BANK BIC NAMIBIA LIMITED

(REGISTRATION NUMBER :2015/0682)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2018

CONTENTS

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORTING

The Directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Bank BIC Namibia Ltd, comprising the statement of financial position as at 31 December 2018, the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and in a manner required by the Companies Act of Namibia and Namibian Banking Institutions Act.

The Directors are required by the Companies Act of Namibia to maintain adequate accounting records and are responsible for the content and integrity of the related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Bank as at the end of the financial period and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The Bank's independent external auditors have audited the financial statements and their report is included in this report.

The Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Comprehensive insurance cover is in place as required per BID 14.

The Directors have made an assessment of the Bank's ability to continue as a going concern and believe that the Bank will operate as a going concern in the year ahead.

The Directors are of the opinion, based on the information and explanations given by management, that the internal control system provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

INTERNAL CONTROLS

As noted in the Directors' Responsibility statement, the Directors are responsible for the preparation, integrity and fair presentation of the financial statements and for maintaining adequate accounting records and for maintaining the integrity of related financial information as well as for designing, implementing and maintaining internal controls to ensure that the financial statements are free from material misstatements. The Directors are also responsible for maintaining adequate accounting records and an effective system of risk management and systems of internal financial control.

ASSET CLASSIFICATION, SUSPENSION OF INTEREST AND PROVISIONING

The Bank has complied in all material aspects with the requirements set out in BID 2 with regards to asset classification, suspension of interest and provisioning. The external auditors have not identified nor reported instances of non-compliance with BID 2 during the reporting period.

DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 10 to 47, were approved by the Board of Directors and are signed on their behalf by:

Windhoek, 13 May 2020

Jaime Pereira
Chairman

Lindsay Crawford
Chief Executive Officer

Independent auditor's report

To the Members of Bank BIC Namibia Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank BIC Namibia Limited (the Company) as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited

Bank BIC Namibia Limited's financial statements set out on pages 7 to 47 comprise:

the directors' report for the year ended 31 December 2018;

the statement of financial position as at 31 December 2018;

the statement of profit or loss and other comprehensive income for the year then ended;

the statement of changes in equity for the year then ended;

the statement of cash flows for the year then ended; and

the notes to the financial statements, which include a summary of significant accounting policies, excluding Annexure A: Risk Report which is unaudited.

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 financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with sections 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)* (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

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Retraction and re-issue of audit opinion

We draw attention to Note 26 to the financial statements which indicates that the previously issued financial statements for the year ended 31 December 2018, on which we issued an auditor's report dated 11 December 2019, have been revised and reissued. As explained in Note 26, this is to reflect the effects of the correction of the calculation of risk weighted assets. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Bank BIC Namibia Limited Annual Financial Statements for the year ended 31 December 2018". The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 financial statements

The directors are responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

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- Identify and assess the risks of material misstatement of the 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R Nangula Uaandja
Partner
Windhoek
Date: 26 May 2020

DIRECTORS' REPORT

REGISTRATION NUMBER
2015/0682

COUNTRY OF INCORPORATION
Republic of Namibia

NATURE OF BUSINESS

Bank BIC Namibia Limited is a registered bank which conducts banking services to its clients in Namibia. It provides transactional services such as retail and corporate services, including trade finance. It also provides loans for residential, commercial and asset based finance, as well as foreign exchange and security transactions.

The banking licence approval was obtained on 31 May 2016 and Bank BIC Namibia Ltd started operations on 20 June 2016.

HOLDING COMPANY AND CONTROLLING SHAREHOLDER

The holding company of Bank BIC Namibia Ltd is Bank BIC Namibia Holdings Ltd, a company registered and incorporated in Namibia, which owns 95% of the issued share capital (see note 16 of the annual financial statements).

FINANCIAL RESULTS FOR THE YEAR

The results and financial position of the Bank for the year ended 31 December 2018 are fully disclosed in the financial statements set out on pages 10 to 47 of this report.

INSURANCE

Comprehensive insurance cover is in place as required per BID 14.

SHARE CAPITAL

Bank BIC Namibia Ltd has authorised share capital amounting to 300 000 000 ordinary shares of N$ 1 each, as detailed in note 16 of the annual financial statements. There were no changes in share capital for the current year.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure incurred during the financial year amounted to N$ 6,0m (2017: N$ 8,7m), as disclosed in note 9 of the annual financial statements.

DIVIDENDS
No dividends were declared for the years ended 31 December 2018 and 31 December 2017.

BOARD OF DIRECTORS

Non - Executive Directors	Nationality	Date appointed	Date of resignation
Fernando Teles (Chairman)	*Portuguese*	*13-Jul-15*	
Jaime Pereira (Vice - Chairman)	*Portuguese*	*13-Jul-15*	
Hugo Teles	*Portuguese*	*13-Jul-15*	
Anne Shilengudwa	*Namibian*	*01-May-17*	
Executive Directors			
Jorge Veiga	*Angolan*	*13-Jul-15*	*10-Oct-17*
Lindsay Crawford	*Namibian*	*01-Aug-15*	
Mauro Anselmo Cipriano Rogerio	*Angolan*	*06-Dec-18*	
Ricardo Jorge G Cortez Dos Santos	*Angolan*	*06-Dec-18*	

REGISTERED OFFICE AND ADDRESS

Dr Agostinho Neto Road, Unit 6
Aussplannplatz
Windhoek
Namibia

POSTAL ADDRESS

P.O. BOX 5001
Aussplannplatz
Windhoek
Namibia

SECRETARIAL SERVICES

CRVW Secretarial Service (Pty) Ltd
29 Field Street, Ausspannplatz
P.O box 97401, Maerua mall
Windhoek, Namibia

AUDITORS

PwC Namibia
344 Independence Avenue, Windhoek
P O Box 1571,
Windhoek Namibia

GOING CONCERN

During the year ended 31 December 2018, the Bank incurred a loss of N$ 26,957,041 and as at 31 December 2018, the total assets of the Bank exceeded its total liabilities by N$ 216,642,138. The Bank is in a loss-making position as it is still in a start-up phase.

The directors have assessed the Bank's ability to continue as a going concern. In doing so, the directors have considered, among other factors, the impact of the COVID-19 pandemic on the expected financial performance of the Bank. The directors forecast losses to increase during 2020, resulting mainly from a decrease in interest income. Although it has strategies in place to gain more market shares over the next few years, the uncertainties around the COVID-19 pandemic pose additional challenges for the implementation of those strategies. Therefore, in the short-term, the directors plan to finance a significant portion of the expected operating losses from its unrestricted cash and cash equivalent balance. As at 31 March 2020, the ratio of the Bank's unrestricted cash and cash equivalent balances to its total liabilities was approximately 1.28. This is sufficient to cover all liabilities as at 31 March 2020 and to cover a significant portion (approximately 90%) of the forecast losses. The remaining portion of the forecast operating losses is expected to be covered by other assets of the Bank which include loans and advances to clients.

The directors have also considered the sensitivity of the above assessment to possible changes in expected scenarios. Based on their sensitivity analysis, even if the available funds/cash and cash equivalent balances are reduced by 45% , the Bank will still be able to settle its liabilities and finance its expected operating losses for at least the next 12 months from the date of this report. This is due to the fact that the Bank has an undrawn credit facility from Banco BIC Cabo Verde and Banco BIC S.A., amounting to N$ 822 million (Euro 40 million). Refer to note 29.2 for the terms and conditions relating to these facilities. The directors have assessed the availability of the undrawn credit facility, taking into account the conditions (including covenants) required to access such facility. They are of the view that the undrawn facility will be available until December 2020.

The Bank is in compliance with all the requirements of Bank of Namibia and the directors are of the view that there are no events or circumstances that would prevent the Bank to continue operating and trading for at least the next 12 months from the date of this report.

Based on the above, the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

EVENTS SUBSEQUENT TO YEAR END

Refer to note 28 for the director's assessment of the impact of subsequent events.

DIRECTOR'S INTEREST

Directors have the following interest in Bank BIC Namibia Limited:

	% Capital	No. of shares	Amount
Shareholder structure			
Fernando Leonídio Mendes Teles	*1,000%*	*3 000 000*	*3 000 000*
Telesgest B.V.	*0,875%*	*2 625 000*	*2 625 000*

Directors have the following interest in the Holding company (Bank BIC Namibia Holdings Limited) of Bank BIC Namibia Limited:

	% Capital	No. of shares	Amount
Shareholder structure			
Fernando Leonídio Mendes Teles	*20,0%*	*200*	*200*
Telesgest B.V.	*17,5%*	*175*	*175*

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	2018	2017
ASSETS			
Cash and balances with central bank	3	11 227 389	2 354 202
Balances due from other banks	4	46 516 720	22 047 638
Financial assets	5	4 931 385	72 274 781
Derivatives	6	2 831 236	-
Loans and advances to financial institutions	7	80 306 387	40 827 772
Loans and advances to clients	8	193 604 963	112 636 421
Other tangible assets	9	18 340 251	16 146 913
Intangible assets	10	15 215 870	17 920 580
Other assets	11	1 410 289	1 878 408
TOTAL ASSETS, NET		**374 384 490**	**286 086 715**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits from financial institutions	12	29 309 860	8 554 851
Loans from financial institutions	13	82 405 189	-
Deposits from clients	14	38 885 041	24 317 495
Other liabilities	15	7 142 262	9 492 022
TOTAL LIABILITES		**157 742 352**	**42 364 368**
SHAREHOLDERS' EQUITY			
Share capital	16	300 000 000	300 000 000
Credit Risk Reserve	27	1 938 150	-
(Accumulated loss)		(85 296 012)	(56 277 653)
TOTAL EQUITY		**216 642 138**	**243 722 347**
TOTAL LAIBILITIES AND SHAREHOLDERS' EQUITY		**374 384 490**	**286 086 715**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
Interest and similar income		20 903 398	20 807 941
Interest and similar expenses		(1 182 662)	(662 173)
Net interest income	17	**19 720 736**	**20 145 768**
Credit impairment losses	7,5/8,5	1 093 631	(1 083 395)
Net interest income after impairment of loans and advances		**20 814 367**	**19 062 373**
Non-interest income	18	1 608 999	1 883 329
Fee and commission revenue		1 416 277	1 369 981
Fee and commission expense		(395 698)	(333 125)
Foreign Exchange gains and losses		588 420	846 473
Income from operations		**22 423 366**	**20 945 702**
Staff costs	19	(18 716 061)	(17 300 839)
Operating expenditure	20	(20 700 446)	(18 296 006)
Depreciation and amortisation	21	(9 963 900)	(8 401 311)
Loss before taxation		**(26 957 041)**	**(23 052 454)**
Income tax expense	22	-	-
Net loss for the year		**(26 957 041)**	**(23 052 454)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(26 957 041)**	**(23 052 454)**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital	Other reserves - credit risk reserve	Accumulated loss	Total Equity
Balances at 31 December 2016	**300 000 000**	-	**(33 225 199)**	**266 774 801**
Loss for the year	-	-	*(23 052 454)*	*(23 052 454)*
Balances at 31 December 2017	**300 000 000**	-	**(56 277 653)**	**243 722 347**
Balance as at 1 January 2018 - (IFRS 9)				
Transfer of BID 2 general provision to credit risk reserve	-	*1 938 150*	**(1 938 150)**	-
IFRS 9 transitional adjustment - ECL	-	-	*(123 168)*	*(123 168)*
Loss for the year	-	-	*(26 957 041)*	*(26 957 041)*
Balances at 31 December 2018	**300 000 000**	**1 938 150**	**(85 296 012)**	**216 642 138**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
Cash flows from operating activities			
Income from services and commissions		1 416 277	1 369 981
Interest and similar income		24 868 675	19 484 331
interest and commissions expense		(1 578 360)	(995 298)
Cash paid to suppliers and employees		(39 416 506)	(35 596 845)
Gains/losses on foreign exchange		329 459	846 473
Cash utilised in operations	25	**(14 380 456)**	**(14 891 358)**
(Increase)/decrease in operating assets			
Investment in securities		64 176 619	45 584 117
Loans and advances to financial institutions		(40 296 939)	37 182 685
Loans and advances to clients		(79 978 254)	(103 939 501)
Other Assets		468 119	(235 409)
		(70 010 911)	**(36 299 466)**
Increase/(decrease) in operating liabilities			
Deposits from financial institutions		20 755 009	8 554 851
Deposits from clients		14 567 545	10 531 946
Other liabilities		(2 349 760)	(7 745 957)
		32 972 794	**11 340 840**
Net cash flow utilised in operating activities		**(37 038 116)**	**(24 958 626)**
Cash flows from investing activities			
Additions to property, plant and equipment		(6 019 006)	(8 721 976)
Additions to computer software and development cost		(3 433 522)	(4 904 227)
Net cash utilised in investing activities		**(9 452 528)**	**(13 626 203)**
Cash flows from financing activities			
Loans from financial institutions		82 405 189	-
Increase share capital		-	-
Net cash generated from financing activities		**82 405 189**	**-**
Net increase/(decrease) in cash and cash equivalents		35 914 544	(38 584 829)
Effects of exchange rate changes on cash and cash equivalents		(2 572 275)	
Cash and cash equivalents at beginning of the year		24 401 840	62 986 669
Cash and cash equivalents at the end of the year		**57 744 109**	**24 401 840**
Composition of cash and cash equivalents			
Cash and balances with central bank	3	11 227 389	2 354 202
Balances due from other banks	4	46 516 720	22 047 638
Cash and cash equivalents at the end of the year		**57 744 109**	**24 401 840**

NOTES TO THE FINANCIAL STATEMENTS

1 INTRODUCTION

Bank BIC Namibia Limited (hereinafter also referred to as "Bank"), was incorporated in Namibia, on the 13 day of July of the year 2015, compliant with the requirements of section 180 of Companies Act, 2004, under the registration number 2015/0682 and started its activity on June 20, 2016.

