

BANK BIC NAMIBIA LIMITED
(REGISTRATION NUMBER :2015/0682)
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017

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BANK BIC NAMIBIA LTD

REGISTRATION NUMBER : 2015/0682

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Namibia Dollar (N\$), unless otherwise indicated)

FINANCIAL HIGHLIGHTS

	2017	2016	2015
Total Assets, net	286.086.715	297.798.328	17.151.474
Business Turnover	136.953.916	23.398.601	-
Loans and advances to clients	112.636.421	9.613.053	-
Deposits from clients	24.317.495	13.785.548	-
Shareholders' Equity	243.722.347	266.774.801	831.153
Profitability			
Net interest income	20.145.768	11.918.517	8.605
Net operating income	20.945.702	12.794.447	(595.408)
Net operating income /Net assets	7%	4%	-3%
Net Operating income per employee	675.668	511.778	(45.801)
Net income /(Loss)	(23.052.454)	(27.206.352)	(6.018.847)
Efficiency Ratios			
General operating expenses/Net Operating Income	-87%	-183%	N/A
Staff costs/ Net operating income	-83%	-89%	N/A
Distribution Network	2	1	-
Number of Employees	31	25	13

MESSAGE FROM THE CHAIRMAN

Bank BIC Namibia commenced operation in June 2016 and thus we are completing our first complete year of activity.

We are a Namibian bank, focused on serving the Namibian market and aiming to cooperate in the strengthening of the economic and financial relations between Namibia and Angola. Under the Internationalization strategy of the BIC Universe, we want to become the banking business partner for all Namibian and Angolan entities, either corporate or individuals, doing business in both countries.

To cope with this strategy and objectives, we count on the support of Banco BIC (Angola), one of the major players in the Angolan financial market.

Also, due to the international presence of the BIC Universe in Europe through Portugal (EuroBIC), we are in a very good position to support all trade and investment flows between Namibia and Europe.

In the first complete year of activity, the effort of the Bank was directed to achieve the necessary conditions to operate in the market, assuring the development of the commercial area in a sustained way, focused on the client and in the quality of the service provided, with an adequate control of the risks inherent to the banking activity.

During 2017 we continued to face several constraints related to changes that are currently taking place in the industry, such as the payment and settlement system, that prevented us offering our clients a complete package of services, in order to level the playing field with our competitors. We are also aware of other operational issues that took longer than expected to enter into production. All those are being continuously monitored to ensure that we can exceed our client expectations in the coming year.

We started with a commercial branch in Windhoek and, during 2017, we opened the Walvis Bay branch and corporate center and started arrangements for the opening of a second branch and corporate center in Windhoek (Prosperita). We expect to open two or three additional branches in 2018, those being part of our commercial and expansion plan in Namibia.

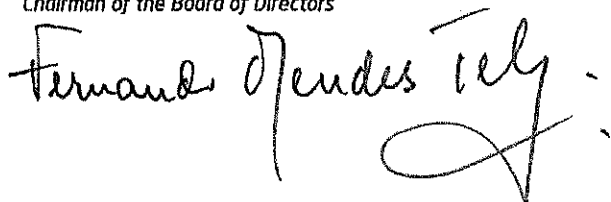
In Namibia we also want to follow our DNA of being a strong and competitive commercial bank, dedicated either to corporates or individuals, with a strong focus on the international trade and foreign currency transactions.

To achieve this purpose, Bank BIC Namibia operates with a strong and solid shareholder structure, as well as highly qualified and motivated employees. We surely hope to deserve the confidence of our clients.

I would like to finish with a special word of appreciation to the Bank of Namibia, for its cooperation and support since the entering of the BIC brand in Namibia.

In Namibia, like in all countries of the BIC Universe, we embrace our logo of "Growing Together".

Fernando Mendes Teles
Chairman of the Board of Directors



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 balance sheet as at 31 December 2017, 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.

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.

DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 8 to 35, were approved by the Board of Directors and are signed on their behalf by:

Windhoek, 23 March 2018

Jaime Perelra
Vice - Chairman

Lindsay Crawford
Executive Director

INDEPENDENT AUDITOR'S REPORT To the Shareholders of Bank BIC Namibia Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank BIC Namibia Limited set out on pages 8 to 9 and 11 to 35, which comprise the directors' report and balance sheet as at 31 December 2017 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Separate Financial Statements section of our report. We are independent of the Entity and Group in accordance with the independence requirements applicable to performing audits of financial statements in Namibia which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B) (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the financial highlights, message from the chairman, directors' responsibility for financial reporting, directors' approval of the financial statements and the organisational structure obtained prior to the date of this report. 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 and, in doing so, consider whether the other information is materially

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Bank BIC Namibia Limited (continued)

Other Information (continued)

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:

- 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such

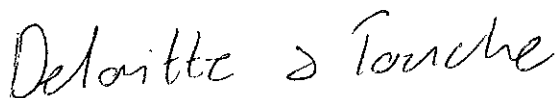
INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Bank BIC Namibia Limited (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or 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.



Deloitte & Touche

Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Johann Cronjé
Partner
Windhoek
24 April 2018

BANK BIC NAMIBIA LTD

REGISTRATION NUMBER : 2015/0682

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Namibia Dollar (N\$), unless otherwise indicated)

DIRECTORS' REPORT

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 14 of the annual financial statements).

