.33%			7.86%		
Salary inflation (%)		8.35%			7.88%	
Employees covered	99	2120		100	2 182	

16. Employee liabilities continued

The sensitivity analysis illustrates how the value of the liability would change in response to certain changes in actuarial assumptions:

N$'000	Group and Company	
	2019	2018
Effect of 1% change in the medical aid inflation assumptions is as follows:		
1% increase - effect in current service cost and interest cost	3 786	3 628
1% decrease - effect in current service cost and interest cost	2 984	2 864
Effect of 1% change in normal salary inflation assumptions is as follows:		
1% increase - effect in current service cost and interest cost	1 394	1 224
1% decrease - effect in current service cost and interest cost	1 154	1 005

17. Deferred tax

N$'000	Group		Company	
	2019 IFRS 9	2018 IAS 39	2019 IFRS 9	2018 IAS 39
Deferred tax liability				
- Opening balance	320 732	259 070	326 209	263 455
- IFRS 9 adjustment	(132)	-	(132)	-
- Charge to profit or loss	72 562	61 114	73 284	62 206
- Deferred tax on amounts charged directly to other comprehensive income	47	785	47	785
- Other	-	(237)	-	(237)
Total deferred liability	**393 209**	320 732	**399 408**	326 209
Reconciliation of deferred tax liability				
Deferred income tax assets and liabilities and deferred tax charge/(credit) in the statement of comprehensive income are attributable to the following items:				
Deductible temporary differences				
- Provision for loan impairment	(85 398)	(76 195)	(85 208)	(75 940)
- Provision for post-employment benefits	(12 135)	(10 269)	(12 935)	(12 260)
- Other provisions	145 209	139 749	145 154	141 195
- Financial instruments	(14 293)	(13 055)	(14 294)	(13 055)
- Instalment credit assets	98 185	107 476	98 185	107 476
- Accruals	277 600	191 563	277 600	191 563
- Financial instruments at fair value through other comprehensive income	(132)	785	(132)	-
- Share-based payments	(8 962)	(12 770)	(8 962)	(12 770)
- Other	(6 865)	(6 552)	-	-
Total deferred liability	**393 209**	320 732	**399 408**	326 209
Charge through profit or loss	72 562	61 114	73 284	62 206
Deferred tax on other comprehensive income	47	785	47	785
Total	**72 609**	61 899	**73 331**	62 991

18. Creditors and accruals

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Creditors and accruals				
Items in transit	55 018	91 714	55 016	91 714
Audit fees accrued	5 011	3 754	4 682	3 442
Accrued expenses	35 006	28 460	34 950	24 012
Other accounts payable	276 448	227 760	275 350	249 266
Total creditors and accruals	371 483	351 688	369 998	368 434

All amounts are expected to be settled within twelve months.

The carrying value of creditors and accruals approximates fair value.

Credit risk reserves were held in compliance with Bank of Namibia requirements."

19. Deposits

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Deposits from customers				
- Current accounts	10 021 028	10 036 127	10 018 614	10 057 435
- Savings accounts	292 742	230 756	292 742	230 755
- Call deposits	5 737 067	5 787 308	5 737 067	5 787 308
- Fixed and notice deposits	10 123 612	8 251 072	10 123 612	8 251 072
	26 174 449	24 305 263	26 172 035	24 326 570
Debt securities				
- Negotiable certificates of deposit	8 526 854	6 086 548	8 526 854	6 086 548
- Fixed and floating rate notes	1 270 060	1 269 909	1 270 060	1 269 909
	9 796 914	7 356 457	9 796 914	7 356 457
Geographical analysis (based on counterparty risk)				
Namibia	35 971 363	31 661 720	35 968 949	31 683 027
Due to banks and other financial institutions				
- In the normal course of business	430 033	897 408	430 033	897 408
	430 033	897 408	430 033	897 408
Geographical analysis (based on counterparty risk)				
Namibia	430 033	897 408	430 033	897 408
Total deposits	**36 401 396**	32 559 128	**36 398 982**	32 580 435

20. Other liabilities

	Group		Company	
N$'000	2019 IFRS 9	2018 IAS 39	2019 IFRS 9	2018 IAS 39
Other funding liabilities	220 486	220 447	220 486	220 447
Total other liabilities	220 486	220 447	220 486	220 447

Funding of N$219 million was raised from an international bilateral development finance institution for sustainable use of natural resources and energy financing. The loan is repayable over 14 equal semi-annual isntallments, with the first installment due on 1 December 2020. Interest is paid quarterly in arrears at the 3-month JIBAR floating rate. Interest incurred for the year is shown in note 2.

Other liabilities reconciliation

	Group and company	
N$'000	2019 IFRS 9	2018 IAS 39
Opening balance	220 447	-
Cash flow movements	(17 924)	210 480
- Proceeds on the issue of other liabilities	-	219 000
- Interest paid	(17 924)	(8 520)
Non-cash flow movements	17 963	9 967
- Interest accrued	17 963	9 967
Total other liabilities	220 486	220 447

21. Tier 2 liabilities

				Group and Company	
N$'000				2019 IFRS 9	2018 IAS 39
Subordinated debt instruments	Interest rate	Final maturity date	Note		
FNB X27 fixed rate notes	10.36%	29-Mar-27	i	100 000	100 000
FNB J27 floating rate notes	Three-month JIBAR + 2.50%	29-Mar-27	ii	300 000	300 000
Accrued interest				2 804	2 783
Total				402 804	402 783

(i) The FNB X27 fixed notes may be redeemed in full at the option of the group on 29 March 2022. Interest is paid semi-annually in arrears on 29 March and 29 September of each year.

(ii) The FNB J27 floating notes may be redeemed in full at the option of the group on 29 March 2022. Interest is paid quaterly 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 28, fair value of financial instruments for the methodologies used to determine the fair value of tier two liabilities.

Tier 2 liabilities reconciliation

	Group and company	
N$'000	2019 IFRS 9	2018 IAS 39
Opening balance	402 783	402 830
Cash flow movements	(39 179)	(39 811)
- Proceeds on the issue of Tier 2 liabilities	-	-
- Interest paid	(39 179)	(39 811)
Non-cash flow movements	39 200	39 764
- Interest accrued	39 200	39 764
Total Tier 2 liabilities	402 804	402 783

22. Share capital and share premium

N$'000	Group 2019	Group 2018	Company 2019	Company 2018
Authorised number of shares				
4000 (2018: 4000) Ordinary shares with a par value of N$1 per share	4	4	4	4
Issued and fully paid up				
1200 (2018: 1200) ordinary shares with a par value of N$1 per share	1	1	1	1
Share premium	1 142 791	1 142 791	1 142 791	1 142 791
Total issued share capital attributable to ordinary equityholders	1 142 792	1 142 792	1 142 792	1 142 792

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

23. General risk reserves

N$'000	Group 2019	Group 2018	Company 2019	Company 2018
First National Bank of Namibia Limited				
Credit risk reserve	-	163 140	-	163 140

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

24. Cash flow information

Reconciliation of operating profit to cash flows from operating activities

N$'000	Group 2019 IFRS 9	Group 2018 IAS 39	Company 2019 IFRS 9	Company 2018 IAS 39
Profit before tax	1 533 804	1 482 545	1 502 527	1 401 210
Adjusted for:				
Depreciation, amortisation and impairment losses	108 290	153 922	107 952	157 945
Impairment charge on advances	214 808	128 261	216 380	127 179
Provision for post employment benefit obligations	4 244	4 158	4 244	4 158
Other employment accruals	79 809	68 021	79 809	68 021
Creation and revaluation of derivative financial instruments	5 185	(4 107)	5 185	(4 107)
(Profit)/loss on disposal of property and equipment	(661)	(49 252)	(661)	3 252
Share-based payment	37 660	33 303	37 660	33 303
Unwinding of discounted present value on non-performing loans (IAS 39)	-	(13 769)	-	(13 021)
Accrued on off-market advances	683	2 203	683	2 203
Net release of deferred fees and expenses	(14 497)	(13 780)	(14 916)	(13 021)
Off-market staff loans amortisation	(683)	(2 203)	(683)	(2 203)
Share (profit) from associate company	(3 730)	(1 039)	-	-
Indirect tax	45 515	45 113	45 496	46 988
	2 010 427	1 833 376	1 983 676	1 811 345

25. Contingencies and commitments

Contingencies

N$'000	Group and company 2019	2018
Guarantees *	1 450 027	1 713 936
Letters of credit	67 619	123 171
Total contingencies	1 517 646	1 837 107
Irrevocable unutilised facilities	4 917 200	5 167 183
Committed capital expenditure	205 900	3 168
Total contingencies and committments	6 640 746	7 007 458

*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 in respect of capital expenditure and long-term investments are approved by the directors.

Group and company leasing arrangements

N$'000	2019			2018		
	Within 1 year	Between 1 and 5 years	After 5 years	Within 1 year	Between 1 and 5 years	After 5 years
Office premises	36 778	45 943	-	39 490	44 115	-

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% (2018: 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.