The Bank is a traditional commercial bank, based in Agostinho Neto Road, Unit 6, Ausspannplatz, Windhoek, whose corporate purpose is commercial and retail banking, providing services such as deposits acceptance, savings accounts, commercial and personal loans and mortgages. Additionally, the Bank offers services such as foreign exchange transactions and trade finance.

The Bank has currently three branches, two in Windhoek and the other in Walvis Bay.

2 BASIS OF PREPERATION AND SUMMARY OF MAIN ACCOUNTING POLICIES

2,1 Basis of Presentation

The financial statements of Bank BIC Namibia Ltd are prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, and the requirements of the Namibian Companies Act and Namibian Banking Institutions Act. The annual financial statements have been prepared on the historical cost basis.

2,2,1 Standards and Interpretations not yet effective

The Bank has adopted all standards and interpretations that were effective for the current year. The adoption of these standards did not have any significant effect on the financial position or results from operations, cash flows or disclosures.

At the date of approval of these financial statements, the following standards and interpretations were issued but not yet effective:

Standard	Pronouncement	Effective date
IFRS 16 - Leases	*Original issue*	*1 January 2019*
IAS 12 - Income taxes	*Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends*	*1 January 2019*

A reliable estimate of the impact of the adoption of the new standards, amendments and interpretations for the Bank has not yet been determined. The bank's estimated gross up is expected to be approximately:

Increase in right if use asset	*16,3 million*
Increase in accumulated depreciation	*6,9 million*
Increase in lease liability	*12,1 million*
Increase on profit/loss	
Depreciation	*2,1 million*
Finance costs	*1,4 million*

The bank has established an IFRS 16 working group and detailed project plan, identifying key responsibilities and milestones of the project. The bank intends to apply the modified retrospective approach to IFRS 16. As a lessee, the bank elects to use a number of practical expedients. Under this approach the bank does not restate its comparatives but recognises the cumulative effect of adopting IFRS16 as a adjustment to equity at the beginning of the adoption period.

2,2,2 Changes in accounting policies

The accounting policies are consistent with these reported in the previous year except as required in terms of the adoption of the following:

2,2,2 Changes in accounting policies (continued)

Adoption of new and amended standards effective for the current financial period

IFRS 15 Revenue from Contracts with Customers (IFRS 15) with effect from 1 January 2018, replaces the existing revenue standards and the related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition. The company adopted IFRS 15 on 1 January 2018 and, as permitted by IFRS 15, did not restate its comparative financial results. The standard does not apply to revenue associated with financial instruments, and therefore does not impact the majority of the company and company's revenue.

IFRS 9 with effect from 1 January 2018, replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).
IFRS 9 introduced new requirements which included an expected credit loss (ECL) impairment model and new requirements for the classification and measurement of financial assets. IFRS 9, adopted on 1 January 2018, impacted the company and company's results upon transition. The impact to the company and company's reserves on transition to IFRS 9 materially relates to IFRS 9's ECL impairment requirements. IFRS 9's classification and measurement requirements resulted in an immaterial impact to the company and company on transition. Refer to the IFRS 9 transition disclosure for more detail.

2,3 Accrual basis

The Bank adopts the accrual basis of accounting. Therefore, profits and losses are recorded as they are generated, regardless of the time when they are received or paid.

2,4 Conversion of Balances and Transactions in Foreign Currency

The accounts of the Bank are prepared in accordance with the currency used in the economic environment in which it operates (referred to as "functional currency"). The results and financial position are expressed in Namibia Dollars, the functional currency of the Bank.

In the preparation of the financial statements, transactions in foreign currency are recognised on the basis of the reference exchange rates in force on the transaction dates. Monetary assets and liabilities denominated in foreign currency, at each balance sheet date, are converted into functional currency at the exchange rate in force. Non-monetary assets measured at fair value are converted on the basis of the exchange rate in force on the last measurement date. Non-monetary assets carried at historical cost, including intangible assets, continue to be recognised at their original exchange rates.

Exchange differences arising on conversion are recognised in profit and loss for the year, unless arising on non-monetary financial instruments recognised at fair value, such as shares classified as available-for-sale financial assets which are recognised in a specific equity heading until disposal.

2,5 Financial instruments

2,5,1 Loans and advances to clients and accounts receivable

IFRS 9 - accounting policies for financial instruments

2,5,1,1 Initial Measurement

Amortised cost
A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):

- *Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and*
- *The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

Fair value through OCI
Includes:

- *A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):*
- *Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and*

2,5,1,1 Initial Measurement (continued)

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.

Designated at fair value through profit or loss
Financial assets are designated to be measured at fair value to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

Fair value through profit or loss
Financial assets that are not classified into one of the above mentioned financial asset categories.

2,5,1,2 Subsequent measurement
Amortised cost and effective interest rate

Amortised cost
Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and the points paid or received that are integral to the effective interest rate.

When the bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liabilities is adjusted

to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised into profit or loss.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL. Are measured at amortised cost. The carrying amount of these assets is adjusted by any expected impairment recognised and measured.

Fair value through OCI
Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue.

Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss.

Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income.

Dividends received on equity instruments are recognised in other revenue within non-interest income.

Designated at fair value through profit or loss
Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Fair value through profit or loss - default
Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

2,5,1,3 Impairment

ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1

A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.

Stage 2
A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.

Stage 3 (credit impaired assets)
lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired:
- *default*
- *significant financial difficulty of borrower and/or modification*
- *probability of bankruptcy or financial reorganisation*
- *disappearance of an active market due to financial difficulties*

Key components of the impairment methodology are described as follows:

Significant increase in credit risk (SICR)
At each reporting date the company assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset.

Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.

Low credit risk
Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.

Default
The company's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or company's of financial assets:
- *significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)*
- *a breach of contract, such as default or delinquency in interest and/or principal payments*
- *disappearance of active market due to financial difficulties*
- *it becomes probable that the borrower will enter bankruptcy or other financial reorganisation*
- *disappearance of an active market due to financial difficulties*
- *where the company, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the company would not otherwise consider.*

Exposures which are overdue for more than 90 days are also considered to be in default.

Forward-looking information

Forward-looking information is incorporated into the company's impairment methodology calculations and in the company's assessment of SICR. The company includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.

2,5,1,3 Impairment (continued)

Write-off
Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)

Recognised as a deduction from the gross carrying amount of the asset (company of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (company of assets), the excess is recognised as a provision within other liabilities.

Off-balance sheet exposures (excluding loan commitments)
Recognised as a provision within other liabilities.

Financial assets measured at fair value through OCI
Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

IAS 39 - Accounting Policies for financial instruments

Held-to-maturity
Non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold-to-maturity.

Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified as at fair value through profit or loss or available-for-sale.

Held-for-trading
Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets), those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-traders' margin.

Designated at fair value through profit or loss
Financial assets are designated to be measured at fair value in the following instances:
- *to eliminate or significantly reduce an accounting mismatch that would otherwise arise*
- *where the financial assets are managed and their performance evaluated and reported on a fair value basis*
- *where the financial asset contains one or more embedded derivatives that significantly modify the financial asset's cash flows.*

Available-for-sale
Financial assets that are not classified into one of the abovementioned financial asset categories.

Subsequent measurement
Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-to-maturity and loans and receivables
Amortised cost using the effective interest method with interest recognised in interest income, less any impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.

Available-for-sale

Fair value, with gains and losses recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired.

2,5,1,3 Impairment (continued)

Interest income on debt financial assets is recognised in interest income in terms of the effective interest rate method. Dividends received on debt (equity) available-for-sale financial assets are recognised in interest income (other revenue) within profit or loss.

When debt (equity) available-for-sale financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified to interest income (other revenue).

Held-for-trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Designated at fair value through profit or loss
Fair value, with gains and losses recognised in interest income/(other revenue) for all debt/(equity) financial assets.

Impairment

A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition which has a negative effect on the estimated future cash flows of the financial asset that can be estimated reliably. The company assesses at each reporting date whether there is objective evidence that a financial asset which is either carried at amortised cost or classified as available-for-sale is impaired as follows:

Held-to-maturity and loans and receivables ('amortised cost')
The following criteria are used in determining whether there is objective evidence of impairment for loans or company's of loans:
- *known cash flow difficulties experienced by the borrower*
- *a breach of contract, such as default or delinquency in interest and/or principal payments*
- *breaches of loan covenants or conditions*
- *it becomes probable that the borrower will enter bankruptcy or other financial reorganisation*
- *where the company, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the company would not otherwise consider.*

The company first assesses whether there is objective evidence of impairment individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Non-performing loans include those loans for which there is identified objective evidence of impairment, such as a breach of a material loan covenant or condition, as well as those loans for which instalments are due and unpaid for 90 days or more. The impairment of nonperforming loans takes into account past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses.

When a loan carried at amortised cost has been identified as specifically impaired, the carrying amount of the loan is reduced to an amount equal to the present value of its estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the loan is reduced through the use of a specific credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired (including loans that have been written off), are reflected within credit impairment charges in profit or loss. Subsequent to impairment, the effects of discounting unwind over time as interest income.

The calculation of the present value of the estimated future cash flows of collateralised financial assets recognised on an amortised cost basis includes cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

If the company determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a company of financial loans with similar credit risk characteristics and collectively assesses for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment for impairment.

2,5,1,3 Impairment (continued)

Impairment of company's of loans that are assessed collectively is recognised where there is objective evidence that a loss event has occurred after the initial recognition of the company of loans but before the reporting date. In order to provide for latent losses in a company of loans that have not yet been identified as specifically impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods (time period between the loss event and the date on which the company identifies the losses). company's of loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows. The carrying amount of company's of loans is reduced through the use of a portfolio credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Previously impaired loans are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts.

Available-for-sale

Available-for-sale debt instruments are impaired when there has been a significant or prolonged decline in the fair value of the instrument below its cost and for equity instruments where there is information about significant changes with an adverse effect on the environment in which the issuer operates that indicates that the cost of the investment in the equity instrument may not be recovered.

When an available-for-sale asset has been identified as impaired, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from OCI to profit or loss, within interest income (other revenue) for debt (equity) instruments. If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through interest income for available-for-sale debt instruments. Any reversal of an impairment loss in respect of an available-for-sale equity instrument is recognised directly in OCI.

Reclassification of financial assets are permitted only in the following instances:

Reclassifications are made at fair value as of the reclassification date. Effective interest rates for financial assets reclassified to loans and receivables, held-to-maturity and available-for-sale categories are determined at the reclassification date. Subsequent changes in estimates of cash flows (other than credit impairment changes) adjust the financial asset's effective interest rates prospectively. On reclassification of a trading asset, all embedded derivatives are reassessed and, if necessary, accounted for separately.

Held-to-maturity

Where the company is to sell more than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale assets with the difference between amortised cost and fair value being accounted for in OCI.

Available-for-sale

The company may choose to reclassify financial assets that would meet the definition of loans and receivables if the company, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Held-for-trading
The company may elect to reclassify non-derivative financial assets out of held-for-trading category in the following instances:

if the financial asset is no longer held for the purpose of selling it in the near term and the financial asset would not otherwise have met the definition of loans and receivables, it is permitted to be reclassified only in rare circumstances if the financial asset is no longer held for the purpose of selling it in the near team and the financial asset would have met the definition of loans and receivables, it is permitted to be reclassified if the company, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Equity Instruments (Continued)

The Bank subsequently measures all equity instruments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The bank's policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments are FVPL are included in the 'net profit or loss' line in the statement of profit of loss.