FINANCIAL RESULTS FOR THE YEAR

The results and financial position of the Bank for the year ended 31 December 2017 are fully disclosed in the financial statements set out on pages 11 to 35 of this report.

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 14 of the annual financial statements. There were no changes in share capital for the current year.

INSURANCE

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

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure incurred during the financial year amounted to N\$ 8,7m (2016: N\$ 2m), as disclosed in note 8 of the annual financial statements.

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	

REGISTERED OFFICE AND ADDRESS

Av Dr Agostinho Neto Road, Unit 6
Aussplannplatz
Windhoek
Namibia

POSTAL ADDRESS

P.O. BOX 5001
 Aussplanplatz
 Windhoek
 Namibia

SECRETARIAL SERVICES

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

AUDITORS

Deloitte & Touche
 Deloitte building, Maerua mall
 P.O box 47, Windhoek
 Windhoek Namibia

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. During the year under review, the Directors became aware of certain areas where the systems of financial control may be improved and are in the process of evaluating the most efficient and appropriate manner in which to improve.

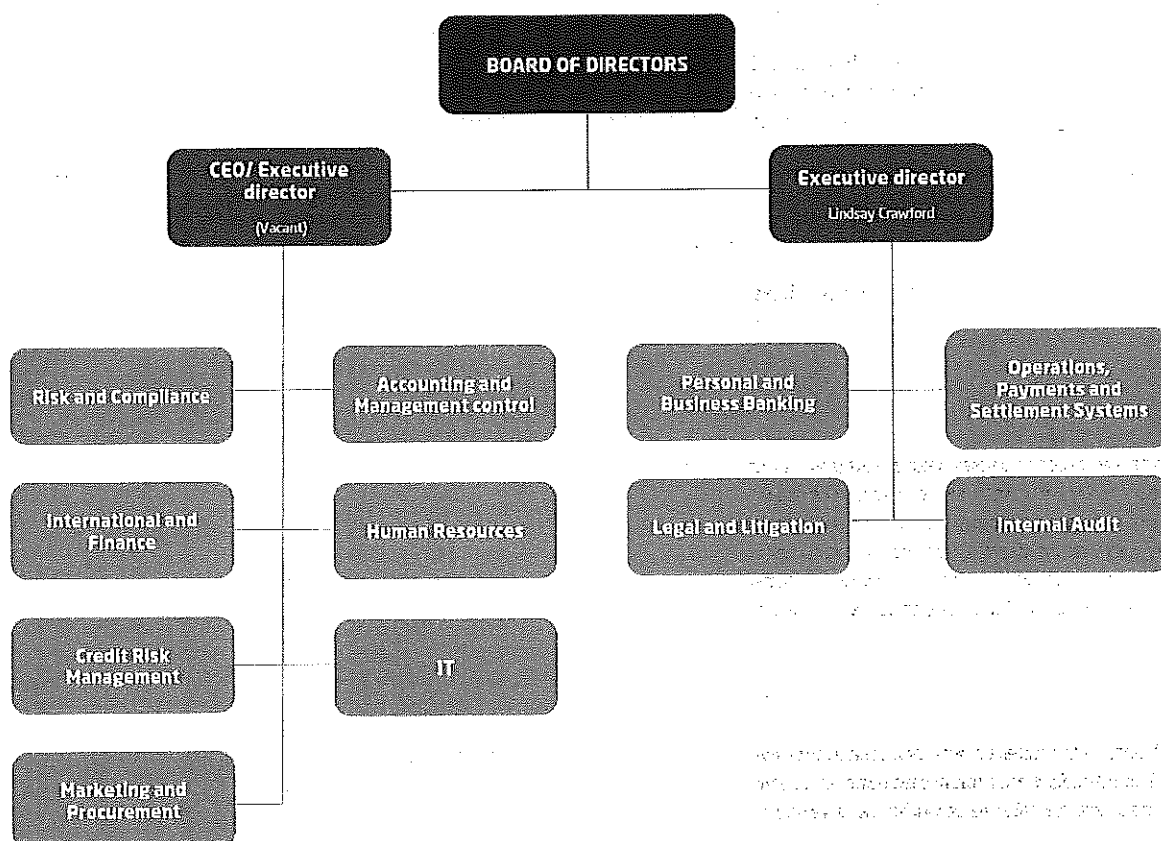
GOING CONCERN

The Directors, in performing their assessment of the Banks' ability to continue as a going concern, have no reason to doubt that the Bank has access to adequate resources to continue in operational existence for the foreseeable future. The going concern basis in preparing financial statements is considered appropriate and, therefore, the Directors believe that the Bank will operate as a going concern in the year ahead.

EVENTS SUBSEQUENT TO YEAR END

No material matters that could effect the annual financial statements occurred between year end and date of approval of annual financial statements.