26. Remuneration schemes

N$'000	Group and company 2019	2018
The charge to profit or loss for share-based payments is as follows:		
FirstRand Namibia Share options	1 120	3 882
FirstRand conditional share plan	36 540	29 421
Amount included in profit or loss	37 660	33 303

Share option schemes

FirstRand Namibia Ltd options are equity-settled. FirstRand conditional share plan 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 3 years. The number of shares that vest is determined by the extent to which performance conditions are met. Conditional awards are made annually and vesting is subject to specified financial and non-financial performenace 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 related 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 shares trade cum-dividend.

Market data consists of the following:
- Volatility is the expected volatility over the period of the option. In the absence of other available dates, historical volatility can be used as a proxy for expected volatility; and
- The interest rate is the risk-free rate, recorded on the date of the option grant, on a South african government zero coupon bond of a term equal to the expected life of the option.

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.

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the group.

26. Remuneration schemes continued

Employee statistic assumptions:

- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested.
- The number of iterations is the number to be used in the binomial model, which is limited to 500.
- The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.

Corporate performance targets:

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

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

The criteria for the currently open schemes are as follows:

Currently open

2016 (vests in 2019) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds the South African nominal GDP growth, on a cumulative basis, over the performance period from the base year?end immediately preceding the vesting period date. Nominal GDP is advised by the FirstRand group treasury, macro strategy unit; and the company delivers ROE of 18-22% over the performance period. For vesting, the criteria must be met or exceeded, however, to avoid a binary outcome of 0% or 100% vesting, the scheme rules allow the remuneration committee the discretion to determine that the conditional awards will vest, in whole or partially, in circumstances where the performance conditions were not fulfilled.

2017 (vests in 2020) - FirstRand Limited must achieve growth in normalised earnings per share, adjusted for CPI, which equals or exceeds the South African Real Gross Domestic Product ("GDP") growth, on a cumulative basis, over the performance period from the base year-end, being 30 June 2017, to the year-end immeditely preceding the vesting date. Real GDP is advised by the FirstRand Limited Group Treasury macro strategy unit and the company delivers ROE of at leat 18% over the performance period.

2018 (vests in 2021) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds the South African CPI plus real Gross Domestic Product ("GDP") growth, on a cumulative basis, over the performance period, from base year-end being 30 June 2018 to the financial year end immediately preceding the vesting date, and the company delivers ROE of at least 18% over the performance period. If real GDP is negative, then growth in normalised earnings should equal or exceed CPI over the same period. Real GDP is advised by the FirstRand Limited Group Treasury macro strategy unit. For vesting, the criteria must be met or exceeded, however, the scheme rules allow the remuneration committee the discretion to determine that the conditional awards will vest, in full or partially, in circumstances where the performance conditions were not fulfilled.

	FirstRand Namibia Ltd share incentive scheme		FirstRand Ltd conditional share plan	
N$'000	**2019**	2018	**2019**	2018
Weighted average exercise price (N$)	1180 - 2 452	721 - 2 452		
Expected volatility (%)	402 - 16	402 - 16		25
Expected option life (years)	5	5	2 - 3	3
Expected risk free rate (%)	5.81 - 7.69	5.81 - 7.69	6.99 - 7.61	6.99 - 7.61

26. Remuneration schemes continued

	FirstRand Namibia Ltd share incentive scheme		FirstRand Ltd conditional share plan	
N$'000	**2019**	2018	**2019**	2018
Share awards outstanding				
Number of awards in force at the beginning of the year (thousands)	2 097	5 183	1 005	1 111
Number of options granted during the year (thousands)	-	-	587	637
Number of awards exercised/released during the year (thousands)	(1 548)	(2 442)	(490)	(75)
- Market value range at date of exercise/released (cents)*	3 500 - 4 498	4 498 - 4 711	6 662 - 6 662	5 373 - 5 500
Number of awards forfeited during the year (thousands)	-	(644)	(14)	(31)
Number of awards in force at the end of the year (thousands)	548	2 097	1 088	1 005

	FirstRand Namibia Ltd share incentive scheme	
	2019	2018
Conditional outstanding**	Outstanding awards (thousands)	Outstanding awards (thousands)
Vesting during 2019	-	898
Vesting during 2020	548	1 199
Total	548	2 097

* Market values indicated above include those instances where a probability of vesting is applied to accelerated share award vesting prices due to a no-fault termination, as per the rules of the scheme.

** Years referenced in the rows relate to calendar years and not financial years.

27. Related parties

Balances with related parties
First National Bank of Namibia Limited is 100% (2018: 100%) owned by FirstRand Namibia Limited.

FirstRand Namibia Limited is listed on the Namibian Stock Exchange and is 58.4% (2018: 58.4%) owned by FirstRand EMA Holdings Proprietary Limited, with its ultimate holding company FirstRand Limited, which is incorporated in South Africa, listed on the JSE Limited and on the NSX. Refer to section 2.2 of the accounting policies.

Details of transactions with relevant related parties appear below:

	Group and company	
N$'000	2019	2018
Balances with related parties		
Advances		
Entities that have significant influence over the group and its subsidiaries	2 354 744	2 195 395
Fellow subsidiaries to banking group	8 594	12 981
Associate	9 768	13 399
Key managment personnel	22 785	18 201
Accounts receivable		
Entities that have significant influence over the group and its subsidiaries	7 297	-
Derivative assets		
Entities that have significant influence over the group and its subsidiaries	291 586	15 390
Deposits		
Entities that have significant influence over the group and its subsidiaries	418 411	2 210 785
Fellow subsidiaries to banking group	53 207	51 417
Associate	36 178	17 422
Key managment personnel	10 011	5 992
Derivative liabilities		
Entities that have significant influence over the group and its subsidiaries	186 895	93 287

27. Related parties continued

	Group and company	
N$'000	2019	2018
Transactions with related parties		
Interest received		
Entities that have significant influence over the group and its subsidiaries	102 282	68 259
Fellow subsidiaries to banking group	1 707	1 545
Associate	1 030	1 146
Key management personnel	65	60
Interest paid		
Entities that have significant influence over the group and its subsidiaries	9 039	25 889
Associate	1 181	506
Non-interest revenue		
Fellow subsidiaries to banking group	5 353	5 649
Operating expenses		
Entities that have significant influence over the group and its subsidiaries	320 558	277 393
Associate	18 085	14 292
Dividends paid		
Entities that have significant influence over the group and its subsidiaries	571 398	528 224
Salaries and other employee benefits		
Key management personnel		
- Cash package	25 793	25 568
- Retirement contributions	3 679	3 728
- Performance-related benefits	13 784	14 761
- Share-based payments	12 579	9 149

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the group.

Related party transactions between the company and its subsidiary is disclosed in note 13.

28. Fair value measurements

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 at a franchise level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At a franchise level 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 within each franchise and 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 at a franchise level 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.

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 the recoverable amount is based on the fair value less costs to sell; and
- IAS 36 where the recoverable amount is based on the fair value less costs to sell.

These fair value measurements are determined on a case by case basis as they occur within each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (e.g. in a dealer market), the group uses aprice within the bid-ask spread that is most representative of fair value in the circumstances.

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.

Financial instruments not measured at fair value

This category includes 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. Except for the amounts included under the financial instruments not measured at fair value section below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

Fair value hierarchy and measurements

The group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. Fair value may be determined using unadjusted quoted prices in active markets for identical assets or liabilities where this is readily available and the price represents actual and regularly occurring market transactions. 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.

28. Fair value measurements continued

Fair value hierarchy and measurements continued

Where a valuation model is applied and the group cannot mark-to-market, it applies a mark-to-model approach, subject to valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. 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. The group considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

Measurement of assets and liabilities at level 2

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments			
Forward rate agreements	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, interest rate curves and credit spreads
Swaps	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date of each cash flows is determined in terms of legal documents.	Market interest rates and interest rate curves, credit and currency basis curves
Options	Option pricing model	The Black Scholes model is used.	Strike price of the option; market related discount rate; forward rate .
Forwards	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.	Spot price of underlying instrument, ineterst rate curves and dividend yield
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rates, interest rate curves, volatilities, dividends and share prices

28. Fair value measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Loans and advances to customers			
Other loans and advances	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period. In the event that credit spreads are observable for a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.	Market interest rates and interest rate curves
Investment securities			
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive ,arket are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.Where the valuation technique incorporates observable inputs for credit risk, level 2 of thet fair value hierarchy is deemed appropriate.	Market interest rates and curves
Negotiable certificates of deposit	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and interest rate curves
Treasury bills and other government and government guaranteed stock	JSE Debt Market bond pricing model	The JSE Debt Market bond pricing model uses the JSE Debt Market mark-to-market bond yield	Market interest rates and interest rate curves
Investment in funds and unit trusts	Third party valuations	For certain investments in fuds (such as hedge finds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third party valuatios. Third party vluations are reviewed by the relevant franchiseís investment committee on a regular basis. Where these underlying investments are listed, these third part valuations can b corroborated with reference to listed share prices and other market data and are thus classified in level 2 of the fair value hierarchy.	Market transactions (listed)