Modification of loans

The bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the bank assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the recognition was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and ether (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the group has not retained control.

Derivatives

Derivative financial instruments comprise of forward agreements (forward exchange contract) designated as hedging instruments in hedge relationships.

Standard derivative contracts are valued using market accepted models and quoted parameter inputs.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

As permitted by IFRS 9, the company has elected not to apply hedge accounting.

	Valuation technique	Observable input		Valuation and level
Forward agreements	*Discounted cash model*	*Market discount rate and curves*	*Spot Prices of the underlying*	*A forward curve is used to calculate future cash flows and then discounted using a discount curve over the contractual period.*

2,5,2 Guarantees provided and irrevocable commitments

Guarantees issued and irrevocable commitments are recorded in off-balance sheet accounts by the amount at risk. Interest, commission, fees and other related income are recorded in the statement of income over the period of the operations.

2,5,3 Credit impairment losses on loans and advances

As at 31 December 2018, the Bank conducted individual analysis to identify signs of impairment in its credit portfolio. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from its credit portfolio.

As a result of the periodic impairment tests, the Bank constitutes impairments to cover recoverability risk of credit operations and reduce the loan book to its expected recoverable amount.

When, for a given credit transaction, the recoverable amount at the reference date is greater than the recoverable amount previously calculated, and this amount was less than the book value, the Bank reverses the impairment. Impairment reversals are recorded in the income statement.

2,5,4 Financial liabilities

IFRS 9 - accounting policies for financial instruments

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Amortised cost
Amortised cost using the effective interest method recognised in interest expense.

Designated at fair value through profit or loss

Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue.

Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.

IAS 39 - Accounting Policies for financial instruments

Nature
Held-for-trading
Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Designated at fair value through profit or loss
Financial liabilities are designated to be measured at fair value in the following instances:

- *to eliminate or significantly reduce an accounting mismatch that would otherwise arise*
- *where the financial liabilities are managed and their performance evaluated and reported on a fair value basis*
- *where the financial liability contains one or more embedded derivatives that significantly modify the financial asset's cash flows.*

At amortised cost
All other financial liabilities not included in the above categories.

Subsequent measurement
Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Amortised cost
Amortised cost using the effective interest method with interest recognised in interest expense.

Other (IFRS 9 and IAS 39)
Offsetting (IFRS 9 and IAS 39)

IAS 39 - Accounting Policies for financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

2,5,4,1 Financial assets available for sale

Financial assets available for sale are measured at fair value, with the exception of equity instruments, not listed on an active market, and whose fair value cannot be measured reliably, which remain recorded at cost. Gains and losses arising from revaluation are recorded directly in equity, under "Revaluation reserves".

At the time of sale, or in the case of impairment, the accumulated variations in fair value are transferred to income or costs for the year, and recorded under the headings "Results of financial assets available for sale" or "Impairment of other financial assets net of reversals and recoveries", respectively. Foreign exchange gains or losses of monetary assets are directly recorded in the profit and loss statement.

For the purpose of determining the earnings of sale, financial assets are valued at weighted average purchase cost.

The interest of debt instruments classified under this category and the differences between purchase cost and nominal value (premium or discount) are determined according to the effective rate method and recorded under the statement of profit and loss heading "Interest and similar income".

Revenue from variable yield securities is recorded as income under the caption "Financial assets" when it is established that the Bank is entitled to receive this income.

2,5,4,2 Fair value

Pursuant to IFRS 13, fair value corresponds to 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. On the date of acquisition, or at the beginning of an operation, the fair value is generally the value of the transaction.

2,5,4,4 Other financial liabilities

Other financial liabilities correspond to other credit institutions and clients deposits and liabilities incurred for the payment of services rendered or the purchase of assets, falling under the heading "Other liabilities".

Other financial liabilities are recorded on the contracting date at their respective fair value, less costs directly attributable to the transaction.

Subsequently, they are valued at amortised cost and the interest, when applicable, is recognised in accordance with the effective rate method.

2,6 Property, plant & equipment

These assets are recorded at purchase cost, less any accumulated depreciation or impairment. Repair and maintenance costs, and other expenses associated with their use, are recognised as costs for the year, under the caption "Operating expenditure".

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, which are:

	Useful life
Leasehold improvements	*8 years*
Furniture and equipment	*8 years*
IT equipment	*4 years*
Other Installations	*8 years*
Security equipment	*8 years*
Motor vehicles	*5 years*

Depreciation is recorded in the statement of profit and loss for the year.

2.7 Intangible assets

This caption essentially covers expenses related to the acquisition, development or preparation of software used in the development of the Bank's activities.

Intangible assets are recorded at acquisition cost, less amortisation and accumulated impairment losses.

Amortisation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, corresponding to a period of 3 years.

Computer software
Computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the company and have a probable future economic benefit beyond one year, are recognised as intangible assets. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Development cost
The bank recognises development cost incurred on industry projects relating to the national payments system. Amortisation is recognised in operating expenses from the date that the asset is available for use.

	Useful life
Computer software	3 years
Development costs	3 years

Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.

Leases
Finance leases - lessee
Leases, where the company assumes substantially all the risks and rewards incidental to ownership, are classified as finance leases.

The leased asset is capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments together with an associated liability to the lessor.

Refer to non-financial assets accounting policy for the treatment of the leased asset.

Lease payments less the interest component, which is calculated using the interest rate implicit in the lease or the company's incremental borrowing rate, are recognised as a capital repayment which reduces the liability to the lessor.

A lease finance cost, determined with reference to the interest rate implicit in the lease or the company's incremental borrowing rate, is recognised within interest expense over the lease period.

Operating leases - lessee
All leases that do not meet the criteria of a financial lease are classified as operating leases.

Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.

Payments made under operating leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. Contingent rentals are expensed as they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.

Expenses related to software maintenance are accounted for as costs for the year in which they are incurred.

Interest income and expense

Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in net interest income using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

When a financial asset is classified as specifically impaired (before 1 January 2018) or as Stage 3 impaired (after 1 January 2018), interest income is calculated on the impaired value (gross carrying amount less specific impairment) based on the original effective interest rate The contractual interest income on the gross exposure is suspended and is only recognised in interest income (before 1 January 2018) and other interest (after 1 January 2018) when the financial asset is no longer specifically impaired (before 1 January 2018) or is reclassified out of Stage 3 (after 1 January 2018).

Non interest income

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

2,8 Income taxes

The Bank is subject to income tax in accordance with tax laws enacted at the end of the financial year. Current tax is calculated considering a percentage of 32% based on taxable net income for the year, which may differ from the book value of the year profit.

Tax losses may be carried forward indefinitely for set off against future taxable profit within the respective reporting periods, if the entity does not cease activity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax liabilities are booked for all taxable temporary differences.

Current tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

2,9 Provisions and Contingent Liabilities

A provision is constituted when there is a present liability (legal or constructive) arising from past events which are likely to imply the future disbursement of funds, and which may be reliably determined. The amount of the provision corresponds to the best estimate of the disbursable value to settle the liability as at the reporting date.

If the future disbursement of funds is not probable, this is classified as a contingent liability. Contingent liabilities are merely disclosed, unless the possibility of their materialisation is remote.

2,10 Critical accounting estimates and most relevant judgemental aspects in the application of accounting policies

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates.

The estimates bearing most impact on the financial statements of the Bank include the following:

2,10,1 Determination of impairment losses for loans

Impairment losses for loans granted to customers are determined in accordance with the methodology defined in Note 2.5.3.

Thus, the Bank complies with the requirements defined by Bank of Namibia and, whenever deemed necessary, recognises impairment losses so that its estimate is reflected in the risk of uncollectibility associated with Clients.

2,10,1 Determination of impairment losses for loans (continued)

The Bank considers that the impairment losses for loans determined on the basis of the methodology referred to in Note 2.5.3 adequately reflect the risk associated with its portfolio of loans granted to clients.

2,10,2 Assessment of collateral in credit operations

Collateral in credit operations, such as property mortgages, assumed the maintenance of the real estate market conditions, during the life-cycle of the operations, and correspond to the best fair value estimate of the afore-mentioned collateral at the reporting date.

2,11 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.

ECL for cash and cash equivalents is zero.

2,12 IFRS 9 - transition

Background

With effect from 1 January 2018, IFRS 9 replaced IAS 39. IFRS 9 introduced new requirements which included an ECL impairment model and new requirements for the classification and measurement of financial assets as follows:

ECL impairment requirements	*IFRS 9's ECL impairment model's requirements represented the most material IFRS 9 transition impact for the company. The ECL model applies to financial assets measured at either amortised cost or at fair value through other comprehensive income (FVOCI), loan commitments when there is a present commitment to extend credit (unless these are measured at fair value through profit or loss (FVTPL)) and guarantees.* *ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the 12-month ECL. However, where the lifetime is less than 12 months, lifetime ECL will be measured for the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.*
Classification and measurement	*IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.* *The accounting for financial assets differs in various other areas to the IAS 39 requirements such as embedded derivatives and the recognition of fair value adjustments in OCI.* *All changes in the fair value of financial liabilities that are designated at FVTPL due to changes in own credit risk are required to be recognised within OCI.*

Adoption of IFRS 9

The company retrospectively adopted IFRS 9 on 1 January 2018 with an adjustment to the company's opening 1 January 2018 reserves and, as permitted by IFRS 9, did not restate its comparative financial results. Accordingly, the company's previously reported financial results up to 31 December 2017 are presented in accordance with the requirements of IAS 39 and for 2018, and future reporting periods, are presented in terms of IFRS 9.

IFRS 9's ECL requirements

The most material IFRS 9 transition impact for the company is that of IFRS 9's new ECL requirements which results in the earlier recognition of credit impairment provisions primarily as a result of the drivers outlined in the table below. This impact was solely as a result of the adoption of IFRS 9 and is not as a result of changes in the credit quality of the company's loan exposures.

12-month ECL for performing loans (stage 1)	*IFRS 9 contains a minimum 12-month ECL for exposures for which there has not been a significant increase in credit risk (SICR), whereas IAS 39 required credit impairments to be recognised only following the identification of objective evidence of impairment.*

Significant increase in credit risk (SICR) (stage 2)	A lifetime ECL is recognised for all exposures for which there has been a SICR, being a material change in the probability of default, since origination.
Off-balance sheet exposures	IFRS 9's scope includes off-balance sheet exposures, such as unutilised loan commitments (except those loan commitments at fair value through profit and loss), bankers acceptances, guarantees, and letters of credit.
Lifetime model work out requirement	In terms of determining ECL for stage 1 and 2 exposures where there is a probability of default, the potential loss from a lifetime perspective is considered, which would include the probability of recovery post default and subsequent re-default. For stage 3 exposures, being exposures that are either in default or where default is imminent, this would include consideration of cures and subsequent re-default.
Forward looking economic expectations	IFRS 9 requires an adjustment for forward looking economic expectations in the determination of SICR and in the measurement of the ECL.

IFRS 9 key financial impacts

	IAS 39 at 31 December 2017	IFRS 9 ECL	IFRS 9 at 1 January 2018
Loans and advances	112 636 421	(123 168)	112 513 253

Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and

Expected credit loss (ECL) on financial assets - IFRS 9 drivers
For the purpose of determining the ECL, Bank BIC Namibia limited performed an individual ECL and provisioning review. Collateral per loan was analysed.

ECL measurement period
The ECL measurement period for stage 1 exposures is 12-months.

A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly

A lifetime measurement period is applied to all credit impaired (stage 3) exposures.

The measurement periods for unutilised loan commitments utilise the same approach as on-balance-sheet exposures.

Incorporation of forward looking information in ECL measurement
Forward looking economic expectations are included in the ECL where adjustments are made based on the company's macro-economic outlook,

Default
Refer to Note 2.5.3

Write off policy
An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected

The Company's forward-looking economic expectations were applied in the determination of the ECL at the reporting date:

Namibia
A negative outlook at the beginning of 2019, this is based on economic downturn in Namibia. Projections estimate a return to economic growth in 2020 onwards.