ORGANISATIONAL STRUCTURE



BALANCE SHEET AS AT 31 DECEMBER 2017 AND 2016

	Notes	2017	2016
ASSETS			
Cash and balances with central bank	3	2,354,202	660,677
Balances due from other banks	4	22,047,638	62,325,992
Financial assets	5	72,274,781	117,761,560
Loans and advances to financial institutions	6	40,827,772	76,951,446
Loans and advances to clients	7	112,636,421	9,613,053
Other tangible assets	8	16,146,913	9,670,243
Intangible assets	9	17,920,580	19,172,358
Other assets	10	1,878,408	1,642,999
TOTAL ASSETS, NET		286,086,715	297,798,328
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits from financial institutions	11	8,554,851	-
Deposits from clients	12	24,317,495	13,785,548
Other liabilities	13	9,492,022	17,237,979
TOTAL LIABILITIES		42,364,368	31,023,527
SHAREHOLDERS' EQUITY			
Share capital	14	300,000,000	300,000,000
(Accumulated loss)		(56,277,653)	(33,225,199)
TOTAL EQUITY		243,722,347	266,774,801
TOTAL LAIBILITIES AND SHAREHOLDERS' EQUITY		286,086,715	297,798,328

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

	Notes	2017	2016
Interest and similar income		20,807,941	11,982,919
Interest and similar expenses		(662,173)	(64,402)
Net interest income	15	20,145,768	11,918,517
Impairment of loans and advances	6,4/7,4	(1,083,395)	(97,123)
Net interest income after impairment of loans and advances		19,062,373	11,821,394
Non-interest income	16	1,883,329	973,053
Income from operations		20,945,702	12,794,447
Staff costs	17	(17,300,839)	(11,406,577)
Operating expenditure	18	(18,296,006)	(23,455,674)
Depreciation and amortisation	19	(8,401,311)	(5,138,548)
Loss before taxation		(23,052,454)	(27,206,352)
Taxation	20	-	-
Net loss for the year		(23,052,454)	(27,206,352)
Other comprehensive income		-	-
Total comprehensive loss for the year		(23,052,454)	(27,206,352)

BANK BIC NAMIBIA LTD

REGISTRATION NUMBER : 2015/0682

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Namibia Dollar (N\$), unless otherwise indicated)

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

	Share Capital	Other reserves	Accumulated loss	Total Equity
Balances at 31 December 2015	4.000	6.846.000	(6.018.847)	831.153
Transfer to share capital	6.846.000	(6.846.000)	-	-
Share capital increase	293.150.000	-	-	293.150.000
Loss for the year	-	-	(27.206.352)	(27.206.352)
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

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

	Notes	2017	2016
Cash flows from operating activities			
Income from services and commissions		1,369,981	262,723
Interest and similar income		19,484,331	8,874,799
Charges from interest and commissions		(995,298)	(211,555)
Cash paid to suppliers and employees		(35,596,845)	(34,861,668)
Gains/losses of foreign exchange		846,473	856,900
Results from operating activities	23	(14,891,358)	(25,078,801)
(Increase)/decrease in operating assets			
Investment in securities		45,584,117	(114,666,377)
Loans and advances to financial institutions		37,182,685	(76,936,421)
Loans and advances to clients		(103,939,501)	(9,712,264)
Other Assets		(235,409)	(1,582,510)
		(36,299,466)	(227,976,373)
Increase/(decrease) in operating liabilities			
Deposits from financial institutions		8,554,851	-
Deposits from clients		10,531,946	13,785,547
Other liabilities		(7,745,957)	917,658
		11,340,840	14,703,205
Net cash flow generated from operations		(24,958,626)	(213,273,168)
Cash flows from investing activities			
Additions to property, plant and equipment		(8,721,976)	(2,042,715)
Additions to computer software and development cost		(4,904,227)	(18,418,724)
Net cash utilized in investing activities		(13,626,203)	(20,461,439)
Cash flows from financing activities			
Increase share capital		-	293,150,000
Net cash generated from financing activities		-	293,150,000
Net (decrease) /increase in cash and cash equivalents		(38,584,829)	59,415,393
Cash and cash equivalents at beginning of the year		62,986,669	3,571,276
Cash and cash equivalents at the end of the year		24,401,840	62,986,669

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 two branches, one 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 except for the available for sale financial assets and for the financial assets and liabilities at fair-value through profit and loss, and incorporate the principal policies set out below.

2.2 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 1 - First-time Adoption of International Financial Reporting Standards	Amendments resulting from Annual Improvements 2014-2016 Cycle (removing short-term exemptions)	1 January 2018
IFRS 9 - Financial Instruments	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	1 January 2018
IFRS 9 - Financial Instruments	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 January 2019
IFRS 15 - Revenue from Contracts with Customers	Amendments to defer the effective date to 1 January 2018	1 January 2018
IFRS 15 - Revenue from Contracts with Customers	Clarifications to IFRS 15	1 January 2018
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. However, the Board of Directors anticipate that the adoption of the above mentioned standards, amendments and interpretations will have no material impact on the financial statements in future periods. It is however expected that the implementation of IFRS 9 will result in additional disclosure as well as could lead to an increase in the impairment due to the change from incurred loss to an expected loss model. There may also be changes in the classification and valuation of financial assets other than advances.

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 from other debtors

Are recorded at nominal value, with the respective income, namely interest and commissions, recognised throughout the period of the operations, when operations that produce cash flows over a period longer than one month are involved. Whenever applicable, external commissions and costs imputable to loans and advances to clients are included in this financial asset category and recognized throughout the maturity of the loans.