28. Fair value measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Deposits			
Call and non-term deposits	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and interest rate curves
Other liabilities	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Where the value of a liability is linked to performance of an underlying and the underlying is observable, these liabilities are classified at level 2.	Market interest rates or performance of underlying

Measurement of assets and liabilities at level 3

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Unobservable inputs
Derivative financial instruments			
Option	Option pricing model	The Black Scholes model is used.	Volatilities
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices
Loans and advances to customers			
Investment banking book	Discounted cash flows	The group has elected to designate the investment banking book of advances at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy. The future cash flows are discounted using a market related interest rate, adjusted for credit inputs. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Credit inputs

28. Fair value measurements continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Unobservable inputs
		Loans and advances to customers continued	
Other loans and advances	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the group has classified loans and advances to customers in level 3 of the fair value hierarchy.	Credit inputs
		Investment securities	
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquid discount adjustments to these third party valuations are reviewed by the relevantís franchiseís investment committee on a regular basis. Where these underlying investments are unlisted, the group has classified these at level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third party valuations	None (unlisted) ñ third party valuations used, minority and marketability adjustments
		Deposits	
Deposits that represent collateral on credit linked notes	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins are used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advances
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs
Other liabilities	Discounted cash flows	For preference shares which require the group to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are classified as level 3. Futire cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of the underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Credit inputs

Non-recurring fair value measurements
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. There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior year.

28. Fair value measurements continued

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

	Group and Company			
	2019 IFRS 9			
N$'000	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	-	459 072	-	459 072
Advances	-	-	368 932	368 932
Investment securities	-	433 137	-	433 137
Total financial assets	-	892 209	368 932	1 261 141
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	480 490	-	480 490
Total financial liabilities	-	480 490	-	480 490

	Group and Company			
	2018 IAS 39			
N$'000	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	-	93 520	-	93 520
Advances	-	-	419 769	419 769
Investment securities	-	5 080 115	-	5 080 115
Total financial assets	-	5 173 635	419 769	5 593 404
Liabilities				
Recurring fair value measurements				
Derivative financial instruments	-	109 754	-	109 754
Total financial liabilities	-	109 754	-	109 754

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

28. Fair value measurements continued

Changes in level 3 instruments with recurring fair value measurements.

The following tables show a reconciliation of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis classified as level 3 in terms of the fair value hierarchy.

	Group and Company – 2019 IFRS 9				
N$'000	Fair value Jun-18	Settlements	Gains or losses recognised in profit or loss	IFRS 9	Fair value Jun-19
Assets					
Advances	419 769	(95 705)	46 415	(1 547)	368 932

	Group and Company – 2018 IAS 39			
N$'000	Fair value Jun-17	Settlements	Gains or losses recognised in profit or loss	Fair value Jun-18
Assets				
Advances	464 205	(91 447)	47 011	419 769

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets may be as a result of losses, sales and settlements or the disposal of subsidiaries. Decreases in the value of liabilities may be as a result of gains, settlements or the disposal of subsidiaries.

Gains/losses on advances classified in level 3 of the hierarchy comprise gross interest income on advances, fair value of credit adjustments and adjustments to changes in currency and base rates. These instruments are funded by liabilities and the risk inherent is hedged by interest rate or foreign currency swaps. The corresponding gross interest expense is not disclosed in the fair value note as these items are typically measured at amortised cost.

28. Fair value measurements continued

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 relating to financial instruments classified as level 3 that are still held on 30 June. With the exception of interest on funding instruments all of these gains are recognised in non-interest revenue.

	Group and Company			
	2019 IFRS 9		2018 IAS 39	
N$'000	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income
Assets				
Advances	46 415	-	47 011	-
Total financial assets classified at level 3	46 415	-	47 011	-

28. Fair value measurements continued

Effect of changes in significant unobservable assumptions of level 3 instruments to reasonably possible alternatives

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

Asset/Liability	Significant unobservable inputs	Reasonably possible changes to significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Advances	Credit	Scenario analysis	A range of scenarios are run as part of the group's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.

Effect of changes in significant unobservable assumptions of level 3 instruments to reasonably possible alternatives

	Group and Company					
	2019 IFRS 9			2018 IAS 39		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
N$'000	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Advances	368 932	405 825	332 039	419 769	461 746	377 792
Total financial assets measured at fair value in level 3	368 932	405 825	332 039	419 769	461 746	377 792

28. Fair value measurements continued

Financial instruments not measured at fair value

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.

	Group				
	2019 IFRS 9				
N$'000	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	30 043 808	30 004 918	-	-	30 004 918
Investment securities	7 144 543	7 214 253	-	7 214 253	-
Total financial assets at amortised cost	37 188 351	37 219 171	-	7 214 253	30 004 918
Liabilities					
Deposits	35 971 363	35 875 785	-	35 875 785	-
Other liabilities	220 486	219 530	-	219 530	-
Tier 2 liabilities	402 804	406 788	-	406 788	-
Total financial liabilities at amortised cost	36 594 653	36 502 103	-	36 502 103	-

	Group				
	2018 IAS 39				
N$'000	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	28 224 248	28 092 610	-	3 373 872	24 718 738
Total financial assets at amortised cost	28 224 248	28 092 610	-	3 373 872	24 718 738
Liabilities					
Deposits	31 661 720	31 514 050	-	31 514 050	-
Other liabilities	220 447	219 243	-	219 243	-
Tier 2 liabilities	402 783	446 334	-	446 334	-
Total financial liabilities at amortised cost	32 284 950	32 179 627	-	32 179 627	-

28. Fair value measurements continued

Financial instruments not measured at fair value

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.

	Company				
	2019 IFRS 9				
N$'000	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	29 756 333	29 715 721	–	–	29 715 721
Investment securities	7 144 544	7 214 253	–	7 214 253	–
Total financial assets at amortised cost	36 900 877	36 929 974	–	7 214 253	29 715 721
Liabilities					
Deposits	35 968 949	35 873 377	–	35 873 377	–
Other liabilities	220 593	219 530	–	219 530	–
Tier 2 liabilities	402 804	406 788	–	406 788	–
Total financial liabilities at amortised cost	36 592 346	36 499 695	–	36 499 695	–

	Company				
	2018 IAS 39				
N$'000	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	27 859 073	27 729 138	–	3 330 219	24 398 919
Total financial assets at amortised cost	27 859 073	27 729 138	–	3 330 219	24 398 919
Liabilities					
Deposits	31 683 028	31 535 258	–	31 535 258	–
Other liabilities	220 447	219 243	–	219 243	–
Tier 2 liabilities	402 783	446 334	–	446 334	–
Total financial liabilities at amortised cost	32 306 258	32 200 835	–	32 200 835	–

28. Fair value measurements continued

Financial instruments designated at fair value through profit or loss	
Different methods are used to determine the current period and cumulative changes in fair value attributable to credit risk due to the differing inherent credit risk of these instruments. The methods used are:	
Financial assets	Advances The change in credit risk is the difference between the fair value of advances based on the original credit spreads (as determined using the group's credit spread pricing matrix) and the fair value of advances based on the most recent credit spreads where there has been a change in the credit risk of the counterparty. The group uses its own annual credit review process to determine if there has been a change in the credit rating or LGD of the counterparty. Investment securities The change in fair value for investments designated at fair value through profit or loss is calculated by stripping out the movements that result from a change in market factors that give rise to market risk. The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.
Financial liabilities	Determined with reference to changes in the mark-to-market yields of own issued bonds. The change in fair value of financial liabilities due to changes in credit risk is immaterial.

Loans and receivables designated as at fair value through profit or loss

The group has designated certain financial assets at fair value through profit or loss that would otherwise have been measured at amortised cost or fair value through other comprehensive income.

	Group and Company		
	2019 IFRS 9		
		Change in fair value due to credit risk	
N$'000	Fair value	Current period	Cumulative
Included in advances	368 932	1 547	2 116
Included in investment securities	312 730	–	–
Total	681 662	1 547	2 116

29. Financial risk

Overview of financial risks

The risk report of the group appears on pages 10 to 25 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. The report includes the disclosures required by IFRS 7 related to the management of credit market, liquidity and interest rate risks. Capital management is dealt with in the capital management report. Risk control policies and exposure 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 following assets and off-balance sheet amounts expose the group to credit risk. For all on-balance sheet exposures, the carrying amount recognised in the statement of financial position represents the maximum exposure to credit risk, before taking into account collateral and other credit.