Sensitivity Analysis of allowances for credit losses
The following table shows a comparison of the Bank's allowances for credit losses on non-impaired exposures under IFRS 9 as at 31 December 2018 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

Sensitivity of the collateral value

The collateral valuation is a key driver of the ECL. The table below shows the sensitivity of a 10% change in the collateral valuation (as at 31 December 2018):

	ELC	% difference
Base	*210 055*	
10% increase in post-haircut collateral	*172 338*	*-18,0%*
10% decrease in post-haircut collateral	*276 763*	*31,8%*

Sensitivity of the probability of default

Assumption of sensitivity:

	ELC	% difference
Base	*210 055*	
10% increase in PDs	*230 188*	*9,6%*
10% decrease in PDs	*189 922*	*-9,6%*

NOTES TO THE FINANCIAL STATEMENTS

3 CASH AND BALANCES WITH CENTRAL BANK

	2018	2017
Cash	10 829 434	2 127 734
Current account with central bank	397 955	226 468
	11 227 389	**2 354 202**

The caption "Current Account with Central Bank" includes the deposits related to the requirements of Bank of Namibia Act No. 15 - Banking Institutions to maintain minimum reserve balance. The value of the minimum reserve balance is calculated considering a percentage of 1% of the average daily amount of total deposits and any other liabilities from clients. Cash on hand and mandatory reserve deposits are non-interest earning.

4 BALANCES DUE FROM OTHER BANKS

	2018	2017
Deposits with local banks	13 870 104	6 374 575
Deposits with foreign banks		
- Banco BIC Português, S.A. (Note 23,3)	32 646 616	15 673 063
	46 516 720	**22 047 638**

Placements with other banks are callable on demand.

5 FINANCIAL ASSETS

5,1 Trading asset

	2018	2017
Treasury bills - Sovereign	4 905 642	69 082 260
Accrued Interest	25 744	3 192 521
	4 931 385	**72 274 781**
Classified as:		
Net financial investment measured at amortised cost	**4 931 385**	**72 274 781**

As at 31 December 2018, Treasury bills earn interest at the average rates of 7,715%, (2017: 8,52%) respectively.

Reconciliation of expected credit losses for debt financial investments measured at amortised cost

	Opening ECL 1 January 2018	Total transfers between stages	Net Impairments raised / (re-leased)	Impaired amounts written off	Exchange and other movements	Closing ECL 31 Dec 2018
Sovereign	-	-	-	-	-	-
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	-	-	-	-	-	-

5,2 Maturity structure

	2018	2017
-One year or less	4 931 385	72 274 781
-Five years or less but over one year	-	-
-Over five years	-	-
	4 931 385	**72 274 781**

6 DERIVATIVES

	2018	2017
Forward agreements	2 831 236	-

Derivative originates from forward agreement entered into with Bank Windhoek Limited, purchase of 5,000,000 Euro for value date, 23rd of May 2019. The forward agreement is to settle interbank borrowings from Banco BIC Cape Verde, Refer Note 13. As permitted by IFRS 9, the company has elected not to apply hedge accounting.

7 LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

7,1 Loans and receivables

	2018	2017
Loans and advances to banks:		
Central bank	27 700 678	5 353 738
Local banks	52 350 000	30 000 000
Foreign banks		
- Banco BIC Português, S.A. (Note 23,3)	-	3 500 000
- Other	-	900 000
Accrued interest	255 709	1 118 034
Less credit impairment (Note 7,5)	-	(44 000)
	80 306 387	**40 827 772**

7,1 Loans and receivables (continued)

	2018	2017

As at 31 December 2018 and 31 December 2017, placements with financial institutions earn interest at the following average interest rates by currency:

	2018	2017
NAD	7,17%	7,69%
ZAR	6,14%	6,00%

	2018	2017
7,2 Maturity structure		
-One year or less	80 306 387	40 827 772
-Five years or less but over one year	-	-
-Over five years	-	-
	80 306 387	**40 827 772**
7,3 Geographical analysis		
Namibia	80 306 387	36 466 365
Outside Namibia	-	4 361 407
-Portugal	-	3 465 000
-South Africa	-	896 407
	80 306 387	**40 827 772**

7,4 Reconciliation of expected credit losses for debt financial investments measured at amortised cost

	Opening ECL 1 January 2018	Total transfers between stages	Net Impairments raised / (re-leased)	Impaired amounts written off	Exchange and other movements	Closing ECL 31 Dec 2018
Sovereign	-	-	-	-	-	-
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	-	-	-	-	-	-

	2018	2017
7,5 Impairment of loans and advances to financial institutions		
Balances at the beginning of year	(44 000)	-
Debts written off	-	-
Current year charge	44 000	(44 000)
Bad debts recovered	-	-
Balances at the end of the year	-	**(44 000)**

The impairment amount was computed using the minimum percentage of 1%, under the terms of Bank of Namibia BID - 2, for the placements with foreign banks, according to instructions received from the Central Bank.

8 LOANS AND ADVANCES TO CLIENTS

	2018	2017
8,1 Category analysis		
Mortgage loans	52 463 343	77 935 764
-Individuals	12 987 111	9 726 062
-Business	39 476 232	68 209 702
Business loans	70 317 358	31 051 872
Asset based finance	9 554 650	2 372 789
Overdrafts	60 737 298	2 074 952
Personal loans	557 369	216 387
Gross loans and advances to clients	**193 630 018**	**113 651 764**
Accrued interest	204 678	139 471
Deferred income	(19 678)	(18 296)
Less credit impairment (Note 8,5)	(210 055)	(1 136 518)
Net loans and advances to clients	**193 604 963**	**112 636 421**
8,2 Sectoral analysis		
Retailers, catering and accommodation	58 534 448	56 260 575
Construction and real estate	60 400 752	27 838 373
Agriculture, hunting and fishing	65 517 839	21 001 676
Business services	3 311 753	4 561 713
Individuals	5 608 970	3 555 921
Transport and communication	256 256	433 506
	193 630 018	**113 651 764**

	2018	2017
8,3 Maturity structure		
-One year or less	*61 020 933*	*29 928 438*
-Five years or less but over one year	*74 255 619*	*6 607 760*
-Over five years	*58 353 466*	*77 115 566*
	193 630 018	**113 651 764**

As at 31 December 2018 and 2017, there were no overdue loans and interest.

8,4 Reconciliation of expected credit losses for loans and advances measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
Opening ECL 1 January 2018	*113 937*	*9 231*	-	*123 168*
Transfer between stages	*(4 652)*	*3 177*	*1 475*	-
Transfer (to)/from stage 1	-	*4 652*	-	*4 652*
Transfer from/(to) stage 2	*(4 652)*	-	*1 475*	*(3 177)*
Transfer from/(to) stage 3	-	*(1 475)*	-	*(1 475)*
Net ECL (released) / raised	*67 698*	*11 940*	*7 249*	*86 887*
ECL due to new loans	*118 167*	-	-	*118 167*
ECL due to matured loans	*(25 834)*	*(2 690)*	-	*(28 524)*
ECL change due to transfer between stages	-	*16 118*	*7 249*	*23 367*
ECL due to change in LGD	*(24 635)*	*(1 488)*	-	*(26 123)*
Subsequent changes in ECL	-	-	-	-
Change in ECL due to derecognition	-	-	-	-
Impaired accounts written-off	-	-	-	-
Exchange and other movements	-	-	-	-
Closing ECL 31 December 2018	*176 983*	*24 348*	*8 724*	*210 056*

A reconciliation of the expected credit loss for loans and advances, by class:

	Opening ECL 1 January 2018	Total transfers between stages	Net Impairments raised / (released)	Impaired accounts written-off	Exchange and other movements	Closing ECL 31 Dec 2018
Overdrafts	**5 629**	-	**59 483**	-	-	**65 112**
Stage 1	*5 488*	-	*42 525*	-	-	*48 013*
Stage 2	*141*	-	*16 958*	-	-	*17 099*
Stage 3	-	-	-	-	-	-
Asset finance	**3 925**	-	**51 302**	-	-	**55 227**
Stage 1	*3 735*	-	*48 959*	-	-	*52 694*
Stage 2	*190*	-	*2 343*	-	-	*2 533*
Stage 3	-	-	-	-	-	-
Mortgage loans	**3 126**	-	**6 235**	-	-	**9 361**
Stage 1	*2 885*	-	*5 695*	-	-	*8 580*
Stage 2	*241*	-	*540*	-	-	*781*
Stage 3	-	-	-	-	-	-
Commercial loans	**108 612**	-	**(37 424)**	-	-	**71 188**
Stage 1	*101 447*	-	*(34 172)*	-	-	*67 275*
Stage 2	*7 165*	-	*(3 252)*	-	-	*3 913*
Stage 3	-	-	-	-	-	-
Personal loans	**1 876**	-	**7 291**	-	-	**9 167**
Stage 1	*382*	-	*39*	-	-	*421*
Stage 2	*1 494*	*(1 475)*	*3*	-	-	*22*
Stage 3	-	*1 475*	*7 249*	-	-	*8 724*
Total	**123 168**	-	**86 887**	-	-	**210 055**

	2018	2017
8,5 Impairment of loans and advances to clients		
Balances at the beginning of the year	*(1 259 686)*	*(97 123)*
- General impairments	*(1 136 518)*	-
- IFRS 9 transitional adjustment - ECL	*(123 168)*	
-Portfolio impairment		*(97 123)*
Bad debts written off	-	-
Current year charge - General Provision	*(86 887)*	*(1 039 395)*
Current year charge - Specific Provision	-	-
Transfer to credit risk reserves	*1 136 518*	-
Bad debts recovered	-	-

	2018	2017
8,5 Impairment of loans and advances to clients (continued)		
Balances at the end of the year	*(210 055)*	*(1 136 518)*
-General impairments	*(210 055)*	-
-Portfolio impairment	-	*(1 136 518)*

9 PROPERTY, PLANT & EQUIPMENT

	Leasehold Improvements	Furniture & Equipment	IT Equipment	Other Installations	Security Equipment	Motor Vehicle	Total
2018							
Carrying amount at 31 December 2017	**6 998 174**	**2 334 944**	**5 676 572**	**953 343**	**183 880**	-	**16 146 913**
-at cost	7 517 945	2 879 694	8 437 796	1 197 296	203 356	-	20 236 087
-accumulated depreciation	(519 771)	(544 750)	(2 761 224)	(243 953)	(19 476)	-	(4 089 174)
Additions	2 086 751	1 348 187	1 405 171	-	204 801	974 096	6 019 006
Depreciation current year (Note 21)	(1 011 613)	(401 304)	(2 215 659)	(149 662)	(33 272)	(14 158)	(3 825 668)
Carrying amount at 31 December 2018	**8 073 312**	**3 281 827**	**4 866 084**	**803 681**	**355 409**	**959 938**	**18 340 251**
-at cost	9 604 696	4 227 881	9 842 967	1 197 296	408 157	974 096	26 255 093
-accumulated depreciation	(1 531 384)	(946 054)	(4 976 883)	(393 615)	(52 748)	(14 158)	(7 914 842)
2017							
Carrying amount at 31 December 2016	**2 329 743**	**2 042 314**	**4 121 765**	**1 103 005**	**73 416**	-	**9 670 243**
-at cost	2 491 898	2 290 548	5 454 166	1 197 296	80 203	-	11 514 111
-accumulated depreciation	(162 155)	(248 234)	(1 332 401)	(94 291)	(6 787)	-	(1 843 868)
Additions	5 026 047	589 146	2 983 630	-	123 153	-	8 721 976
Depreciation current year (Note 21)	(357 616)	(296 516)	(1 428 823)	(149 662)	(12 689)	-	(2 245 306)
Carrying amount at 31 December 2017	**6 998 174**	**2 334 944**	**5 676 572**	**953 343**	**183 880**	-	**16 146 913**
-at cost	7 517 945	2 879 694	8 437 796	1 197 296	203 356	-	20 236 087
-accumulated depreciation	(519 771)	(544 750)	(2 761 224)	(243 953)	(19 476)	-	(4 089 174)

10 INTANGIBLE ASSETS

	Computer software	Development costs	Total
2018			
Carrying amount at 31 December 2017	**8 711 469**	**9 209 111**	**17 920 580**
-at cost	18 441 694	9 209 111	27 650 805
-accumulated amortisation	(9 730 225)	-	(9 730 225)
Additions	117 282	3 316 240	3 433 522
Amortisation current year (Note 21)	(6 138 232)	-	(6 138 232)
Carrying amount at 31 December 2018	**2 690 519**	**12 525 351**	**15 215 870**
-at cost	18 558 976	12 525 351	31 084 327
-accumulated depreciation	(15 868 457)	-	(15 868 457)
2017			
Carrying amount at 31 December 2016	**14 867 474**	**4 304 884**	**19 172 358**
-at cost	18 441 694	4 304 884	22 746 578
-accumulated amortisation	(3 574 220)	-	(3 574 220)
Additions	-	4 904 227	4 904 227
Transfers	-	-	-
Amortisation current year (Note 21)	(6 156 005)	-	(6 156 005)
Carrying amount at 31 December 2017	**8 711 469**	**9 209 111**	**17 920 580**
-at cost	18 441 694	9 209 111	27 650 805
-accumulated depreciation	(9 730 225)	-	(9 730 225)

11 OTHER ASSETS

	2018	2017
Deferred expenses	972 861	1 504 726
-IT costs	-	1 254 526
-Insurance	18 180	21 180
-Other rents	175 868	151 316
- Prepaid expenses	778 813	77 704
Sundry debtors and other receivables	437 428	373 682
	1 410 289	**1 878 408**

12 DEPOSITS FROM FINANCIAL INSTITUTIONS

	2018	2017
Deposits from other banks	29 309 860	8 554 851
	29 309 860	**8 554 851**

As at 31 December 2018, deposits from other banks correspond to non interest bearing vostro accounts from Banco BIC, S.A. (Angola) and Banco Keve S.A.