Loans and other accounts receivable are subject to impairment tests.

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 2017, 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.

Under the terms of Bank of Namibia BID – 2, the minimum impairment requirement for these financial instruments are detailed as follow:

- for loans graded "Pass" or "Acceptable"	1%
- for loans graded "Watch" or "Special Mention"	2%
- for loans graded "Substandard"	10%
- for loans graded "Doubtful"	50%
- for loans graded "Loss".	100%

For this purpose, it's considered the following:

"Pass" or "Acceptable" – any asset performing in accordance with contractual terms, and is expected to continue doing so;

"Watch" or "Special Mention" – any asset which is overdue 60 days or more but less than 90 days shall be classified as Special mention, at a minimum;

"Substandard" – any asset which is overdue 90 days or more but less than 180 days shall be classified as Substandard at a minimum;

"Doubtful" – any asset which is overdue 180 days or more but less than 260 days shall be classified as Doubtful at a minimum unless: (i) such assets are well-secured; (ii) legal action has actually commenced; and (iii) the time needed to realise collateral does not exceed one year after judgement. Guarantees should be honored within 90 days of call to preclude a Doubtful classification;

"Loss" – any asset which is overdue 360 days or more shall be classified as Loss and shall be written-off within 90 days after being classified as a "loss" against the provisions for loan losses unless such loan is: (i) well-secured; (ii) legal action has commenced; and (iii) the time needed to realise collateral does not exceed one year after judgment. Guarantees must be honored within 90 days of call to preclude Loss classification.

In 2017, the Directors took into consideration the requirements of IAS 39: Financial Instruments Recognition and Measurements, and consider BID - 2 provision described above to approximate the impairment recognition that would be required under IAS 39.

2.5.4 Other financial assets and liabilities

Other financial assets and liabilities are recognised and valued pursuant to IAS 32 and IAS 39, and recorded on their contracting date at their fair value.

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

As mentioned above, financial assets recorded under "Financial assets available for sale" are valued at 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.

2,5,4,3 Loans and accounts receivable

These are financial assets with fixed or determinable payments, not listed on an active market and not included in any other financial asset category.

These assets are initially recognised at their fair value, less any commissions included in the effective rate, plus all incremental costs directly attributable to the transaction. Subsequently, these assets are recognised in the balance sheet at amortised cost, less impairment losses and provisions.

Interest is recognised on the basis of the effective rate method, which allows for calculation of the amortised cost and distribution of the interest over the period of the operations.

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 Other tangible assets

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

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.

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

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 disburseable 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.

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.

	2017	2016
3 CASH AND BALANCES WITH CENTRAL BANK		
Cash	2.127.734	597.953
Current account with central bank	226.468	62.724
	2.354.202	660.677
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		
Deposits with local banks	6.374.575	55.671.329
Deposits with foreign banks		
- Banco BIC Português, S.A. (Note 21,3)	15.673.063	6.654.663
	22.047.638	62.325.992
Placements with other banks are callable on demand.		
5 FINANCIAL ASSETS		
5,1 Available for sale		
Treasury bills	69.082.260	114.666.377
Accrued interest	3.192.521	3.095.183
	72.274.781	117.761.560
As at 31 December 2017 and 2016, Treasury bills earn interest at the average rates of 8,52% and 8,61%, respectively.		
5,2 Maturity structure		
-One year or less	72.274.781	117.761.560
-Five years or less but over one year		
-Over five years		
	72.274.781	117.761.560
5,3 Valuation		
-Book value	72.274.781	117.761.560
-Market value	72.274.781	117.761.560
6 LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS		
6,1 Loans and receivables		
Loans and advances to banks:		
Central bank	5.353.738	74.636.422
Local banks	30.000.000	-
Foreign banks		
- Banco BIC Português, S.A. (Note 21,3)	3.500.000	2.300.000
- Other	900.000	-
Accrued interest	1.118.034	15.024
Less credit impairment (Note 6,4)	(44.000)	-
	40.827.772	76.951.446

As at 31 December 2017 and 2016, placements with financial institutions earn interest at the following average interest rates by currency:

NAD	7,69%	6,98%
ZAR	6,00%	6,00%

	2017	2016
6,2 Maturity structure		
-One year or less	40.827.772	76.951.446
-Five years or less but over one year	-	-
-Over five years	-	-
	40.827.772	76.951.446
6,3 Geographical analysis		
Namibia	36.466.365	74.650.689
Outside Namibia	4.361.407	2.300.757
-Portugal	3.465.000	2.300.757
-South Africa	896.407	-
	40.827.772	76.951.446
6,4 Impairment of loans and advances to financial institutions		
Balances at the beginning of year	-	-
Debts written off	-	-
Current year charge	(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.		
7 LOANS AND ADVANCES TO CLIENTS		
7,1 Category analysis		
Mortgage loans	77.935.764	8.596.068
-Individuals	9.726.062	8.596.068
-Business	68.209.702	-
Business loans	31.051.872	-
Asset based finance	2.372.789	1.053.664
Overdrafts	2.074.952	14.986
Personal loans	216.387	47.545
Gross loans and advances to clients	113.651.764	9.712.263
Accrued interest	139.471	9.221
Deferred income	(18.296)	(11.308)
Less credit impairment (Note 7,4)	(1.136.518)	(97.123)
Net loans and advances to clients	112.636.421	9.613.053
7,2 Sectoral analysis		
Retailers, catering and accommodation	56.260.575	8.596.067
Construction and real estate	27.838.373	-
Agriculture, hunting and fishing	21.001.676	-
Business services	4.561.713	-
Individuals	3.555.921	1.116.196
Transport and communication	433.506	-
	113.651.764	9.712.263
7,3 Maturity structure		
-One year or less	29.928.438	740.039
-Five years or less but over one year	6.607.760	4.486.066
-Over five years	77.115.566	4.486.158
	113.651.764	9.712.263

As at 31 December 2017 and 2016, there were no overdue loans and interest.