Maximum exposure to credit risk

	Group	
N$'000	2019 IFRS 9	2018 IAS 39
Total exposure (items where credit risk exposure exists)		
Cash and cash equivalents		
Balances with central bank	864 569	895 187
Total cash and cash equivalents	864 569	895 187
Due by banks and other financial institutions	2 803 841	2 782 221
Advances		-
Overdrafts and cash managed accounts	3 391 820	3 288 851
Term loans	8 141 991	7 574 638
Card loans	432 919	397 297
Instalment sales and lease payments receivable	3 217 383	3 317 115
Property finance	13 382 725	13 071 130
Preference share agreements	949 020	-
Investment bank term loans	368 932	419 769
Other	527 950	575 216
Total advances	30 412 740	28 644 016
Derivative financial instruments	459 072	93 520
Debt investment securities	-	-
Listed investment securities	2 214 176	1 103 612
Unlisted investment securities	5 363 504	3 976 503
Total debt investment securities	7 577 680	5 080 115
Accounts receivable	150 640	134 786
Guarantees	1 450 027	1 713 936
Letters of credit	67 619	123 171
Irrevocable commitments	4 917 200	5 167 183
Total	48 703 388	44 634 135

29. Financial risk continued

	Company	
N$'000	2019 IFRS 9	2018 IAS 39
Total exposure (items where credit risk exposure exists)		
Cash and cash equivalents		
Balances with central bank	864 569	895 187
Total cash and cash equivalents	864 569	895 187
Due by banks and other financial institutions	2 803 841	2 782 221
Advances		-
Overdrafts and cash managed accounts	3 391 820	3 288 851
Term loans	8 141 991	7 574 638
Card loans	432 919	397 297
Instalment sales and lease payments receivable	3 217 403	3 317 132
Property finance	13 089 578	12 705 938
Preference share agreements	949 020	-
Investment bank term loans	368 932	419 769
Other	527 950	575 216
Total advances	30 119 613	28 278 841
Derivative financial instruments	459 072	93 520
Debt investment securities	-	-
Listed investment securities	2 214 176	1 103 612
Unlisted investment securities	5 363 504	3 976 503
Total debt investment securities	7 577 680	5 080 115
Accounts receivable	184 266	165 749
Guarantees	1 450 027	1 713 936
Letters of credit	67 619	123 171
Irrevocable commitments	4 917 200	5 167 183
Total	48 443 887	44 299 923

29. Financial risk continued

The table below sets out the maximum exposure to credit risk for financial assets at amortised cost and fair value through profit or loss debt instruments.

	Group						
	2019 IFRS 9						
N$'000	Carrying amount	Loss allowances	Maximum exposure to credit risk	Netting and financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	864 569	-	864 569	-	864 569	864 569	-
Total cash and cash equivalents	864 569	-	864 569	-	864 569	864 569	-
Due from banks and other financial institutions	2 803 841	-	2 803 841	-	2 803 841	2 803 841	-
Advances							
Residential mortgages	13 554 950	(166 321)	13 388 629	553 262	12 835 367	-	12 835 367
Vehicle and asset finance	3 521 602	(83 140)	3 438 462	16 596	3 421 866	-	3 421 866
Credit card	432 948	(42 004)	390 944	-	390 944	390 944	-
Personal loans	2 377 687	(94 668)	2 283 019	-	2 283 019	2 283 019	-
Other retail	548 588	(28 113)	520 475	-	520 475	520 475	-
FNB commercial	6 760 954	(250 503)	6 510 451	-	6 510 451	4 223 882	2 286 569
RMB corporate and investment banking	3 921 090	(40 330)	3 880 760	112 890	3 767 870	151 873	3 615 997
Total advances	31 117 819	(705 079)	30 412 740	682 748	29 729 992	7 570 193	22 159 799
Investment securities	7 578 989	(1 309)	7 577 680	-	7 577 680	7 577 680	-
Derivatives	459 072	-	459 072	-	459 072	348 012	111 060
Accounts receivable	272 399	-	272 399	-	272 399	272 399	-
Off-balance sheet exposures							
Guarantees	1 450 027	-	1 450 027	-	1 450 027	1 100 369	349 658
Letters of credit	67 619	-	67 619	-	67 619	7 619	60 000
Irrevocable commitments	4 917 200	-	4 917 200	-	4 917 200	4 917 200	-

29. Financial risk continued

	Company						
	2019 IFRS 9						
N$'000	Carrying amount	Loss allowances	Maximum exposure to credit risk	Netting and financial collateral	Net exposure to credit risk	Unsecured	Secured
Total exposure (items where credit exposure exists)							
Cash and cash equivalents							
Balances with central bank	864 569	-	864 569	-	864 569	864 569	-
Total cash and cash equivalents	864 569	-	864 569	-	864 569	864 569	-
Due from banks and other financial institutions	2 803 841	-	2 803 841	-	2 803 841	2 803 841	-
Advances							
Residential mortgages	13 257 223	(161 721)	13 095 502	553 262	12 542 240	-	12 542 240
Vehicle and asset finance	3 521 602	(83 140)	3 438 462	16 596	3 421 866	-	3 421 866
Credit card	432 948	(42 004)	390 944	-	390 944	390 944	-
Personal loans	2 377 687	(94 668)	2 283 019	-	2 283 019	2 283 019	-
Other retail	548 588	(28 113)	520 475	-	520 475	520 475	-
FNB commercial	6 760 954	(250 503)	6 510 451	-	6 510 451	4 223 882	2 286 569
RMB corporate and investment banking	3 921 090	(40 330)	3 880 760	112 890	3 767 870	151 873	3 615 997
Total advances	30 820 092	(700 479)	30 119 613	682 748	29 436 865	7 570 193	21 866 672
Investment securities	7 578 989	(1 309)	7 577 680	-	7 577 680	7 577 680	-
Derivatives	459 072	-	459 072	-	459 072	348 012	111 060
Accounts receivable	272 399	-	272 399	-	272 399	272 399	-
Off-balance sheet exposures							
Guarantees	1 450 027	-	1 450 027	-	1 450 027	1 100 369	349 658
Letters of credit	67 619	-	67 619	-	67 619	7 619	60 000
Irrevocable commitments	4 917 200	-	4 917 200	-	4 917 200	4 917 200	-

29. Financial risk continued

FR rating mapping to international and national rating scales
The group recognises current exposures according to an internal rating scale, the FR ratings, ranging from FR 1 to FR 100, with FR 28 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 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 average over the economic cycle.

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

Mapping of FR grades to rating agency scales

FirstRand rating	Midpoint PD	RMB rating (based on S&P)
FR 1 - 14	0.06%	AAA, AA+, AA, AA-, A+, A, A-
FR 15 - 25	0.29%	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
FR 26 - 32	0.77%	BB+, BB(upper), BB, BB-(upper)
FR 33 - 39	1.44%	BB-, B+(upper)
FR 40 - 53	2.52%	B+
FR 54 - 83	6.18%	B(upper), B, B-(upper)
FR 84 - 90	13.68%	B-
FR 91 - 99	59.11%	CCC
FR 100	100%	D (Defaulted)

Quality of credit assets
The following table shows the gross carrying amount of advances carried at amortised cost and the fair value of advances measured at fair value through profit or loss, as well as the exposure to credit risk of loan commitments and financial guarantees per class of advance and per internal credit rating.

29. Financial risk continued

	Group		
	2019 IFRS 9		
	FR 26-90		FR 91-100
N$'000	On balance sheet	Off balance sheet	On balance sheet
Retail			
Stage 1	15 799 830	3 294 157	-
Stage 2	594 383	-	-
Stage 3	-	-	519 958
Total retail	16 394 214	3 294 157	519 958
FNB Commercial			
Stage 1	6 019 528	1 605 216	-
Stage 2	480 078	-	-
Stage 3	-	-	261 348
Total FNB comercial	6 499 606	1 605 216	261 348
Wesbank			
Stage 1	3 235 350	225 570	-
Stage 2	222 955	-	-
Stage 3	-	-	63 298
Total Wesbank	3 458 305	225 570	63 298
RMB corporate banking			
Stage 1	772 393	916 877	-
Total RMB corporate banking	772 393	916 877	-
RMB investment banking			
Stage 1	2 779 765	-	-
Fair value through profit or loss	368 932	-	-
Total RMB investment banking	3 148 697	-	-

29. Financial risk continued

N$'000	Total neither past due nor impaired	Overdrafts and cash managed accounts	Term loans	Card loans	Instalment sales and lease receivables	Property finance	Investment bank term loans	Other
	Group							
	2018 IAS 39							
FR 27 - 91	27 368 638	3 280 730	7 343 049	391 813	3 263 177	12 096 069	419 769	574 031
Above FR 91	340 796	39 800	67 413	4 789	43 393	184 215	-	1 186
Total	27 709 434	3 320 530	7 410 462	396 602	3 306 570	12 280 284	419 769	575 217

29. Financial risk continued

	Company		
	2019 IFRS 9		
	FR 26-90		FR 91-100
N$'000	On balance sheet	Off balance sheet	On balance sheet
Retail			
Stage 1	15 502 103	3 294 157	-
Stage 2	594 383	-	-
Stage 3	-	-	519 958
Total retail	16 096 486	3 294 157	519 958
FNB Commercial			
Stage 1	6 019 528	1 605 216	-
Stage 2	480 078	-	-
Stage 3	-	-	261 348
Total FNB comercial	6 499 606	1 605 216	261 348
Wesbank			
Stage 1	3 235 350	225 570	-
Stage 2	222 955	-	-
Stage 3	-	-	63 298
Total Wesbank	3 458 305	225 570	63 298
RMB corporate banking			
Stage 1	772 393	916 877	-
Total RMB corporate banking	772 393	916 877	-
RMB investment banking			
Stage 1	2 779 765	-	-
Fair value through profit or loss	368 932	-	-
Total RMB investment banking	3 148 697	-	-

29. Financial risk continued

N$'000	Company							
	2018 IAS 39							
	Total neither past due nor impaired	Overdrafts and cash managed accounts	Term loans	Card loans	Instalment sales and lease receivables	Property finance	Investment bank term loans	Other
FR 27 - 91	27 002 401	3 280 730	7 343 049	391 813	3 263 194	11 729 816	419 769	574 030
Above FR 91	340 796	39 800	67 413	4 789	43 393	184 215	-	1 186
Total	27 343 197	3 320 530	7 410 462	396 602	3 306 587	11 914 031	419 769	575 216

For more detail about the FR rating scales and the link to rating agency scales refer to the credit risk section in the summary risk and capital management report in section X.