13 LOANS FROM FINANCIAL INSTITUTIONS

Borrowings from other banks (Note 23.3)	82 293 750	-
Accrued Interest	111 439	-
	82 405 189	**-**

Borrowings from other banks consist of loan from Banco BIC Cabo Verde, S.A. Facilities are denominated in Euro, bear an interest rate of Euribor +1.25%. First draw of the loan was

14 DEPOSITS FROM CLIENTS

	2018	2017
14,1 Category analysis		
Current accounts	4 417 618	9 543 543
Savings accounts	17 145 471	10 331 769
Call accounts	3 895 328	1 532 540
Term deposits	13 270 000	2 857 911
	38 728 417	**24 265 763**
Accrued interest	156 624	51 732
	38 885 041	**24 317 495**
14,2 Sectoral analysis		
Individuals	30 434 338	18 909 620
Agriculture, hunting and fishing	9 475	2 252 171
Other services	1 255 543	1 415 607
Construction and real estate	1 716 021	635 685
Retailers, catering and accommodation	616 142	594 242
Business services	394 661	316 740
Transport and communication	1 140 136	132 594
Manufacturing	3 157 647	4 566
Mining	4 454	4 538
	38 728 417	**24 265 763**
14,3 Maturity structure		
-One year or less	38 648 027	24 236 373
-Five years or less but over one year	80 390	29 390
-Over five years	-	-
	38 728 417	**24 265 763**

15 OTHER LIABILITIES

Creditors	6 779 051	8 915 643
-Local suppliers	206 471	1 012 884
-Foreign suppliers	6 572 580	7 902 759
Accruals	409 188	573 097
Deferred income	-	1 014
Clearing, settlement and internal accounts	107 836	2 268
Indirect Taxes	(153 813)	-
	7 142 262	**9 492 022**

As at 31 December 2018 and 31 December 2017, the amounts within the caption "Foreign suppliers" include initial costs with the implementation of the Bank,

16 SHARE CAPITAL

As at 31 December 2018 and 31 December 2017, the share capital of the Bank was held by the following shareholders:

Shareholder structure	% Capital	No. of shares	Amount
Bank BIC Namibia Holdings Limited	95%	285 000 000	285 000 000
Other shareholders	5%	15 000 000	15 000 000
	100%	**300 000 000**	**300 000 000**

17 NET INTEREST INCOME

	2018	2017
Loans and advances to clients	*14 280 422*	*3 611 346*
Placements with other banks	*5 020 434*	*5 785 247*
Financial assets (Treasury bills)	*1 602 542*	*11 411 348*
Total interest and similar income	**20 903 398**	**20 807 941**
Deposits from banks and other financial institutions	*(108 966)*	*(227 838)*
Deposits from clients	*(1 073 696)*	*(434 335)*
-Current accounts	*(774)*	*(4)*
-Savings deposit	*(476 769)*	*(248 129)*
-Call deposits	*(134 144)*	*(101 363)*
-Term deposits	*(462 009)*	*(84 839)*
Total interest and similar expense	**(1 182 662)**	**(662 173)**
Net Interest income	**19 720 736**	**20 145 768**
Comprising:		
Interest income on items measured at amortised cost	*20 903 398*	*20 807 941*
Interest income on items measured at fair value through OCI	-	-
	20 903 398	**20 807 941**

18 NON-INTEREST INCOME

	2018	2017
For loans to clients	*37 314*	*308 708*
For services provided	*1 380 472*	*1 059 764*
-Maintenance fees	*694 986*	*533 414*
-Foreign transaction fees	*443 512*	*295 957*
-Other	*241 974*	*230 393*
For guarantees provided	*1 509*	*1 509*
Total fee and commission income	**1 416 277**	**1 369 981**
Transaction processing fee	*(395 698)*	*(333 125)*
Total fee and commission expense	**(395 698)**	**(333 125)**
Gains / (losses) on instruments at fair value through profit or loss	*588 420*	*846 473*
Total fair value gains/(losses)	**588 420**	**846 473**
Total non-interest income	**1 608 999**	**1 883 329**

Foreign exchange gains and losses refers to gains/(losses) in the Bank's buy/sell transactions of foreign currency, in addition to the revaluation of its foreign

19 STAFF COSTS

Salaries, wages and allowances of employees	*(16 512 253)*	*(13 383 202)*
Directors' remuneration and benefits	*(1 931 873)*	*(3 103 164)*
Staff training	*(64 985)*	*(656 350)*
Board sitting fees	-	*(70 000)*
Other staff costs	*(206 950)*	*(88 123)*
	(18 716 061)	**(17 300 839)**

As at 31 December 2018 and 31 December 2017, the Bank had 34 and 31 employees, respectively.

20 OPERATING EXPENDITURE

	2018	2017
IT costs	(6 915 176)	(4 605 031)
Operating lease charges	(3 495 603)	(3 079 713)
-Property rental	(2 897 143)	(2 378 622)
-Motor vehicles	(598 460)	(701 091)
Professional fees	(1 249 978)	(2 951 733)
Communication	(3 450 763)	(1 927 186)
Value Added Tax	(255 445)	(1 613 484)
Advertisement and marketing	(1 028 865)	(667 748)
Travel and accommodation	(280 468)	(597 750)
Insurance costs	(681 989)	(397 116)
Auditors' remuneration	(131 035)	(385 269)
Duties and other	(5 500)	(139 004)
Other expenses	(3 205 624)	(1 931 972)
Total operating expenditure	**(20 700 446)**	**(18 296 006)**

21 DEPRECIATION AND AMORTISATION

	2018	2017
Depreciation (Note 9)	(3 825 668)	(2 245 306)
Amortisation (Note 10)	(6 138 232)	(6 156 005)
	(9 963 900)	**(8 401 311)**

22 TAXATION

Direct taxation

As the Bank has no taxable income, no tax expense was recorded in the Bank's financial statements as at 31 December 2018 and 31 December 2017.

Deferred tax

As at 31 December 2018 and 31 December 2017, no deferred tax asset has been recognised since, at the present date, there is insufficient evidence that there

Tax losses carried forward as at 31 December 2018 and 31 December 2017 amounts to N$ 107.286.124 and N$ 56.277.653, respectively.

23 RELATED PARTIES

23,1 Parent company

Bank BIC Namibia Ltd majority shareholder is Bank BIC Namibia Holdings Ltd (95%) (2017: 95%), which is incorporated in Namibia. No single entity or individual

23,2 Identification of related parties with whom transactions have occurred

Transactions with directors and shareholders controlled entities are related party transactions.

23,3 Related party balances and transactions

	Note	Bank BIC Namibia Holdings Ltd	Banco BIC, S.A.	Banco BIC Português, S.A.	Banco BIC Cape Verde	Members of the board of directors	TOTAL
2018							
ASSETS							
Balances due from other banks	4	-	-	32 646 616	-	-	136 409 274
Loans and advances to financial institutions	7	-	-	-	-	-	136 409 274
*Intangible assets**	10	-	-	18 441 694	-	-	117 967 580
Other assets	11	324 317	-	-	-	-	117 643 263
							117 643 263
LIABILITIES							117 643 263
Deposits from financial institutions	12	-	28 655 288	-	-	-	88 987 975
Loans from financial institutions	13	-	-	-	82 293 750	-	6 694 225
Deposits from clients	14	-	-	-	-	121 645	6 572 580
Other liabilities	15	-	6 283 762	288 818	-	-	-
COMPREHENSIVE INCOME							
Interest and similar income		-	-	-	-	- -	2 152 278
Interest and similar expense	13/17		(108 966)		(111 439)		(1 931 873)
Directors' remuneration and benefits	19	-	-	-	-	(1 931 873)	0
Operating expenditure	20	-	-	-	-	-	-

23,3 Related party balances and transactions (continued)

	Note	Bank BIC Namibia Holdings Ltd	Banco BIC, S.A.	Banco BIC Português, S.A.	Members of the board of directors	TOTAL
2017						
ASSETS						
Balances due from other banks	4	-	-	15 673 063	-	15 673 063
Loans and advances to financial institutions	7	-	-	3 500 000	-	3 500 000
*Intangible assets**	10	-	-	1 102 528	-	1 102 528
Other assets	11	210 639	-	-	-	210 639
LIABILITIES						
Deposits from financial institutions	12	-	8 554 851	-	-	8 554 851
Deposits from clients	14	-	-	-	85 706	85 706
Other liabilities	15	-	6 283 762	1 512 691	-	7 796 453
COMPREHENSIVE INCOME						
Interest and similar income	13/17	-	-	536 601	-	536 601
Directors' remuneration and benefits	19	-	-	-	(3 173 164)	(3 173 164)
Operating expenditure	20	-	-	(637 068)	-	(637 068)

	2018	2017
24 COMMITMENTS		
24,1 Undrawn committed funding		
Unutilised credit facilities	12 461 000	48 139 075
Undrawn overdraft facilities	6 619 684	-
Guarantees	2 918 196	-

24,2 Operating leases

The Bank has entered into lease agreements over fixed property (head office and branches) for various periods. The future minimum lease charges are as follow:

	2018	2017
2018	-	2 252 507
2019	2 287 445	2 287 445
2020	2 325 178	2 325 178
2021	2 365 929	2 365 929
Thereafter	2 102 851	2 102 851
	9 081 403	**11 333 910**

For the purpose of this disclosure, lease agreements linked to the Consumer Price Index are considered constant at each year end date.

25 CASH UTILISED IN OPERATIONS

	2018	2017
Income/(loss) before taxation	(26 957 041)	(23 052 454)
Adjusted for:		
-Depreciation and amortisation	9 963 900	8 401 311
-Foreign exchange gains/losses	2 572 275	-
-Loan impairment, net of reversals and recoveries	210 055	1 083 395
Transfer to credit risk reserves	(1 136 518)	-
Accrued interest receivable		
-Financial assets	(25 744)	(97 338)
-Loans from financial institutions	111 439	
-Deposits from financial institutions	818 325	(1 103 010)
-Loans and advances to clients	63 825	(123 262)
Other	(971)	
	(14 380 455)	**(14 891 358)**

26 CAPITAL RISK MANAGEMENT

The capital adequacy is managed in terms of the Banking Institutions Act, 1998 ("Act"). The aim of capital risk management is to ensure that Bank BIC Namibia
(i) is adequate to protect its depositors and creditors;

(ii) is commensurate with the risk activities and profile of the Bank; and
(iii) promotes public confidence in the Bank and the banking system.

Capital is managed under the following definitions:

26 CAPITAL RISK MANAGEMENT (continued)

Tier 1 (core) capital

Tier 1 capital includes permanent shareholders' equity (issued and fully paid-up ordinary shares and perpetual non-cumulative preference shares) plus disclosed

Tier 2 (supplementary) capital

Tier 2 capital includes asset revaluation reserves; general loan loss provisions; subordinated debt; and hybrid (debt-equity) capital instruments.

Total Qualifying Capital

Total qualifying capital means the sum of Tier 1 capital and Tier 2 capital after the deduction of investments in and loans to unconsolidated financial subsidiaries;

Capital measures

The ratios used for measuring capital adequacy are:
Leverage (equity) capital ratio (i.e. Tier 1 capital divided by gross assets; for purposes herein, "gross assets" means total assets plus general and specific provisions);
Tier 1 risk-based capital ratio (i.e. Tier 1 capital divided by total risk-weighted assets); and

Total risk-based capital ratio (i.e. total qualifying capital divided by total risk weighted assets).