7.4 Impairment of loans and advances to clients

Balances at the beginning of the year

-Specific impairments

-Portfolio impairment

Bad debts written off

Current year charge

Bad debts recovered

Balances at the end of the year

-Specific impairments

-Portfolio impairment

	2017	2016
Balances at the beginning of the year	(97.123)	-
-Specific impairments	-	-
-Portfolio impairment	(97.123)	-
Bad debts written off	-	-
Current year charge	(1.039.395)	(97.123)
Bad debts recovered	-	-
Balances at the end of the year	(1.136.518)	(97.123)
-Specific impairments	-	-
-Portfolio impairment	(1.136.518)	(97.123)

As at 31 December 2017, the entire loan portfolio of the Bank was graded as "Pass" or "Acceptable" under the terms of Bank of Namibia BID - 2. Accordingly, the impairment recorded in the year consisted in the consideration of the minimum percentage of 1%, applied to the entire portfolio.

8 OTHER TANGIBLE ASSETS

	Leasehold Improvements	Furniture & Equipment	IT Equipment	Other Installations	Security Equipment	Total
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 19)	(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)
2016						
Carrying amount at 31 December 2015	2.223.843	1.765.858	3.947.359	1.197.296	59.792	9.194.148
-at cost	2.223.843	1.809.454	4.181.011	1.197.296	59.792	9.471.396
-accumulated depreciation	-	(43.596)	(233.652)	-	-	(277.248)
Additions	268.055	481.094	1.273.155	-	20.411	2.042.715
Depreciation current year (Note 19)	(162.155)	(204.638)	(1.098.749)	(94.291)	(6.787)	(1.566.620)
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)

	Computer software	Development costs	Total
9 INTANGIBLE ASSETS			
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
Amortisation current year (Note 19)	(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)
2016			
Carrying amount at 31 December 2015	286.050	4.039.512	4.325.562
-at cost	288.342	4.039.512	4.327.854
-accumulated amortisation	(2.292)	-	(2.292)
Additions	14.113.840	4.304.884	18.418.724
Transfers	4.039.512	(4.039.512)	-
Amortisation current year (Note 19)	(3.571.928)	-	(3.571.928)
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 depreciation	(3.574.220)	-	(3.574.220)
	2017	2016	
10 OTHER ASSETS			
Deferred expenses	1.504.726	1.222.721	
-IT costs	1.254.526	854.919	
-Insurance	21.180	115.115	
-Other rents	151.316	128.000	
-Other	77.704	124.687	
Sundry debtors and other receivables	373.682	420.278	
	1.878.408	1.642.999	
11 DEPOSITS FROM FINANCIAL INSTITUTIONS			
Deposits from other banks	8.554.851	-	
	8.554.851	-	

As at 31 December 2017, deposits from other banks correspond to non interest bearing vostro accounts from Banco BIC, S.A. (Angola), callable on demand. (Note 21,3).

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	2017	2016
12 DEPOSITS FROM CLIENTS		
12.1 Category analysis		
Current accounts	9,543,543	7,307,556
Savings accounts	10,331,769	2,599,165
Call accounts	1,532,540	2,846,566
Term deposits	2,857,911	1,027,275
	24,265,763	13,780,562
Accrued interest	51,732	4,986
	24,317,495	13,785,548
12.2 Sectoral analysis		
Individuals	18,909,620	10,145,607
Agriculture, hunting and fishing	2,252,171	975
Other services	1,415,607	934,030
Construction and real estate	635,685	2,554,356
Retailers, catering and accommodation	594,242	9,085
Business services	316,740	950
Transport and communication	132,594	128,617
Manufacturing	4,566	4,967
Mining	4,538	1,975
	24,265,763	13,780,562
12.3 Maturity structure		
-One year or less	24,236,373	13,780,562
-Five years or less but over one year	29,390	-
-Over five years	-	-
	24,265,763	13,780,562
13 OTHER LIABILITIES		
Creditors	8,915,643	13,359,208
-Local suppliers	1,012,884	3,383,286
-Foreign suppliers	7,902,759	9,975,922
Accruals	573,097	3,820,433
Deferred income	1,014	2,523
Clearing, settlement and internal accounts	2,268	55,815
	9,492,022	17,237,979

As at 31 December 2017 and 2016, the amounts within the caption "Foreign suppliers" include initial costs with the implementation of the Bank, that are due to related parties (Note 21.3)

14 SHARE CAPITAL

As at 31 December 2017 and 2016, the share capital of the Bank was held by the following shareholders:

	% Capital	No. of shares	Amount
Shareholder structure			
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

The net loss for the year ended 31 December 2016, amounting to N\$ 27,206,352, was transferred to the caption "Retained earnings", following the decision of the General Meeting held on the 27 April 2017.