29. Financial risk continued

The table below sets out an analysis of credit-impaired advances at amortised cost.

N$'000	Group		
	2019 IFRS 9		
	Gross carrying amount	Expected recoveries from collateral	Loss allowance
Stage 3/NPLs by class			
Total retail secured	497 797	337 540	160 257
- Residential mortgages	434 499	327 846	106 653
- Vehicle asset finance	63 298	9 694	53 604
Total retail unsecured	85 459	9 207	76 252
- Credit card	17 263	479	16 784
- Personal loans	54 327	3 483	50 844
- Other retail	13 869	5 245	8 624
Total corporate and commercial	261 348	148 605	112 743
- FNB Commercial	261 348	148 605	112 743
- RMB corporate and investment banking	-	-	-
Total stage 3/NPLs	844 604	495 352	349 252
Stage 3/NPLs by category			
Overdrafts and cash managed accounts	95 726	35 154	60 572
Term loans	116 654	75 560	41 094
Card loans	17 262	478	16 784
Instalment sales and lease payments receivable	63 298	9 695	53 603
Property finance	497 337	370 982	126 355
Personal loans	54 327	3 483	50 844
Total stage 3/NPLs	844 604	495 352	349 252

29. Financial risk continued

N$'000	Group				
	2018 IAS 39				
		Past due but not impaired			
	Neither past due nor impaired	One instalment	Two instalments	Impaired	Total
Overdrafts and cash managed accounts	3 320 530	-	-	36 821	3 357 351
Term loans	7 492 949	95 723	19 304	89 167	7 697 143
Card loans	396 602	-	-	4 106	400 708
Instalment sales and lease payments receivable	3 306 571	20 310	4 695	46 890	3 378 466
Property finance	12 197 797	518 242	96 332	304 552	13 116 923
Investment bank term loans	419 769	-	-	-	419 769
Other	575 216	-	-	-	575 216
Sub-total	27 709 434	634 275	120 331	481 536	28 945 576
Items in transit	55 466	-	-	-	55 466
Deferred staff costs	104 749	-	-	-	104 749
Property in possession	32 316	-	-	-	32 316
Prepayments	39 579	-	-	-	39 579
Other accounts receivable	7 425	-	-	-	7 425
Sub-total	239 535	-	-	-	239 535
Total	27 948 969	634 275	120 331	481 536	29 185 111

29. Financial risk continued

N$'000	Company		
	2019 IFRS 9		
	Gross carrying amount	Expected recoveries from collateral	Loss allowance
Stage 3/NPLs by class			
Total retail secured	481 598	323 006	158 592
- Residential mortgages	418 300	313 312	104 988
- Vehicle asset finance	63 298	9 694	53 604
Total retail unsecured	85 459	9 207	76 252
- Credit card	17 263	479	16 784
- Personal loans	54 327	3 483	50 844
- Other retail	13 869	5 245	8 624
Total corporate and commercial	261 348	148 605	112 743
- FNB Commercial	261 348	148 605	112 743
- RMB corporate and investment banking	-	-	-
Total credit-impaired advances	828 405	480 818	347 587
Stage 3/NPLs by category			
Overdrafts and cash managed accounts	95 726	35 154	60 572
Term loans	116 654	75 560	41 094
Card loans	17 262	478	16 784
Instalment sales and lease payments receivable	63 298	9 695	53 603
Property finance	481 138	356 448	124 690
Personal loans	54 327	3 483	50 844
Total stage 3/NPLs	828 405	480 818	347 587

29. Financial risk continued

N$'000	Company 2018 IAS 39 Neither past due nor impaired	Past due but not impaired One instalment	Past due but not impaired Two instalments	Impaired	Total
Overdrafts and cash managed accounts	3 320 530	-	-	36 821	3 357 351
Term loans	7 492 949	95 723	19 304	89 167	7 697 143
Card loans	396 602	-	-	4 106	400 708
Instalment sales and lease payments receivable	3 306 587	20 310	4 695	46 890	3 378 482
Property finance	11 831 545	518 242	96 332	303 066	12 749 185
Investment bank term loans	419 769	-	-	-	419 769
Other	575 216	-	-	-	575 216
Sub-total	27 343 198	634 275	120 331	480 050	28 577 854
Items in transit	87 152	-	-	-	87 152
Deferred staff costs	104 749	-	-	-	104 749
Property in possession	32 316	-	-	-	32 316
Prepayments	39 579	-	-	-	39 579
Other accounts receivable	6 702	-	-	-	6 702
Sub-total	270 498	-	-	-	270 498
Total	27 613 696	634 275	120 331	480 050	28 848 352

29. Financial risk continued

Quality of credit assets – non advances

N$'000	Group 2019 IFRS 9 BB+ to B-
Investment securities at amortised cost	
Stage 1	7 144 543
Investment securities at fair value through profit or loss	
Stage 1	433 137
Total investment securities	7 577 680
Accounts receivable	
Stage 1	27 504
Cash and cash equivalents	
Stage 1	1 380 801
Derivative assets	
Stage 1	459 072
Due from banks and other financial institutions	
Stage 1	2 803 841

N$'000	Group 2018 IAS 39 Investment securities	Derivatives	Cash and cash equivalents	Due from banks and other financial institutions	Accounts receivable	Total
International scale mapping (National equivalent):						
AAA to BB- (A to BBB)	5 050 115	93 520	895 187	2 782 220	6 146	8 827 188
Total	5 050 115	93 520	895 187	2 782 220	6 146	8 827 188

29. Financial risk continued

Quality of credit assets – non advances

N$'000	Company 2019 IFRS 9 BB+ to B-
Investment securities at amortised cost	
Stage 1	7 144 543
Investment securities at fair value through profit or loss	
Stage 1	433 137
Total investment securities	7 577 680
Accounts receivable	
Stage 1	27 504
Cash and cash equivalents	
Stage 1	1 380 801
Derivative assets	
Stage 1	459 072
Due from banks and other financial institutions	
Stage 1	2 803 841

	Company					
	2018 IAS 39					
N$'000	Investment securities	Derivatives	Cash and cash equivalents	Due from banks and other financial institutions	Accounts receivable	Total
International scale mapping (National equivalent):						
AAA to BB- (A to BBB)	5 050 115	93 520	895 187	2 782 220	6 146	8 827 188
Total	5 050 115	93 520	895 187	2 782 220	6 146	8 827 188

29. Financial risk continued

Concentration risk

Credit concentration risk is the risk of loss to the group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration in each portfolio. The groupís credit portfolio is well diversified, which is achieved through setting maximum exposure guidelines to individual counterparties. The group constantly reviews its concentration levels and sets maximum exposure guidelines for these.

The group seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

Sector analysis concentration of advances

	Group			
	2019 IFRS 9			
		Stage 3/NPLs		
N$'000	Total advances	Credit impaired advances	Security held and expected recoveries	Specific impairment
Sector analysis				
Agriculture	1 374 765	84 495	66 063	18 432
Financial institutions	1 324 546	9 687	2 099	7 588
Building and property development	2 458 748	81 574	39 365	42 208
Individuals	18 840 702	548 582	338 860	209 722
Manufacturing and commerce	2 503 009	70 418	32 945	37 473
Mining	278 720	872	361	511
Transportation and communication	507 302	23 246	5 296	17 949
Other services	3 830 027	25 730	10 362	15 369
Gross value of advances	31 117 819	844 604	495 351	349 252

29. Financial risk continued

Sector analysis concentration of advances continued

N$'000	Group 2018 IAS 39 Total advances	Stage 3/NPLs Credit impaired advances	Security held and expected recoveries	Specific impairment
Sector analysis				
Agriculture	995 144	21 732	17 298	4 434
Financial institutions	710 358	12 180	7 458	4 722
Building and property development	2 585 451	50 372	19 495	30 877
Individuals	18 490 282	334 217	235 814	98 403
Manufacturing and commerce	2 528 905	29 729	15 636	14 093
Mining	318 983	626	460	166
Transportation and communication	437 832	19 461	7 655	11 806
Other services	2 878 622	13 219	4 682	8 537
Gross value of advances	28 945 577	481 536	308 498	173 038