Total risk-weighted capital

Total risk-weighted capital is the total assets reported in financial returns required to be submitted to the Bank of Namibia, less intangible assets and the excess of

Minimum Requirements

The following minimum ratios shall apply (unless higher ratios are set by the Bank) for an individual bank based on criteria set forth below:
(a) Leverage Capital: the minimum leverage ratio shall be 6.0%. In accordance with the Act, if a bank is pursuing or experiencing significant growth, has inadequate
(b) Tier 1 Risk-Based Capital: the minimum Tier 1 ratio shall be 7.0%. In accordance with the Act, if a bank is pursuing or experiencing significant growth, has inadequate risk management systems, an inordinate level of risk, or less than satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required;
(c) Total Risk-Weighted Capital: the minimum total ratio shall be 10.0%. In accordance with the Act, if a bank is pursuing or experiencing significant growth, has inadequate risk management systems, an inordinate level of risk, or less than satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required. This is expected to rise in increments of 0,5% per year from 2018 until the minimum ratio reaches 14%.

Regulatory Capital (Unaudited)

	2018	2017
Share capital	300 000 000	300 000 000
Retained earnings	(85 296 012)	(56 277 653)
Total qualifying tier 1 capital	**214 703 988**	**243 722 347**
Less: Regulatory adjustments:		
Intangible assets	15 215 870	-
Common equity tier 1 capital	**199 488 118**	**243 722 347**
General impairments	210 055	1 180 518
Total qualifying tier 2 capital	**210 055**	**1 180 518**
Total regulatory capital	**199 698 173**	**244 902 865**
Risk weighted assets:		
Credit risk	204 031 000	119 423 000
Operational risk	28 375 000	17 216 000
Market risk	10 040 000	254 000
Total risk weighted assets	**242 446 000**	**136 893 000**
Capital adequacy ratios:		
Leverage Capital	53%	85%
Tier 1 risk-based capital ratio	82%	178%
Total risk-based capital ratio	82%	179%

Subsequent to the director's approval of these financial statements and the audit opinion dated 11 December 2019, it came to light that the risk weighted assets disclosed in this note were incorrect. As a result, despite comfortably complying with all statutory requirements, the Bank opted to correct the figure which arose as a result of human error and therefore proceed with the immediate reissue of the financial statements. Consequently, the risk weighted assets have been corrected and the director's have authorized the financial statements for reissue.

27 OTHER RESERVES - CREDIT RISK RESERVE

	2018	2017
Balance as at 1 January 2018	-	-
Transfer to retained earnings: Initial adoption of IFRS 9	1 938 150	-
Adjusted balance at 1 January 2018	1 136 518	-
Transfer from retained earnings	801 632	-
Balance as at 31 December 2018	**1 938 150**	-

28 EVENTS AFTER THE REPORTING PERIOD

COVID-19 has had significant effect on the economy and businesses during 2020 as countries had to lock down to slow the infection rate of the virus.

Bank BIC has a Business Continuity Plan in action in order to continue delivering services as normal and we have not experienced significant disruption in business operations as a result of the COVID-19 outbreak.

The Bank continues to monitor the impact of COVID-19 on the business, However, it had no material effect on the Financial Statements as at 31 December 2018.

It is likely that COVID-19 will impact the Bank's financial performance, including credit loss estimate (ECL), interest and non-interest income for the 2020 financial year.

The bank estimates that a range approximating 35% of its exposures arising from loans and advances to clients might be impacted by the COVID-19 outbreak, resulting in an increase in the risk of default by counter-parties. Most of the loans and advances to clients are collateralised. However, the fair values of the collaterals are also expected to be adversely affected by COVID-19. In a worst-case scenario where all these loans default, management considers that losses could amount to N$ 2.7 million as a result of the elevated collateral pledged to the bank.

29 FINANCIAL INSTRUMENTS

29,1 Categories of financial instruments

2018	At fair value through profit and loss	Financial instruments at amortised cost	Non-financial	Total
ASSETS				
Cash and balances with central bank	-	11 227 389	-	11 227 389
Balances due from other banks	-	46 516 720	-	46 516 720
Financial assets	-	4 931 385	-	4 931 385
Derivatives	2 831 236	-	-	2 831 236
Loans and advances to financial institutions	-	80 306 387	-	80 306 387
Loans and advances to clients	-	193 604 963	-	193 604 963
Other tangible assets	-	-	18 340 251	18 340 251
Intangible assets	-	-	15 215 870	15 215 870
Other assets	-	1 410 289	-	1 410 289
	2 831 236	**337 997 133**	**33 556 121**	**374 384 490**
LIABILITIES				
Deposits from financial institutions	-	29 309 860	-	29 309 860
Loans from financial institutions	-	82 405 189	-	82 405 189
Deposits from clients	-	38 885 041	-	38 885 041
Other liabilities	-	6 733 074	409 188	7 142 262
	-	**157 333 164**	**409 188**	**157 742 352**

2017	At fair value through profit and loss - available for sale	Financial instruments at amortised cost	Non-financial	Total
ASSETS				
Cash and balances with central bank	-	2 354 202	-	2 354 202
Balances due from other banks	-	22 047 638	-	22 047 638
Financial assets	72 274 781	-	-	72 274 781
Loans and advances to financial institutions	-	40 827 772	-	40 827 772
Loans and advances to clients	-	112 636 421	-	112 636 421
Other tangible assets	-	-	16 146 913	16 146 913
Intangible assets	-	-	17 920 580	17 920 580
Other assets	-	1 878 408	-	1 878 408
	72 274 781	**179 744 441**	**34 067 493**	**286 086 715**
LIABILITIES				
Deposits from financial institutions	-	8 554 851	-	8 554 851
Deposits from clients	-	24 317 495	-	24 317 495
Other liabilities	-	8 917 911	574 111	9 492 022
	-	**41 790 257**	**574 111**	**42 364 368**

29,2 Liquidity risk

Liquidity risk is the risk that an institution might not have sufficient funds to finance its assets or to honour its commitments without incurring unacceptable losses.

Liquidity risk management is based on the weekly analysis of residual maturity dates of the different assets and liabilities of the balance sheet, showing, for each of the ranges considered, the expected volumes of cash inflows, as well as the respective liquidity gaps.

The table below sets out the contractual maturity of cashflows (excluding unearned interest) for financial assets and liabilities at year - end:

29,2 Liquidity risk (Continued)

	On demand and up to 3 months	3-6 months	6-12 months	1-5 years	Over5 years	Non-financial	Total
2018							
ASSETS							
Cash and balances with central bank	11 227 389	-	-	-	-	-	11 227 389
Balances due from other banks	46 516 720	-	-	-	-	-	46 516 720
Financial assets	4 931 385	-	-	-	-	-	4 931 385
Derivatives	2 831 236						2 831 236
Loans and advances to financial institutions	80 306 387	-	-	-	-	-	80 306 387
Loans and advances to clients	48 732 879	866 452	11 606 602	74 255 619	58 353 466	(210 055)	193 604 963
Other tangible assets	-	-	-	-	-	18 340 251	18 340 251
Intangible assets	-	-	-	-	-	15 215 870	15 215 870
Other assets	1 410 289	-	-	-	-	-	1 410 289
	195 956 285	**866 452**	**11 606 602**	**74 255 619**	**58 353 466**	**33 346 066**	**374 384 490**
LIABILITIES							
Deposits from financial institutions	(29 309 860)	-	-	-	-	-	(29 309 860)
Loans from financial institutions		(82 405 189)					(82 405 189)
Deposits from clients	(29 823 745)	(7 315 906)	(1 665 000)	(80 390)	-	-	(38 885 041)
Other liabilities	(7 142 262)	-	-	-	-	-	(7 142 262)
	(66 275 868)	**(89 721 095)**	**(1 665 000)**	**(80 390)**	**-**	**-**	**(157 742 352)**
Net funding gap	129 680 418	(88 854 643)	9 941 602	74 175 229	58 353 466	33 346 066	216 642 137
Cumulative liquidity gap	129 680 418	40 825 774	50 767 377	124 942 606	183 296 071	216 642 137	-

	On demand and up to 3 months	3-6 months	6-12 months	1-5 years	Over5 years	Non-financial	Total
2017							
ASSETS							
Cash and balances with central bank	2 354 202	-	-	-	-	-	2 354 202
Balances due from other banks	22 047 638	-	-	-	-	-	22 047 638
Financial assets	25 717 244	-	46 557 537	-	-	-	72 274 781
Loans and advances to financial institutions	30 871 772	10 000 000	-	-	-	(44 000)	40 827 772
Loans and advances to clients	16 951 344	27 298	13 073 058	6 605 673	77 115 566	(1 136 518)	112 636 421
Other tangible assets	-	-	-	-	-	16 146 913	16 146 913
Intangible assets	-	-	-	-	-	17 920 580	17 920 580
Other assets	1 878 408	-	-	-	-	-	1 878 408
	99 820 608	**10 027 298**	**59 630 595**	**6 605 673**	**77 115 566**	**32 886 975**	**286 086 715**
LIABILITIES							
Deposits from financial institutions	(8 554 851)	-	-	-	-	-	(8 554 851)
Deposits from clients	(22 137 678)	(748 919)	(1 396 522)	(34 376)	-	-	(24 317 495)
Other liabilities	(9 492 022)	-	-	-	-	-	(9 492 022)
	(40 184 551)	**(748 919)**	**(1 396 522)**	**(34 376)**	**-**	**-**	**(42 364 368)**
Net funding gap	59 636 057	9 278 379	58 234 073	6 571 297	77 115 566	32 886 975	243 722 347
Cumulative liquidity gap	59 636 057	68 914 436	127 148 509	133 719 806	210 835 372	243 722 347	-

Undrawn facilities	**2018**	**2017**
Banco BIC Cabo Verde, S.A.	15 000 000	20 000 000
Banco BIC Português, S.A.	20 000 000	20 000 000

Banco BIC Cabo Verde, S.A. facilities are denominated in Euro, bear an interest rate of Euribor +1.25%. First draw of the loan was made on 23 November 2018, for a period of 6 months (181 days), with an option to extent the loan for an additional 6 months.
Banco BIC Português S.A. facilities are denominated in Euro, would on drawdown bear an interest rate of Euribor + 3,5% and mature on 31/12/2019.

29,3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Bank is exposed to both currency and interest rate risk. Refer to note 27,4 and note 27,5 for disclosure regarding these risks.

29,4 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

The exchange rate risk represents the risk of losses due to adverse variations in exchange rates. The Bank pursues a prudent policy of asset and liability management in foreign currency which minimizes the associated exchange rate risk. Ongoing hedging of foreign exchange positions in the different currencies is the objective.

29,4 Currency risk (continued)

2018	NAD	EUR	USD	GBP	ZAR	Non-financial	Total
ASSETS							
Cash and balances with central bank	10 103 408	173 393	159 614	36 154	754 820	-	11 227 389
Balances due from other banks	13 089 354	15 100 748	13 438 480	918	4 887 220	-	46 516 720
Financial assets	4 931 385	-	-	-	-	-	4 931 385
Derivatives	2 831 236						2 831 236
Loans and advances to financial institutions	80 050 678	-	-	-	255 709	-	80 306 387
Loans and advances to clients	193 604 963	-	-	-	-	-	193 604 963
Other tangible assets	-	-	-	-	-	18 340 251	18 340 251
Intangible assets	-	-	-	-	-	15 215 870	15 215 870
Other assets	1 410 289	-	-	-	-	-	1 410 289
	306 021 313	15 274 141	13 598 094	37 072	5 897 749	33 556 121	374 384 490
LIABILITIES							
Deposits & loans from financial institutions	(3 066 517)	(96 699 423)	(11 949 109)	-	-	-	(111 715 049)
Deposits from clients	(37 445 924)	(99 252)	(1 339 865)	-	-	-	(38 885 041)
Other liabilities	(7 030 823)	(111 439)		-	-	-	(7 142 262)
	(47 543 264)	(96 910 114)	(13 288 974)	-	-	-	(157 742 352)
Net exposure	258 478 049	(81 635 973)	309 120	37 072	5 897 749	33 556 121	216 642 138
Rates of exchange at 31 December 2018	-	16,46	14,38	18,35	1,00	-	-

2017	NAD	EUR	USD	GBP	ZAR	Non-financial	Total
ASSETS							
Cash and balances with central bank	2 169 833	69 484	109 997	4 662	226	-	2 354 202
Balances due from other banks	4 961 342	12 583 622	2 018 068	833	2 483 773	-	22 047 638
Financial assets	72 274 781	-	-	-	-	-	72 274 781
Loans and advances to financial institutions	36 422 365	-	-	-	4 405 407	-	40 827 772
Loans and advances to clients	112 636 421	-	-	-	-	-	112 636 421
Other tangible assets	-	-	-	-	-	16 146 913	16 146 913
Intangible assets	-	-	-	-	-	17 920 580	17 920 580
Other assets	1 878 408	-	-	-	-	-	1 878 408
	230 343 150	12 653 106	2 128 065	5 495	6 889 406	34 067 493	286 086 715
LIABILITIES							
Deposits from financial institutions	(170 918)	(7 167 934)	(1 215 999)	-			(8 554 851)
Deposits from clients	(18 353 386)	(5 266 253)	(697 856)	-	-	-	(24 317 495)
Other liabilities	(7 855 722)	(1 636 300)	-	-	-	-	(9 492 022)
	(26 380 026)	(14 070 487)	(1 913 855)	-	-	-	(42 364 368)
Net exposure	203 963 124	(1 417 381)	214 210	5 495	6 889 406	34 067 493	243 722 347
Rates of exchange at 31 December 2017	-	14,77	12,32	16,65	1,00	-	-

29,5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Bank incurs on interest rate risk whenever, during the course of its activity, it contracts operations with future financial flows that are sensitive to possible variations in the interest rate.