	2017	2016
15 NET INTEREST INCOME		
Loans and advances to clients	3,611,346	285,340
Placements with other banks	5,785,247	7,793,237
Financial assets (Treasury bills)	11,411,348	3,904,342
Total interest and similar income	20,807,941	11,982,919
Deposits from banks and other financial institutions	(227,838)	-
Deposits from clients	(434,335)	(64,402)
-Current accounts	(4)	-
-Savings deposit	(248,129)	(44,472)
-Call deposits	(101,363)	(19,930)
-Term deposits	(84,839)	-
Total interest and similar expense	(662,173)	(64,402)
Net Interest income	20,145,768	11,918,517
16 NON-INTEREST INCOME		
For loans to clients	308,708	-
For services provided	1,059,764	169,048
-Maintenance fees	533,414	119,396
-Foreign transaction fees	295,957	29,173
-Other	230,393	20,479
For guarantees provided	1,509	94,258
Total fee and commission income	1,369,981	263,306
Transaction processing fee	(333,125)	(147,153)
Total fee and commission expense	(333,125)	(147,153)
Foreign exchange gains and losses	846,473	856,900
Total fair value gains/(losses)	846,473	856,900
Total non-interest income	1,883,329	973,053
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 exchange position.		
17 STAFF COSTS		
Salaries, wages and allowances of employees	(13,383,202)	(7,498,573)
Directors' remuneration and benefits	(3,103,164)	(3,399,448)
Staff training	(656,350)	(401,480)
Board sitting fees	(70,000)	-
Other staff costs	(88,123)	(107,076)
	(17,300,839)	(11,406,577)

As at 31 December 2017 and 2016, the Bank had 31 and 25 employees, respectively.

	2017	2016
18 OPERATING EXPENDITURE		
IT costs	(4,605,031)	(5,182,834)
Operating lease charges	(3,079,713)	(3,174,983)
-Property rental	(2,378,622)	(3,089,634)
-Motor vehicles	(701,091)	(85,349)
Professional fees	(2,951,733)	(7,454,210)
Communication	(1,927,186)	(894,837)
Value Added Tax	(1,613,484)	(1,140)
Advertisement and marketing	(667,748)	(471,379)
Travel and accommodation	(597,750)	(573,885)
Insurance costs	(397,116)	(214,405)
Auditors' remuneration	(385,269)	(200,000)
Duties and other	(139,004)	(2,101,279)
Other expenses	(1,931,972)	(3,186,722)
Total operating expenditure	(18,296,006)	(23,455,674)
19 DEPRECIATION AND AMORTISATION		
Depreciation (Note 8)	(2,245,306)	(1,566,620)
Amortisation (Note 9)	(6,156,005)	(3,571,928)
	(8,401,311)	(5,138,548)

20 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 2017 and 2016.

Deferred tax

As at 31 December 2017 and 2016, no deferred tax asset has been recognised since, at the present date, there is insufficient evidence that there will be enough future taxable profit against which the tax loss carried forward can be utilised.

Tax losses carried forward as at December 31, 2017 and 2016 amounts to N\$ 56,277,653 and N\$ 33,225,199, respectively.

21 RELATED PARTIES

21.1 Parent company

Bank BIC Namibia Ltd majority shareholder is Bank BIC Namibia Holdings Ltd (95%) (2016: 95%), which is incorporated in Namibia. No single entity or individual controls a majority of Bank BIC Namibia Holdings Ltd's voting rights.

21.2 Identify of related parties with whom transactions have occurred

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

21.3 Related party balances and transactions

	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	6	-	-	3.500.000	-	3.500.000
Intangible assets*	9	-	-	1.102.528	-	1.102.528
Other assets	10	210.639	-	-	-	210.639
LIABILITIES						
Deposits from financial institutions	11	-	8.554.851	-	-	8.554.851
Deposits from clients	12	-	-	-	85.706	85.706
Other liabilities	13	-	6.283.762	1.512.691	-	7.796.453
COMPREHENSIVE INCOME						
Interest and similar income	15	-	-	536.601	-	536.601
Directors' remuneration and benefits	17	-	-	-	(3.173.164)	(3.173.164)
Operating expenditure	18	-	-	(637.068)	-	(637.068)

* Relates to expenditure incurred in relation to IT system development, capitalised in the current year, in accordance with IAS 38.