29. Financial risk continued

N$'000	Company 2019 IFRS 9 Total advances	Stage 3/NPLs Credit impaired advances	Security held and expected recoveries	Specific impairment
Sector analysis				
Agriculture	1 374 765	84 495	66 063	18 432
Financial institutions	1 324 546	9 687	2 099	7 588
Building and property development	2 458 748	81 574	39 365	40 724
Individuals	18 542 975	532 383	324 327	209 541
Manufacturing and commerce	2 503 009	70 418	32 945	37 473
Mining	278 720	872	361	511
Transportation and communication	507 302	23 246	5 296	17 949
Other services	3 830 027	25 730	10 362	15 369
Gross value of advances	30 820 092	828 405	480 818	347 587

N$'000	Company 2018 IAS 39 Total advances	Stage 3/NPLs Credit impaired advances	Security held and expected recoveries	Specific impairment
Sector analysis				
Agriculture	995 144	21 732	17 298	4 434
Financial institutions	710 358	12 180	7 458	4 722
Building and property development	2 585 451	50 372	19 495	30 877
Individuals	18 122 559	332 730	235 814	96 916
Manufacturing and commerce	2 528 905	29 729	15 636	14 093
Mining	318 983	626	460	166
Transportation and communication	437 832	19 461	7 655	11 806
Other services	2 878 622	13 220	4 682	8 538
Gross value of advances	28 577 854	480 050	308 498	171 552

29. Financial risk continued

Credit Credit risk mitigation and collateral held
Since taking and managing credit risk is core to its business, the group aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterpartyís ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the groupís lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product or counterparty type.

Credit risk mitigation instruments
- Mortgage and instalment sale finance portfolios are secured by the underlying assets financed.
- Commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows.
- Structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets.
- Counterparty credit risk in RMB is mitigated through the use of netting agreements and financial collateral.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and securities.
- Invoice finance is secured by the underlying receivables (trade invoices).
- Working capital facilities in RMB corporate banking are secured.

The group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterpartyís creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model and physical inspection, which is performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in credit risk mitigation types, such as property, are monitored and managed at a product and credit segment level, in line with the requirements of the group's credit risk appetite framework.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

Liquidity cash flow analysis (undiscounted cash flow)
Maturity analysis of liabilities based on undiscounted amount of the contractual payment.

The following table presents the group's undiscounted cash flows of financial liabilities and off-balance sheet amounts and includes all cash outflows related to principal amounts, as well as future payments. These balances will not reconcile to the statement of financial position for the following reasons:

- balances are undiscounted amounts whereas the statement of financial position is prepared using discounted amounts
- the table includes cash flows not recognised in the statement of financial position
- all instruments held for trading purposes are included in the call to 3 month bucket and not by maturity, as trading instruments are typically held for short periods of time
- cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis

29. Financial risk continued

	Group			
	2019 IFRS 9			
	Term to maturity			
N$'000	Total amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Derivative financial instruments	480 490	480 490	-	-
Creditors and accruals	393 200	393 200	-	-
Deposits	38 130 602	25 508 604	8 533 960	4 088 037
Other liabilities	304 970	4 557	13 573	286 840
Tier 2 liabilities	696 468	12 399	26 836	657 233
Financial liabilities	40 005 730	26 399 250	8 574 369	5 032 110
Off statement of financial position				
Financial and other guarantees	1 517 646	94 396	1 112 229	2 724 271
Facilities not drawn	4 917 200	-	-	4 917 200

	Group			
	2018 IAS 39			
	Term to maturity			
N$'000	Total amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Derivative financial instruments	109 754	109 754	-	-
Creditors and accruals	389 280	389 280	-	-
Deposits	35 515 851	24 944 420	5 493 773	5 077 658
Other liabilities	327 529	4 518	13 484	309 527
Tier 2 liabilities	748 716	7 381	32 504	708 831
Financial liabilities	37 091 130	25 455 353	5 539 761	6 096 016
Off statement of financial position				
Financial and other guarantees	1 837 107	1 837 107	-	-
Facilities not drawn	5 167 183	5 167 183	-	-

29. Financial risk continued

N$'000	Company 2019 IFRS 9 Term to maturity Total amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Derivative financial instruments	480 490	480 490	-	-
Creditors and accruals	393 200	393 200	-	-
Deposits	38 130 602	25 508 604	8 533 960	4 088 037
Other liabilities	304 970	4 557	13 573	286 840
Tier 2 liabilities	696 468	12 399	26 836	657 233
Financial liabilities	40 005 730	26 399 250	8 574 369	5 032 110
Off statement of financial position				
Financial and other guarantees	1 517 646	94 396	1 112 229	2 724 271
Facilities not drawn	4 917 200	-	-	4 917 200

N$'000	Company 2018 IAS 39 Term to maturity Total amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Derivative financial instruments	109 754	109 754	-	-
Creditors and accruals	389 280	389 280	-	-
Deposits	35 515 851	24 944 420	5 493 773	5 077 658
Other liabilities	327 529	4 518	13 484	309 527
Tier 2 liabilities	748 716	7 381	32 504	708 831
Financial liabilities	37 091 130	25 455 353	5 539 761	6 096 016
Off statement of financial position				
Financial and other guarantees	1 837 107	1 837 107	-	-
Facilities not drawn	5 167 183	5 167 183	-	-

29. Financial risk continued

N$'000	Group 2019 IFRS 9 Term to maturity Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	1 380 801	1 380 801	-	-
Derivative financial instruments	459 072	459 072	-	-
Investment securities	7 577 680	3 688 130	2 820 247	1 069 303
Advances	30 412 740	4 996 400	2 440 161	22 976 179
Accounts receivable	27 504	27 504	-	-
Due by banks and other financial institutions	2 803 841	2 803 841	-	-
Financial assets	42 661 638	13 355 748	5 260 408	24 045 482
Non-financial assets	1 209 114	1 209 114	-	-
Total assets	43 870 752	14 564 862	5 260 408	24 045 482
Equity and liabilities				
Derivative financial instruments	480 490	480 490	-	-
Creditors and accruals	197 489	197 489	-	-
Deposits	36 401 396	23 779 399	8 533 960	4 088 037
Other liabilities	220 486	1 734	-	218 752
Tier 2 liabilities	402 804	2 804	-	400 000
Financial liabilities	37 702 665	24 461 916	8 533 960	4 706 789
Non financial liabilities	986 329	986 329	-	-
Total liabilities	38 688 994	25 448 245	8 533 960	4 706 789
Total equity	5 181 758	5 181 758	-	-
Total equity and liabilities	43 870 752	30 630 003	8 533 960	4 706 789
Net liquidity gap	-	(11 106 168)	(3 273 552)	19 338 693
Cumulative gap	-	(11 106 168)	(14 379 720)	4 958 973

29. Financial risk continued

	Group			
	2018 IAS 39			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	1 326 075	1 326 075	-	-
Derivative financial instruments	93 520	93 520	-	-
Investment securities	5 080 115	1 662 140	2 037 215	1 380 760
Advances	28 644 017	4 719 738	3 010 539	20 913 740
Accounts receivable	6 146	6 146	-	-
Due by banks and other financial institutions	2 782 221	2 782 221	-	-
Financial assets	37 932 094	10 589 840	5 047 754	22 294 500
Non-financial assets	1 247 491	1 247 491	-	-
Total assets	39 179 585	11 837 331	5 047 754	22 294 500
Equity and liabilities				
Derivative financial instruments	109 754	109 754	-	-
Creditors and accruals	83 369	83 369	-	-
Deposits	32 559 128	23 916 992	5 038 975	3 603 161
Other liabilities	220 447	1 447	-	219 000
Tier 2 liabilities	402 783	2 783	-	400 000
Financial liabilities	33 375 481	24 114 345	5 038 975	4 222 161
Non financial liabilities	1 004 830	1 004 830	-	-
Total liabilities	34 380 311	25 119 175	5 038 975	4 222 161
Total equity	4 799 274	4 799 274	-	-
Total equity and liabilities	39 179 585	29 918 449	5 038 975	4 222 161
Net liquidity gap	-	(13 524 505)	8 779	18 072 339
Cumulative gap	-	(13 524 505)	(13 515 726)	4 556 613

29. Financial risk continued

	Company			
	2019 IFRS 9			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	1 380 801	1 380 801	-	-
Derivative financial instruments	459 072	459 072	-	-
Investment securities	7 577 680	3 688 130	2 820 247	1 069 303
Advances	30 119 613	4 703 273	2 440 161	22 976 179
Accounts receivable	27 504	27 504	-	-
Due by banks and other financial institutions	2 803 841	2 803 841	-	-
Financial assets	42 368 511	13 062 621	5 260 408	24 045 482
Non-financial assets	1 382 651	1 382 651	-	-
Total assets	43 870 752	14 445 272	5 260 408	24 045 482
Equity and liabilities				
Derivative financial instruments	480 490	480 490	-	-
Creditors and accruals	197 489	197 489	-	-
Deposits	36 398 982	23 776 985	8 533 960	4 088 037
Other liabilities	220 486	1 734	-	218 752
Tier 2 liabilities	402 804	2 804	-	400 000
Financial liabilities	37 700 251	24 459 502	8 533 960	4 706 789
Non financial liabilities	986 082	986 082	-	-
Total liabilities	38 686 333	25 445 584	8 533 960	4 706 789
Total equity	5 064 829	5 064 829	-	-
Total equity and liabilities	43 751 162	30 510 413	8 533 960	4 706 789
Net liquidity gap	-	(11 396 881)	(3 273 552)	19 338 693
Cumulative gap	-	(11 396 881)	(14 670 433)	4 668 260