2018	Average interest rate	Expected change %	Expected change on profit and loss	Variable rate	Fixed rate	Non-interest sensitive	Non-financial	Total
ASSETS								
Cash and balances with central bank	-	-	-	-	-	11 227 389	-	11 227 389
Balances due from other banks	1,73%	1,0	138 701	13 870 104	-	32 646 616	-	46 516 720
Financial assets	7,72%	1,0	-	-	4 931 385	-	-	4 931 385
Derivatives	-	-	-	-	-	2 831 236	-	2 831 236
Loans and advances to financial institutions	8,20%	1,0	277 007	27 700 678	52 350 000	-	-	80 050 678
Loans and advances to clients	11,30%	1,0	1 936 300	193 630 018	-	(25 055)	-	193 604 963
Other tangible assets	-	-	-	-	-	-	18 340 251	18 340 251
Intangible assets	-	-	-	-	-	-	15 215 870	15 215 870
Other assets	-	-	-	-	-	1 410 289	-	1 410 289
			2 352 008	235 200 800	57 281 385	48 090 475	33 556 121	374 128 781
LIABILITIES								
Deposits from financial institutions	-	-	-	-	-	29 309 860	-	29 309 860
Loans from financial institutions	1,25%	-	-		82 293 750	-	-	82 293 750
Deposits from clients	3,70%	1,0	210 409	21 040 890	13 429 034	4 415 117	-	38 885 041

Other liabilities	-	-	-	-	-	7 142 262	-	7 142 262
			210 409	**21 040 890**	**95 722 784**	**40 867 239**	**-**	**157 630 913**

	Average interest rate	Expected change %	Expected change on profit and loss	Variable rate	Fixed rate	Non-interest sensitive	Non-financial	Total
2017								
ASSETS								
Cash and balances with central bank	-	-	-	-	-	2 354 202	-	2 354 202
Balances due from other banks	2,45%	1,0	63 746	6 374 575	-	15 673 063	-	22 047 638
Financial assets	8,51%	1,0	-	-	72 274 781	-	-	72 274 781
Loans and advances to financial institutions	8,20%	1,0	97 537	9 753 738	30 000 000	1 074 034	-	40 827 772
Loans and advances to clients	10,40%	1,0	1 136 518	113 651 764	-	(1 015 343)	-	112 636 421
Other tangible assets	-	-	-	-	-	-	16 146 913	16 146 913
Intangible assets	-	-	-	-	-	-	17 920 580	17 920 580
Other assets	-	-	-	-	-	1 878 408	-	1 878 408
			1 297 801	**129 780 077**	**102 274 781**	**19 964 364**	**34 067 493**	**286 086 715**
LIABILITIES								
Deposits from financial institutions	-	-	-	-	-	8 554 851	-	8 554 851
Deposits from clients	2,46%	1,0	118 515	11 851 528	2 924 925	9 541 042	-	24 317 495
Other liabilities	-	-	-	-	-	9 492 022	-	9 492 022
			118 515	**11 851 528**	**2 924 925**	**27 587 915**	**-**	**42 364 368**

29,6 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank.

Maximum exposure to credit risk by credit quality

2018

Total exposure (items where credit exposure exists)

	2018	**2017**
Balance with the central bank	397 955	226 468
Balances due from other banks	46 516 720	22 047 638
Financial Assets	4 931 385	72 274 781
Loans and advances to financial institutions	80 306 387	40 827 772
Loans and advances to clients	193 604 963	112 636 421

	2018 - IFRS 9		
	Carrying amount	**Loss allowance**	**Maximum exposure to credit risk**
Total exposure (items where credit exposure exists)			
Balance with the central bank	397 955	-	397 955
Balances due from other banks	46 516 720	-	46 516 720
Financial Assets	4 931 385	-	4 931 385
Loans and advances to financial institutions	80 306 387	-	80 306 387
Loans and advances to clients	193 815 018	- 210 055	193 604 963
Overdrafts	60 750 829	- 65 112	60 685 717
Asset finance	9 551 697	- 55 227	9 496 470
Mortgage loans	13 042 550	- 9 361	13 033 189
Commercial loans	109 697 367	- 71 187	109 626 180
Personal loans	772 573	- 9 168	763 405

	Pass/ Acceptable	Watch/Special Mention/Substandard	Doubtful	Loss	Unrated	Non-financial	Total
2017							
ASSETS							
Cash and balances with central bank	-	-	-	-	2 354 202	-	2 354 202
Balances due from other banks	-	-	-	-	22 047 638	-	22 047 638
Financial assets	-	-	-	-	72 274 781	-	72 274 781
Loans and advances to financial institutions	40 827 772	-	-	-	-	-	40 827 772
Loans and advances to clients	112 636 421	-	-	-	-	-	112 636 421
Other tangible assets	-	-	-	-	-	16 146 913	16 146 913
Intangible assets	-	-	-	-	-	17 920 580	17 920 580
Other assets	-	-	-	-	1 878 408	-	1 878 408
	153 464 193	**-**	**-**	**-**	**98 555 029**	**34 067 493**	**286 086 715**

ANNEXURE A: RISK REPORT (UNAUDITED)

The Group engages in commercial banking business by offering traditional and modern retail banking products and services to clients. As a result of being a new start-up operation, the Group's short term objective is to achieve break-even point while it prepares to become profitable over the medium term. Due to these risk-taking activities the Group is exposed to a variety of risks. The Group therefore adopted measures to avoid, reduce, transfer and mitigate the risks inherent in doing its business.

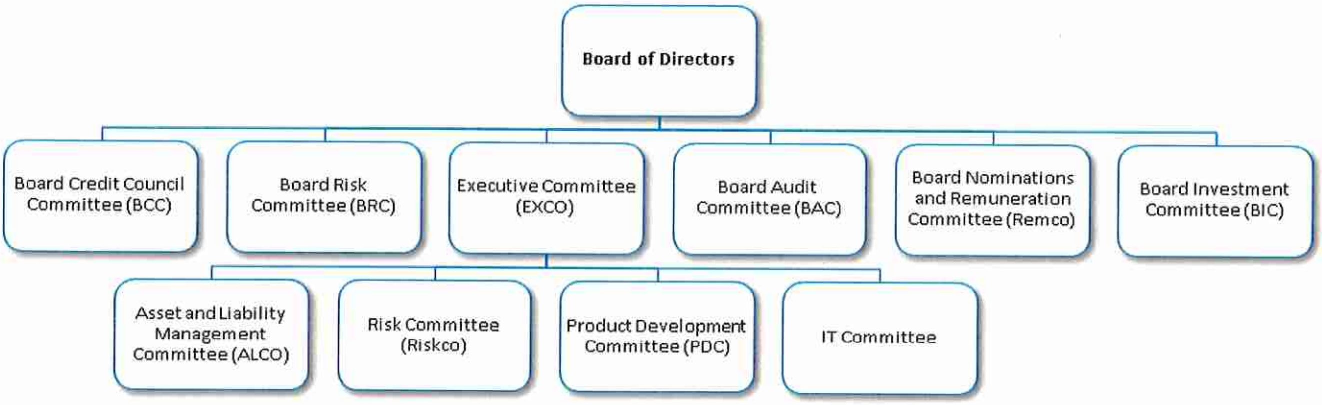
The Group is cognisant of the fact that effective risk management is fundamental to business success. To this end it developed a sound and balanced risk management and oversight structure guided by a Risk Management Policy. The management and oversight structure is resourced with skilled and technical staff befitting not only to the nature and complexity of the task but also to the accompanying risks. When necessary, resource constraints inherent to the Group's limited economies of scale are supplemented through the use of external expertise.

DIRECTOR'S RESPONSIBILITY

The board is ultimately accountable for the adequacy and effectiveness of the Group's risk management framework, including all related policies, mandates and risk acceptance, and the adequacy and effectiveness of the internal control environment. The board established a "three lines of defence" approach. Management forms the first line of defence and serves as the front-line against existing and emerging risks. The Risk and Compliance function serves as the second line of defence by independently performing risk identification, monitoring and reporting to the Risk Committee and the Board Risk Committee. Independent assurance providers serve as the third line of defence.

RISK GOVERNANCE AND POLICY STRUCTURE

The board established a robust governance structure to facilitate oversight of the risk management framework.



The structure is governed by a framework of board-approved policies and charters. Board and board sub-committees generally convene quarterly and management oversight committees convene monthly.

To direct the activities of the Group, the board approved a series of policies that establish the minimum strategic and operational standards within which the Group operates. These include the Risk Management Policy; Credit Risk Policy (related to credit approval and decision-making); Liquidity Risk Management Policy; Market Risk Management Policy; Compliance Risk Management Policy; Compliance Risk Management Framework; AML Compliance Policy; AML Compliance Programme; Business Continuity Management Policy; Treasury Policy; Treasury Limits; Information Technology Policy; Human resource policies; Health and Safety Policy; and the Business Continuity Policy.

The Risk and Compliance function assists with the development of centralised policies and standards. The Chief Risk and Compliance Officer reports to the Risk Committee on a monthly basis, quarterly to the Board Risk Committee and has a direct reporting line to the Board Risk Committee chairman. The Chief Risk and Compliance Officer engages with risk owners regularly to establish risk culture and accountability. The risk function challenges information produced by lines of business.

PRINCIPAL RISKS AND RISK ASSESSMENT

The risk management framework follows a 5-step approach that involves the following main activities that are applied to the risk universe: risk identification, risk assessment, risk control, risk monitoring and risk treatment. The risk universe is managed in terms of the following principal risk structure:

- *Strategic risk, which includes business strategy, reputation, capital and sustainability.*
- *Finance and tax risk, which includes accounting, financial reporting, performance and taxation.*
- *Operational risk, which includes business continuity, information, facilities, processes, customers, products, services, legal, financial crime, people and technology.*
- *Compliance risk, which includes regulatory, AML / CTF, conduct of business, governance, reporting and disclosure. Although compliance risk is technically an operational risk, for purposes of the principal risk structure it is classified separately.*
- *Credit risk, which includes sanctioning, collateral, valuation, counterparty risk, concentration and collection.*
- *Treasury risk, which includes market risk and liquidity risk.*

Risks included in the risk register are classified and reported on in terms of the above principal risks. The risk register covers both existing and emerging risks. Residual risk is regularly assessed and rated in terms of magnitude of impact and likelihood of occurrence. Risks with high residual risk ratings are classified as top risks and are emphasised in the risk report submitted to the Risk Committee and the Board Risk Committee. Risk and Compliance assists with the collection of data that supports risk assessments and risk ratings.

ANNEXURE A: RISK REPORT (UNAUDITED) (Continued)

RISK APPETITE

The purpose of the risk appetite statement is to articulate the board's expectations and requirements in terms of risk-taking activities and decision-making that will be performed by directors and management. Risk appetite is divided into two components: qualitative assertions and quantitative metrics. Metrics are regularly measured as part of the risk metric data collection process. Reporting on the qualitative and quantitative risk appetite parameters occurs monthly to the Risk Committee and quarterly to the Board Risk Committee. Risk appetite is ultimately approved by the board, typically when approving risk management policies. Risk appetite breaches, if any, are escalated to the Board Risk Committee and finally to the Board of Directors. Only the board may take decisions regarding risk acceptance.