	Note	Bank BIC Namibia Holdings Ltd	Banco BIC, S.A.	Banco BIC Português, S.A.	Members of the board of directors	TOTAL
2016						
ASSETS						
Balances due from other banks	4	-	-	6.654.663	-	6.654.663
Loans and advances to financial institutions	6	-	-	2.300.000	-	2.300.000
Other assets	10	39.795	-	-	-	39.795
LIABILITIES						
Deposits from clients	12	-	-	-	531	531
Other liabilities	13	-	5.239.762	4.515.088	-	9.754.850
COMPREHENSIVE INCOME						
Interest and similar income	15	-	-	7.550	-	7.550
Directors' remuneration and benefits	17	-	-	(1.040.000)	(3.399.448)	(4.439.448)

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	2017	2016
22 COMMITMENTS		
22,1 Undrawn committed funding		
Unutilised credit facilities	48,139.075	-
As at 31 December 2017, the Bank had contracted credit limits not yet used by clients of N\$ 48,139,075.		
22,2 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:		
2017	-	1,815.787
2018	2,252.507	1,815.787
2019	2,287.445	1,815.787
2020	2,325.178	1,815.787
2021	2,365.929	1,815.787
Thereafter	2,102.851	1,815.787
	11,333.910	10,894.722

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

23 STATEMENT OF CASH FLOW DISCLOSURE

23,1 Reconciliation of loss before taxation to operating activities

Income/(loss) before taxation	(23,052.454)	(27,206.352)
<u>Adjusted for:</u>		
-Depreciation and amortisation	8,401.311	5,138.548
-Loan impairment, net of reversals and recoveries	1,083.395	97.123
Accrued interest receivable		
-Financial assets	(97.338)	(3,095.183)
-Loans and advances to financial institutions	(1,103.010)	(15.024)
-Loans and advances to clients	(123.262)	2,087
	(14,891.358)	(25,078.801)

24 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 Limited maintains a level of capital which

- (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:

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 reserves (additional paid-in share premium plus retained earnings/undistributed profits) plus minority interests in consolidated subsidiaries, less intangible assets (goodwill, equity funded through capitalisation of revaluation reserves).

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; investments in the capital of other financial institutions; encumbered assets (assets acquired using capital funds but subsequently pledged to secure loans or that are no longer available to cover losses from operations); and reciprocal holdings of capital instruments of banks.

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 assets classified as loss but not fully provisioned for, after applying the different risk weights to the prescribed category of assets as set forth in BID-5 of the Act.

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 risk management systems, an inordinate level of risk, or less than satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required;

(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%.

	2017	2016
Share capital	300.000.000	300.000.000
Retained earnings	(56.277.653)	(33.225.199)
Total qualifying tier 1 capital	243.722.347	266.774.801
Portfolio impairment	1.180.518	97.123
Total qualifying tier 2 capital	1.180.518	97.123
Total regulatory capital	244.902.865	266.871.924
Risk weighted assets:		
Credit risk	119.423.000	10.871.000
Operational risk	17.216.000	9.191.000
Market risk	254.000	1.231.000
Total risk weighted assets	136.893.000	21.293.000
Capital adequacy ratios:		
Leverage Capital	85%	90%
Tier 1 risk-based capital ratio	178%	1253%
Total risk-based capital ratio	179%	1253%

25 FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

2017

ASSETS

Cash and balances with central bank
Balances due from other banks
Financial assets
Loans and advances to financial institutions
Loans and advances to clients
Other tangible assets
Intangible assets
Other assets

At fair value through profit and loss - available for sale	Financial instruments at amortised cost	Non-financial	Total
-	2,354,202	-	2,354,202
-	22,047,638	-	22,047,638
72,274,781	-	-	72,274,781
-	40,827,772	-	40,827,772
-	112,636,421	-	112,636,421
-	-	16,146,913	16,146,913
-	-	17,920,580	17,920,580
-	1,878,408	-	1,878,408
72,274,781	179,744,441	34,067,493	286,086,715

LIABILITIES

Deposits from financial institutions
Deposits from clients
Other liabilities

-	8,554,851	-	8,554,851
-	24,317,495	-	24,317,495
-	8,917,911	574,111	9,492,022
-	41,790,257	574,111	42,364,368

2016

ASSETS

Cash and balances with central bank
Balances due from other banks
Financial assets
Loans and advances to financial institutions
Loans and advances to clients
Other tangible assets
Intangible assets
Other assets

At fair value through profit and loss - available for sale	Financial instruments at amortised cost	Non-financial	Total
-	660,677	-	660,677
-	62,325,992	-	62,325,992
117,761,560	-	-	117,761,560
-	76,951,446	-	76,951,446
-	9,613,053	-	9,613,053
-	-	9,670,243	9,670,243
-	-	19,172,358	19,172,358
-	1,642,999	-	1,642,999
117,761,560	151,194,167	28,842,601	297,798,328

LIABILITIES

Deposits from clients
Other liabilities

-	13,785,548	-	13,785,548
-	13,415,023	3,822,956	17,237,979
-	27,200,571	3,822,956	31,023,527

25.2 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 cash flows (excluding unearned interest) for financial assets and liabilities at year - end.