29. Financial risk continued

N$'000	Company 2018 IAS 39 Term to maturity Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	1 326 075	1 326 075	-	-
Derivative financial instruments	93 520	93 520	-	-
Investment securities	5 080 115	1 662 140	2 037 215	1 380 760
Advances	28 278 842	4 354 563	3 010 539	20 913 740
Accounts receivable	6 146	6 146	-	-
Due by banks and other financial institutions	2 782 221	2 782 221	-	-
Financial assets	37 566 920	10 224 665	5 047 754	22 294 500
Non-financial assets	1 551 150	1 551 150	-	-
Total assets	39 118 070	11 775 815	5 047 754	22 294 500
Equity and liabilities				
Derivative financial instruments	109 754	109 754	-	-
Creditors and accruals	83 369	83 369	-	-
Deposits	32 580 435	23 938 299	5 038 975	3 603 161
Other liabilities	220 447	1 447	-	219 000
Tier 2 liabilities	402 783	2 783	-	400 000
Financial liabilities	33 396 788	24 135 682	5 038 975	4 222 161
Non financial liabilities	1 016 434	1 016 434	-	-
Total liabilities	34 413 222	25 152 116	5 038 975	4 222 161
Total equity	4 704 848	4 704 848	-	-
Total equity and liabilities	39 118 070	29 856 964	5 038 975	4 222 161
Net liquidity gap	-	(13 911 017)	8 779	18 072 339
Cumulative gap	-	(13 911 017)	(13 902 238)	4 170 102

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

29. Financial risk continued

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

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

N$'000	Group 2019 IFRS 9 <3 months	>3 but = 12 months	>12 months	Non-rate sensitive	Carrying amount
Total assets	38 738 328	2 249 320	499 454	2 383 650	43 870 752
Total equity and liabilities	33 037 585	3 928 561	639 325	6 265 281	43 870 752
Net pricing gap	5 700 743	(1 679 241)	(139 871)	(3 881 631)	-
Cumulative pricing gap	5 700 743	4 021 502	3 881 631	-	-

N$'000	Group 2018 IAS 39 <3 months	>3 but = 12 months	>12 months	Non-rate sensitive	Carrying amount
Total assets	35 406 088	1 115 291	403 348	2 254 858	39 179 585
Total equity and liabilities	28 797 426	3 928 561	639 325	5 814 272	39 179 585
Net pricing gap	6 608 662	(2 813 270)	(235 977)	(3 559 414)	-
Cumulative pricing gap	6 608 662	3 795 392	3 559 415	-	-

29. Financial risk continued

	Company				
	2019 IFRS 9				
N$'000	<3 months	>3 but = 12 months	>12 months	Non-rate sensitive	Carrying amount
Total assets	38 738 328	2 249 320	499 454	2 264 060	43 751 162
Total equity and liabilities	33 037 585	3 928 561	639 325	6 145 691	43 751 162
Net pricing gap	5 700 743	(1 679 241)	(139 871)	(3 881 631)	-
Cumulative pricing gap	5 700 743	4 021 502	3 881 631	-	-

	Company				
	2018 IAS 39				
N$'000	<3 months	>3 but = 12 months	>12 months	Non-rate sensitive	Carrying amount
Total assets	35 040 914	1 115 291	403 348	2 558 516	39 118 070
Total equity and liabilities	28 818 734	3 928 561	639 325	5 731 450	39 118 070
Net pricing gap	6 222 180	(2 813 270)	(235 977)	(3 172 935)	-
Cumulative pricing gap	6 222 180	3 408 910	3 172 933	-	-

29. Financial risk continued

Foreign currency

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 group's assest and liabilities at carrying amounts, categorised by currency, as at the statement of financial position date.

	Group				
	2019 IFRS 9				
	Currency concentration				
N$'000	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	1 380 801	1 380 756	21	23	1
Derivative financial instruments	459 072	40 717	408 578	9 621	156
Investment securities	7 577 680	7 577 680	-	-	-
Advances	30 412 740	30 412 740	-	-	-
Accounts receivable	27 504	27 504	-	-	-
Due by banks and other financial institutions	2 803 841	2 382 089	317 927	2 693	101 132
Financial assets	42 661 638	41 821 486	726 526	12 337	101 289
Non-financial assets	1 209 114	1 209 114	-	-	-
Total assets	43 870 752	43 030 600	726 526	12 337	101 289
Equity and liabilities					
Derivative financial instruments	480 490	51 804	419 231	9 443	12
Creditors and accruals	197 489	197 489	-	-	-
Deposits	36 401 396	34 043 447	2 224 840	114 225	18 884
Other liabilities	220 486	220 486	-	-	-
Tier 2 liabilities	402 804	402 804	-	-	-
Financial liabilities	37 702 665	34 916 030	2 644 071	123 668	18 896
Non financial liabilities	986 329	986 329	-	-	-
Total liabilities	38 688 994	35 902 359	2 644 071	123 668	18 896
Total equity	5 181 758	5 181 758	-	-	-
Total equity and liabilities	43 870 752	41 084 117	2 644 071	123 668	18 896

29. Financial risk continued

	Group				
	2018 IAS 39				
	Currency concentration				
N$'000	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	1 326 075	1 326 026	18	29	2
Derivative financial instruments	93 520	81 267	949	11 303	1
Investment securities	5 080 115	5 080 115	-	-	-
Advances	28 644 017	28 141 151	502 866	-	-
Accounts receivable	6 146	6 146	-	-	-
Due by banks and other financial institutions	2 782 221	2 371 104	283 488	116 924	10 705
Financial assets	37 932 094	37 005 809	787 321	128 256	10 708
Non-financial assets	1 247 491	1 247 491	-	-	-
Total assets	39 179 585	38 253 300	787 321	128 256	10 708
Equity and liabilities					
Derivative financial instruments	109 754	94 031	7 231	8 374	118
Creditors and accruals	83 369	83 369	-	-	-
Deposits	32 559 128	32 056 213	502 915	-	-
Other liabilities	220 447	220 447	-	-	-
Tier 2 liabilities	402 783	402 783	-	-	-
Financial liabilities	33 375 481	32 856 843	510 146	8 374	118
Non financial liabilities	1 004 830	1 004 830	-	-	-
Total liabilities	34 380 311	33 861 673	510 146	8 374	118
Total equity	4 799 274	4 799 274	-	-	-
Total equity and liabilities	39 179 585	38 660 947	510 146	8 374	118

29. Financial risk continued

	Company				
	2019 IFRS 9				
	Currency concentration				
N$'000	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	1 380 801	1 380 756	21	23	1
Derivative financial instruments	459 072	40 717	408 578	9 621	156
Investment securities	7 577 680	7 577 680	-	-	-
Advances	30 119 613	30 119 613	-	-	-
Accounts receivable	27 504	27 504	-	-	-
Due by banks and other financial institutions	2 803 841	2 382 089	317 927	2 693	101 132
Financial assets	42 368 511	41 528 359	726 526	12 337	101 289
Non-financial assets	1 382 651	1 382 651	-	-	-
Total assets	43 751 162	42 911 010	726 526	12 337	101 289
Equity and liabilities					
Derivative financial instruments	480 490	51 804	419 231	9 443	12
Creditors and accruals	197 489	197 489	-	-	-
Deposits	36 398 982	34 041 033	2 224 840	114 225	18 884
Other liabilities	220 486	220 486	-	-	-
Tier 2 liabilities	402 804	402 804	-	-	-
Financial liabilities	37 700 251	34 913 616	2 644 071	123 668	18 896
Non financial liabilities	986 082	986 082	-	-	-
Total liabilities	38 686 333	35 899 698	2 644 071	123 668	18 896
Total equity	5 064 829	5 064 829	-	-	-
Total equity and liabilities	43 751 162	40 964 527	2 644 071	123 668	18 896