CAPITAL ADEQUACY

As approved by the Bank of Namibia, the Group adopted the Basel II standardised approach for credit and market risk and the basic indicator approach for operational risk in terms of BID 5. The Group is not classified as a systemically important financial institution. The Group adheres to the minimum capital requirements and possesses a significant capital buffer due to the initial capital injection received from shareholders. Credit risk constitutes the most significant portion of risk-weighted assets.

	Minimum	2018	2017
Risk-Weighted Assets			
Credit risk		204 031 000	119 423 000
Market risk		10 040 000	254 000
Operational risk		28 375 000	17 216 000
Capital Adequacy			
Leverage ratio	6%	53%	85%
Tier 1 risk-based ratio	7%	82%	178%
Total risk-based ratio	10%	82%	179%

Capital is seen as a last defence against unexpected losses and therefore the Group aims to maintain capital that is sufficient not only to meet regulatory requirements, but also its own assessment of risks. Until profitability is achieved, the Group intends to cover its accumulated losses through its capital buffer. The capital management and capital adequacy assessment processes aim to accomplish the following (in no particular order):

- *Maintain a sound balance to cover accumulated losses while simultaneously holding sufficient capital to support growth in risk-weighted assets*
- *Adherence to the regulator's minimum capital requirements*
- *Safeguard the Group's ability to continue as a going concern*
- *Transition to a profit-making stage where adequate shareholder returns can be generated*
- *Structure capital in such a way that the cost of capital is optimised*

Capital is not regarded as a replacement for sound corporate governance or adequate and effective internal control systems.

OPERATIONAL RISK MANAGEMENT FRAMEWORK

The operational risk framework is intended to operationalize the risk management framework and execute the 5-step risk management process during day-to-day operations. Much of the operational risk framework is centrally coordinated by Risk and Compliance who also acts as a central repository of risk information and data. The Group is committed to effective operational risk management as it considers that there are considerable financial and reputational benefits to which it contributes, such as:

- *Reducing operational risk incidents and associated financial losses*
- *Strengthening the Group's brand*
- *Meeting regulatory expectations*
- *Enabling pro-active management and follow-up of operational deficiencies*
- *Defining and refining the allocation for the ownership of operational risks*
- *Embed operational risk awareness culture through (e.g. with training)*
- *Improve the Group's ability to remediate pressing issues with limited resources*

Each business unit and branch is required to manage its operational risks in compliance with the Risk Management Policy. Risk assessments are conducted on a monthly basis and follow a top-down approach. Risk assessments are supported by the following data gathering processes:

- *Risk metric are quantitative measurements that support the monitoring of risk appetite and operational and compliance activities in general. Metrics include key risk indicators, key performance indicators and key control indicators.*
- *Operational loss and near-miss events are monitored for adverse trends. Due to limited volumes operational loss events are generally insignificant.*
- *The issue remediation and closure process tracks high impact issues identified by management and issues raised by internal audit, external audit and regulators.*

Data collected from the above processes are included in risk reporting and form part of the Group's overall risk assessment and remediation processes.

	2018	2017
Operational loss value (NAD)	2 000	1 614 000
Number of metrics	91	70
Number of issues remediated	15	28
Number of open issues carried over	12	13

ANNEXURE A: RISK REPORT (UNAUDITED) (Continued)

REPUTATION AND STRATEGIC RISKS

For the 2018 financial year a major focus of the Group was on strategic projects, in particular EFT, card issuing and electronic banking. The lack of a full range of electronic channels makes it challenging to meet financial performance targets. Although progress was made with the local debit card project, the 2019 financial year is expected to be occupied mainly with the resolution of outstanding strategic projects.

The Group's primary top risk is influenced by the strategic environment and relates to the continued difficulty experienced with raising domestic depositor funding within the Namibian market. The lack of a full range of electronic services is seen as the primary contributor to this top risk.

CREDIT RISK

Credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximise the Group's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Credit risk is considered one of the most important risks to the Group. It emerges through the losses and uncertainty over future gains generated by the loan portfolio, due to the possibility of a default on the part of the customer (and guarantor, when applicable), issuer of a security or counterparty in a contract. Strict and prudent criteria are maintained in the granting of loans so as to preserve the good quality of the Group's portfolio as part of the Credit Policy approved by the board.

Credit risk management is undertaken by the Credit Department, whose activity is regulated by the principles and rules of granting and monitoring the loans defined in the Credit Policy. All credit applications are submitted to the Board Credit Council for approval. No other person or committee has any credit mandates.

Credit Risk Profile	**2018**	**2017**
Credit loss ratio (% of advances)	*0%*	*0%*
Non-performance loans (% of advances)	*0%*	*0%*
Arrears (% of advances)	*0%*	*0%*
Specific impairments (% of advances)	*0%*	*0%*

For purposes of determining credit risk-weighted assets the Group does not net loans or advances against liabilities from the same client. Collateral used in credit operations primarily constitute property mortgages, cession of insurance policies and cash securities and valuation is based on the best fair value estimate of the collateral. The bank does not trade in credit derivatives. Besides loans and advances to clients the Group's main credit counterparties are the Government of Namibia and the Namibian interbank market. Loans and advances are not granted beyond the borders of Namibia.

Although the Group has credit concentration risk in the central and coastal region of Namibia and in the fishing, construction, real estate, and catering industries, it intends to diversify these exposures as the credit book grows. The Group's significant capital buffer serves as defence against unexpected credit losses and as a result credit risk stress testing is still limited. The Group intends to develop more sophisticated stress testing and scenario analysis as more resources become available and the sophistication of the credit book increases.

MARKET RISK

Market risk is the exposure to adverse fluctuations in the price or value of an instrument traded or held as an investment, including risk associated with re-pricing, yield curve, basis and options. The Group does not take speculative positions and uses derivatives only for the purpose of hedging open positions. The Group's market risk primarily arises in the form of interest rate risk and currency risk.

INTEREST RATE RISK

Interest rate risk is the risk of loss from fluctuations in interest rates. The book of interest-sensitive assets and liabilities is seen as asset-sensitive since in general more assets are sensitive to re-pricing compared to liabilities. The Group expects floating interest rates to remain stable. If interest rates increase the Group stands to benefit from the increase due to its asset-sensitive variable rate exposures.

Basis risk represents the risk that changes in the price of a hedge position does not match the change in the price of the position it hedges, and/or the change in price basis or spread between two rates or indices changes, e.g. the price of an asset does not change in the same manner as change in liability, or the spread between the funding and lending rate changes. The imperfect correlation between the two creates a potential for excess gains or losses in a hedging strategy, thus adding risk to the position. Both interest rate risk and basis risk are monitored by ALCO on a monthly basis.

CURRENCY RISK

Currency risk arises from fluctuations within the currency market. The Group adopts a neutral policy whereby all transactions giving rise to currency risk are immediately hedged. For the financial year foreign currency trade volumes were relatively low. The board sets specific limits for open positions, which is monitored by ALCO and Finance. The Group complied with its internal limits.

The Group is primarily exposed to USD, EUR and GBP as a result of customer foreign currency (CFC) accounts and loans granted by related entities in the wider Banco BIC Group.

LIQUIDITY RISK

Liquidity risk relates to the potential that the Group may be unable to meet its obligations as they become due. Liquidity risk is managed in terms of contractual maturity mismatches as reflected by the Group's maturity ladder of assets and liabilities. The Group intends to develop a behaviour analysis of liquidity mismatches to supplement the existing contractual mismatch approach. The Liquidity Risk Management Policy as approved by the board is based on conservative criteria that aim to ensure adequate liquidity levels to cover the Group's needs, to comply with liquid asset requirements and to cater for unplanned cash outflows.

ANNEXURE A: RISK REPORT (UNAUDITED) (Continued)

Operationally, liquidity is monitored on a daily basis by the Treasurer who reports to the Financial Manager and CEO. The Financial Manager and Treasurer are responsible for executing decisions taken by ALCO. They provide ALCO and the board with sufficient and accurate information on the current economic climate and the state of affairs of the Group's deposits, loans and liquidity risk exposure. Oversight of liquidity risk has been implemented as follows:

- *ALCO is responsible for monthly monitoring as per the requirements of the board-approved ALCO Charter.*
- *The Risk Committee is responsible for noting of key outcomes and risks associated with liquidity and to challenge actions taken by ALCO to remedy issues.*
- *The Board Risk Committee is responsible for board-level oversight of liquidity risk and reporting to the board on material matters.*
- *The Board of Directors approves the liquidity risk appetite, policies, limits, targets and guidelines, as well as approving any risk acceptance that may take place.*

LIQUIDITY RISK (continued)

Deviations from the Liquidity Risk Management Policy and any materially adverse changes to the liquidity risk exposure are dealt with by the Contingency Funding Planning team as described in the liquidity policy.

In terms of contingency lines of funding, the Group possesses the following standby facilities available from related parties. Currency risk exposure created by utilising these standby facilities are fully hedged through forward exchange agreements.

Standby facilities	**Total EUR**	**Utilised EUR**	**Available EUR**
Banco BIC Português. S.A.	*20 000 000*	*-*	*20 000 000*
Banco BIC Cabo Verde, S.A.	*20 000 000*	*5 000 000*	*15 000 000*

The Group is in the process of developing liquidity risk stress testing for purposes of enhancing ALCO oversight of liquidity risk.

FINANCE AND TAX RISK

The implementation of strategic projects is planned to put the Group on track to meet its financial performance targets. The Group possesses a significant capital buffer that is intended to absorb start-up operating losses until such time that break-even can be achieved.

OPERATIONAL RISKS

As one of the Group's principal risks, operational risk is defined as the risk of financial losses resulting from failures or inadequacies in the information systems, internal processes and persons, or as a consequence of external factors. Operational risk includes legal risk, but excludes reputation and strategic risks. The Group is exposed to a wide variety of operational risks.

Projects

Project delivery is impacted by the Group's limited economies of scale and consequent dependency on external vendors. Projects are carefully prioritised, which may sometimes result in delays in other areas. A significant portion of the Group's activities remain focussed on strategic start-up projects.

Business Continuity

Business continuity management (BCM) occurs in terms of a board-approved Business Continuity Policy, which requires the development of both a Business Continuity Plan (BCP) and Disaster Recovery Policy and Plan (DRP). Although a BCP has been created, it has not yet been tested. The DRP is in development. The Group aims to conduct disaster recovery testing at least once per annum. A partial disaster recovery failover test of specific key systems was performed and the Group is working towards creating a full scope testing capability.

People Risk

Due to limited economies of scale specific succession planning risks exist, but support from Banco BIC Angola and Banco BIC Portugal may be called upon in case of need.

Workforce	**2018**	**2017**
Authorised head count	*50*	*38*
Actual head count	*37*	*31*

Authorised head count makes provision for the implementation of retail branches that are underway.

Financial Crime Risk

Due to the lack of electronic channels the Group's exposure to financial crime risk is low. Instances of other types of criminal activities, both internal and external, have been limited.

Legal Risk

The services of Engling, Stritter and Partners are utilised for all legal matters.

Compliance Risk

The Group maintains a compliance universe that serves as the foundation for its compliance oversight efforts and further assesses the degree of compliance through the use of compliance risk management plans for key and core legislation. This process is still at an early stage, which is commensurate with the maturity of the overall compliance process and available resources. New legislation and changes to existing legislation are regularly communicated to management and also included in monthly compliance reporting to the Risk Committee.

ANNEXURE A: RISK REPORT (UNAUDITED) (Continued)

Compliance Risk (Continued)

The board-approved AML/CTF compliance programme is reviewed annually. Customer due diligence occurs for new clients and transactions within the branches and departments where they originate. The Group utilises the Argus AML system that integrates with the core banking system to monitor transactions. Suspicious transaction reports are regularly submitted to the Financial Intelligence Centre within the required deadlines. Sanction screening is conducted on correspondent banks and high risk clients.

Technology Risk

The core banking system and supporting systems reside in Namibia. The Group outsources part of the IT function to Banco BIC Angola and Banco BIC Portugal which is arranged through formal written agreements. The top focus areas of technology risk include addressing gaps identified by the information security internal audit as part of continuous improvement, timely management of IT service delivery by the different vendors and the development of a comprehensive IT policy framework that adapts to the ongoing changes in the operating environment.

Insurance

Short term insurance cover underwritten by Santam Namibia is in place for damages, theft, crime and civil liability, loss of documents, legal costs, wrongful arrest, employers' liability and other general claims.