	On demand and up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 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	-

	On demand and up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non-financial	Total
2016							
ASSETS							
Cash and balances with central bank	660,677	-	-	-	-	-	660,677
Balances due from other banks	62,325,992	-	-	-	-	-	62,325,992
Financial assets	39,756,466	24,703,721	53,301,373	-	-	-	117,761,560
Loans and advances to financial institutions	76,951,446	-	-	-	-	-	76,951,446
Loans and advances to clients	12,899	-	-	1,101,210	8,596,067	(97,123)	9,613,053
Other tangible assets	-	-	-	-	-	9,670,243	9,670,243
Intangible assets	-	-	-	-	-	19,172,358	19,172,358
Other assets	1,642,999	-	-	-	-	-	1,642,999
	181,350,479	24,703,721	53,301,373	1,101,210	8,596,067	28,745,478	297,798,328

LIABILITIES

Deposits from financial institutions	-	-	-	-	-	-	-
Deposits from clients	11,062,423	2,575,510	137,615	10,000	-	-	13,785,548
Other liabilities	17,237,979	-	-	-	-	-	17,237,979
	28,300,402	2,575,510	137,615	10,000	-	-	31,023,527
Net funding gap	153,050,077	22,128,211	53,163,758	1,091,210	8,596,067	28,745,478	266,774,801
Cumulative liquidity gap	153,050,077	175,178,288	228,342,046	229,433,256	238,029,323	266,774,801	-

Undrawn facilities	2017	2016
Banco BIC Cabo Verde, S.A.	20.000.000	20.000.000
Banco BIC Português, S.A.	20.000.000	20.000.000

The above mentioned facilities are denominated in Euro, would on drawdown bear an interest rate of Euribor + 3,5% and mature on 31/12/2019.

25,3 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 25,4 and note 25,5 for disclosure regarding these risks.

25,4 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.

	NAD	EUR	USD	GBP	ZAR	Non-financial	Total
2017							
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 Dec 2017		14,77	12,32	16,65	1,00		

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	NAD	EUR	USD	ZAR	Non-financial	Total
2016						
ASSETS						
Cash and balances with central bank	490,745	55,556	108,487	5,889	-	660,677
Balances due from other banks	55,572,623	6,316,849	262,666	173,854	-	62,325,992
Financial assets	117,761,560	-	-	-	-	117,761,560
Loans and advances to financial institutions	74,650,690	-	-	2,300,756	-	76,951,446
Loans and advances to clients	9,613,053	-	-	-	-	9,613,053
Other tangible assets	-	-	-	-	9,670,243	9,670,243
Intangible assets	-	-	-	-	19,172,358	19,172,358
Other assets	1,642,999	-	-	-	-	1,642,999
	259,731,670	6,372,405	371,153	2,480,499	28,842,601	297,798,328
LIABILITIES						
Deposits from clients	7,737,778	6,020,956	26,814	-	-	13,785,548
Other liabilities	16,923,867	-	314,112	-	-	17,237,979
	24,661,645	6,020,956	340,926	-	-	31,023,527
Net exposure	235,070,025	351,449	30,227	2,480,499	28,842,601	266,774,801
Rates of exchange at 31 Dec 2016		14,45	13,71	1,00		

25.5 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.

	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

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	Average interest rate	Expected change %	Expected change on profit and loss	Variable rate	Fixed rate	Non-interest sensitive	Non-financial	Total
2016								
ASSETS								
Cash and balances with central bank	-	-	-	-	-	660.677	-	660.677
Balances due from other banks	6,68%	1,0	556.713	55.671.329	-	6.654.663	-	62.325.992
Financial assets	7,81%	1,0	-	-	117.761.560	-	-	117.761.560
Loans and advances to financial institutions	6,00%	1,0	769.364	76.936.422	-	15.024	-	76.951.446
Loans and advances to clients	12,54%	1,0	97.123	9.712.263	-	(99.210)	-	9.613.053
Other tangible assets	-	-	-	-	-	-	9.670.243	9.670.243
Intangible assets	-	-	-	-	-	-	19.172.358	19.172.358
Other assets	-	-	-	-	-	1.642.999	-	1.642.999
			1.423.200	142.320.014	117.761.560	8.874.153	28.842.601	297.798.328
LIABILITIES								
Deposits from clients	4,96%	1,0	54.510	5.451.027	1.029.461,00	7.305.060	-	13.785.548
Other liabilities	-	-	-	-	-	17.237.979	-	17.237.979
			54.510	5.451.027	1.029.461	24.543.039	-	31.023.527

25,6 Credit risk

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

	Pass/ Acceptable	Watch/Special Mention/Subst andard	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
2016							
ASSETS							
Cash and balances with central bank	-	-	-	-	660.677	-	660.677
Balances due from other banks	-	-	-	-	62.325.992	-	62.325.992
Financial assets	-	-	-	-	117.761.560	-	117.761.560
Loans and advances to financial institutions	76.951.446	-	-	-	-	-	76.951.446
Loans and advances to clients	9.613.053	-	-	-	-	-	9.613.053
Other tangible assets	-	-	-	-	-	9.670.243	9.670.243
Intangible assets	-	-	-	-	-	19.172.358	19.172.358
Other assets	-	-	-	-	1.642.999	-	1.642.999
	86.564.499	-	-	-	182.391.228	28.842.601	297.798.328

Loans and advances to clients

Refer to note 7 for detail breakdown of credit risk per sector.

As referred in note 2,5, the Bank conducts periodic individual analysis of all customers with loans and receivables (including off-balance sheet liabilities) in the Bank's Balance sheet.

As at 31 December 2017, the Bank considers that the total impairment recorded of N\$ 1.136.518 is adequate to cover credit risk of loans and advances to clients.

Financial assets

As at 31 December 2017, the financial assets are Namibian Treasury bills (rating by Fitch BB+). For Bank of Namibia purposes, treasury bills are classified as unrated.