29. Financial risk continued

	Company				
	2018 IAS 39				
	Currency concentration				
N$'000	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	1 326 075	1 326 026	18	29	2
Derivative financial instruments	93 520	81 267	949	11 303	1
Investment securities	5 080 115	5 080 115	-	-	-
Advances	28 278 842	27 775 976	502 866	-	-
Accounts receivable	6 146	6 146	-	-	-
Due by banks and other financial institutions	2 782 221	2 371 104	283 488	116 924	10 705
Financial assets	37 566 919	36 640 634	787 321	128 256	10 708
Non-financial assets	1 551 151	1 551 151	-	-	-
Total assets	39 118 070	38 191 785	787 321	128 256	10 708
Equity and liabilities					
Derivative financial instruments	109 754	94 031	7 231	8 374	118
Creditors and accruals	83 369	83 369	-	-	-
Deposits	32 580 435	32 077 520	502 915	-	-
Other liabilities	220 447	220 447	-	-	-
Tier 2 liabilities	402 783	402 783	-	-	-
Financial liabilities	33 396 788	32 878 150	510 146	8 374	118
Non financial liabilities	1 016 434	1 016 434	-	-	-
Total liabilities	34 413 222	33 894 584	510 146	8 374	118
Total equity	4 704 848	4 704 848	-	-	-
Total equity and liabilities	39 118 070	38 599 432	510 146	8 374	118

29. Financial risk continued

Average balances and effective interest rates

Group	2019 IFRS 9			2018 IAS 39		
	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, including balances with banks	4 649 049	3.6	166 940	4 108 296	2.7	111 637
Advances	29 108 173	11.0	3 200 233	28 631 036	10.7	3 067 636
Investment securities	6 489 225	7.6	494 783	5 080 115	7.9	401 187
Interest-earning assets	40 246 447	9.6	3 861 956	37 819 447	9.5	3 580 460
Non-interest-earning assets	1 642 040	-	-	1 340 606	-	-
Total assets	41 888 488	9.2	3 861 956	39 160 053	9.1	3 580 460
Equity and liabilities						
Deposits	34 786 807	5.2	1 795 491	32 546 148	5.2	1 678 356
Other liabilities	220 765	8.1	17 963	220 447	4.5	9 967
Tier 2 liabilities	406 197	9.6	39 074	402 783	9.7	39 075
Interest-bearing liabilities	35 413 769	5.2	1 852 528	33 169 378	5.2	1 727 398
Non-interest-bearing liabilities	1 565 720	-	-	1 183 942	-	-
Total liabilities	36 979 488	5.0	1 852 528	34 353 320	5.0	1 727 398
Total equity	4 909 000	-	-	4 806 733	-	-
Total equity and liabilities	41 888 488	4.4	1 852 528	39 160 053	4.4	1 727 398

29. Financial risk continued

Company	2019 IFRS 9			2018 IAS 39		
	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, including balances with banks	4 653 635	3.6	166 940	4 112 744	2.7	111 637
Advances	28 779 198	11.0	3 156 104	28 265 861	10.7	3 011 791
Investment securities	6 489 225	7.6	494 783	5 080 115	7.9	401 187
Interest-earning assets	39 922 059	9.6	3 817 827	37 458 720	9.4	3 524 615
Non-interest-earning assets	1 690 000	–	–	1 388 991	-	-
Total assets	41 612 059	9.2	3 817 827	38 847 711	9.1	3 524 615
Equity and liabilities						
Deposits	34 589 505	5.1	1 774 439	32 312 181	5.2	1 671 841
Other liabilities	220 765	8.1	17 963	220 447	4.5	9 967
Tier 2 liabilities	406 197	9.6	39 074	402 783	9.7	39 075
Interest-bearing liabilities	35 216 467	5.2	1 831 476	32 935 411	5.2	1 720 883
Non-interest-bearing liabilities	1 591 218	–	–	1 199 993	-	-
Total liabilities	36 807 684	5.0	1 831 476	34 135 403	5.0	1 720 883
Total equity	4 804 375	–	–	4 712 308	-	-
Total equity and liabilities	41 612 059	4.4	1 831 476	38 847 711	4.4	1 720 883

29. Financial risk continued

Sensitivity analysis

Banking market risk

Assuming no change in the statement of financial position nor any management action in response to interest rate movements, and instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12 month NII of N$ 272 million (2018: N$ 231 million). A similar increase in interest rates would result in an increase in projected 12 month NII of N$ 265 million (2018: N$ 224 million).

	Group and Company	
Banking book NAV sensitivity to interest rate movements as a percentage of total group capital	**2019 IFRS 9**	2018 IAS 39
Downward 200 bps	(4.71%)	(4.41%)
Upwards 200 bps	4.57%	4.27%

The table above highlights the sensitivity of the banking book NAV as a percentage of total capital and reflects point-in-time view which is dynamically managed and fluctuates over time. Most of the NII sensitivity relates to the endowment book mismatch. The realisation of a rate move in the banking book will impact the distributable and non-distributable reserves to varying degrees and is reflected in the NII margin more as an opportunity cost/ benefit over the life of underlying positions.

Foreign currency risk sensitivity analysis

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

Segment information

There is only one reportable segment for the group which is the banking operation.

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 entityís revenue. The group has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

30. Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective
The following new and revised standards and interpretations are applicable to the business of the group. The group will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
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. IFRS 16 will be effective for the group from 1 July 2019. The accounting treatment of leases by the lessee will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead there is a single on-balance sheet model that is similar to the current finance lease accounting with the exception of low value and short-term leases. Lessor accounting remains similar to current accounting, whereby the lessor continues to classify leases as finance or operating leases. There are enhance disclosure requirements for lessors in terms of IFRS 16. The biggest impact of the standard will be on lessee accounting because of the requirement for lessees to recognise an asset and corresponding liability in respect of operating leases. Under the current standard on leases, operating lease payments were expensed by the lessee when incurred, with no recognition on the statement of financial position. IFRS 16 requires that at the commencement date of the lease (regardless of whether it is finance or operating lease), a lessee shall recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payment. The exceptions available for lessees are leases of a short term (less than 12 months) or low-value assets. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17; however, there are also enhanced disclosure requirements for lessors. To lay the groundwork for the application of IFRS 16, the group has established a steering committee which will be supported by several working groups. The working groups will be responsible for the implementation of the different elements of the new standard and work has commenced. The group has elected to apply IFRS 16 retrospectively using the Modified Approach. The group will therefore not restate comparative periods, which will continue to be presented in terms of IAS 17, with a transitional adjustment made at 1 January 2019. The implementation of IFRS 16 results in the recognition of lease liabilities of N$ 65.9 million and right-of-use assets of N$ 61.2 million	Annual periods commencing on or after 1 January 2019

30. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
IAS 19	**Employee Benefits Plan Amendment, Curtailment or Settlement** The amendments require an entity to use the updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that impact was not previously recognised because of the impact of the asset ceiling. Changes In the terms or membership of a defined benefit plan may result in a plan amendment or a curtailment or settlement. IAS 19 requires an entity to determine the amount of any past service cost, or gain or loss on settlement, by remeasuring the net defined liability before and after the amendment, using current assumptions and the fair value plan assets at the time of the amendment. If the net defined liability is remeasured to determine past service cost or the gain or loss on curtailment or settlement, current service cost and net interest for the remainder of the period is remeasured using the same assumptions and the same fair value of the plan assets. This means that the amounts which wouldíve ended up in profit or loss in the period after the amendment will be changed. A plan amendment, curtailment or settlement might reduce or eliminate a surplus, which could change the effect of the asset ceiling. Past service cost, or a gain or loss on settlement is recognised in profit or loss. This reflects the substance of the transaction because a surplus which has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised on other comprehensive income and is not reclassified to profit or loss. The impact of this amendment is to confirm that these effects are not offset.	Annual periods commencing on or after 1 January 2019
IFRIC 23	**Uncertainty over Income Tax Treatments** This interpretation is to be applied to the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. When considering that the filing deadlines for tax returns and financial statement may be months apart, IFRIC 23 may require more rigour when finalising the judgements about the amounts to be included in the tax return before the financial statements are finalised. The group has always been in compliance with the guidance issued by the IFRIC.	Annual periods commencing on or after 1 January 2019
Conceptual framework	The improvements to the conceptual framework include: revising the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and the following concepts have been clarified; prudence, stewardship, measurement uncertainty and substance over form. The amendments are not expected to have a significant impact on the group's accounting policies.	Annual periods commencing on or after 1 January 2020

30. Standards and interpretations issued but not yet effective continued

Standard	Impact assessment	Effective date
Annual Improvements	**Improvements to IFRS** The IASB issued the Annual Improvements to IFRS Standards 2015-2017 Cycle. These annual improvements include amendments to the following standards: • IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • IFRS 15 – The IASB has provided guidance on the principal vs agent assessments, as well as practical expedients on transition: – The IASB has clarified that the principal in an arrangement controls a good or service before it is transferred to a customer. The amendments make targeted improvements to clarify the relationship between the control principle to services. The IASB also revised the structure of the indicators so that they indicated when the entity is the principal rather than indicates when it is an agent, and eliminates two of the indicators – "the entity's consideration is in the form of a commission" and "the entity is not exposed to credit risk" – The amendments introduce two new practical expedients to simplify transition. One expedient allows entities to use hindsight at the beginning f the earliest period presented or the date of initial application to account for contract modifications before that date. The second expedient allows entities applying the full retrospective method to elect not to restate contracts that are completed at the beginning of the earliest period presented. • IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises. • IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	Annual periods commencing on or after 1 January 2019

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