BANK BIC NAMIBIA LIMITED

(REGISTRATION NUMBER :2015/0682)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2019

CONTENTS **Page**

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 (hereinafter also referred to as "Bank"), comprising the statement of financial position as at 31 December 2019, 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 controls 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 9 to 46, were approved by the Board of Directors and are signed on their behalf by:

Windhoek, 25 January 2021

Jaime Pereira
Chairman

Lindsay Crawford
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bank BIC Namibia Limited

Opinion

We have audited the annual financial statements of Bank BIC Namibia Limited set out on pages 7 to 40, which comprise the statement of financial position as at 31 December 2019, 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 the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Bank BIC Namibia Limited as at 31 December 2019, 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.

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 Annual Financial Statements section of our report.

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) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

The directors are responsible for the other information. The other information comprises the director's responsibility for the financial reporting, the directors report, as required by statute, and annexure A: risk report. The other information does not include the annual financial statements and our auditor's report thereon.

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

9 Axali Doëseb Street
PO Box 24304
Windhoek
Namibia
Tel: +264 61 228 423
+264 61 255 263/4
Fax: +264 61 227 078
info@grandnamibia.com
www.grandnamibia.com

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

Responsibilities of the directors for the Annual Financial Statements

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

In preparing the annual 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 Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual 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 annual 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 annual financial statements, including the disclosures, and whether the annual 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.

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

Grand Namibia
....

Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R Theron - Partner

Windhoek
27 January 2021

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 19 of the annual financial statements).

FINANCIAL RESULTS FOR THE YEAR

The results and financial position of the Bank for the year ended 31 December 2019 are fully disclosed in the financial statements set out on pages 9 to 46 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 421 000 000 ordinary shares of N$ 1 each, as detailed in note 19 of the annual financial statements. Additional share capital was obtained in the current year, the share capital increased by 121 000 000 from 300 000 000 to 421 000 000.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure incurred during the financial year amounted to N$ 3,8m (2018: N$ 6,0m), as disclosed in note 10 of the annual financial statements.

DIVIDENDS

No dividends were declared for the years ended 31 December 2019 and 31 December 2018.

BOARD OF DIRECTORS

Non - Executive Directors	**Nationality**	**Date appointed**
Jaime Pereira (Chairman)	*Portuguese*	*13-Jul-15*
Hugo Teles (Vice - Chairman)	*Portuguese*	*13-Jul-15*
Fernando Teles	*Portuguese*	*13-Jul-15*
Anne Shilengudwa	*Namibian*	*1-May-17*

Executive Directors		
Lindsay Crawford	*Namibian*	*1-Aug-15*
Mauro Anselmo Cipriano Rogerio	*Angolan*	*6-Dec-18*
Ricardo Jorge G Cortez Dos Santos	*Angolan*	*6-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

Grand Namibia
P.O box 24304
9 Axali Doeseb Street
Windhoek

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

Refer to note 31 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%*	*4.210.000*	*4.210.000*
Telesgest B.V.	*0,875%*	*3.683.750*	*3.683.750*

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 2019

	Notes	2019	2018
ASSETS			
Cash and balances with central bank	4	7.852.975	11.227.389
Balances due from other banks	5	46.443.322	46.516.720
Financial assets	6	75.555.529	4.931.385
Derivatives	7	-	2.831.236
Loans and advances to financial institutions	8	117.573.054	80.306.387
Loans and advances to clients	9	215.862.389	193.604.963
Property, plant & equipment	10	17.310.124	18.340.251
Intangible assets	11	21.258.974	15.215.870
Right-of-use asset	12	13.000.562	-
Other assets	13	2.847.154	1.410.289
TOTAL ASSETS, NET		**517.704.083**	**374.384.490**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits from financial institutions	14	33.197.920	29.309.860
Loans from financial institutions	15	79.072.183	82.405.189
Deposits from clients	16	86.976.747	38.885.041
Derivatives	7	3.556.360	-
Lease liability	17	15.589.340	-
Other liabilities	18	6.889.419	7.142.262
TOTAL LIABILITES		**225.281.969**	**157.742.352**
SHAREHOLDERS' EQUITY			
Share capital	19	421.000.000	300.000.000
Credit risk reserve	30	1.898.900	1.938.150
(Accumulated loss)		(130.476.786)	(85.296.012)
TOTAL EQUITY		**292.422.114**	**216.642.138**
TOTAL LAIBILITIES AND SHAREHOLDERS' EQUITY		**517.704.083**	**374.384.490**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
Interest and similar income		*25.807.595*	*20.903.398*
Interest and similar expenses		*(3.519.215)*	*(1.182.662)*
Net interest income	*20*	**22.288.380**	**19.720.736**
Credit impairment losses	*9,5*	*(52.293)*	*1.093.631*
Net interest income after impairment of loans and advances		**22.236.087**	**20.814.367**
Non-interest income	*21*	*(1.988.272)*	*1.608.999*
Fee and commission revenue		*2.018.833*	*1.416.277*
Fee and commission expense		*(474.883)*	*(395.698)*
Foreign exchange gains and losses		*(3.532.222)*	*588.420*
Income from operations		**20.247.815**	**22.423.366**
Staff costs	*22*	*(25.645.926)*	*(18.716.061)*
Operating expenditure	*23*	*(26.185.986)*	*(20.700.446)*
Depreciation and amortisation	*24*	*(10.208.147)*	*(9.963.900)*
Finance cost - leases	*17*	*(1.326.785)*	*-*
Loss before taxation		**(43.119.029)**	**(26.957.041)**
Income tax expense	*25*	*-*	*-*
Net loss for the year		**(43.119.029)**	**(26.957.041)**
Other comprehensive income		*-*	*-*
Total comprehensive loss for the year		**(43.119.029)**	**(26.957.041)**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share Capital	Other reserves - credit risk reserve*	Accumulated loss	Total Equity
Balances at 31 December 2017		**300.000.000**	**-**	**(56.277.653)**	**243.722.347**
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**
IFRS 16 transitional adjustment - 1 January 2019		-	-	*(2.100.995)*	*(2.100.995)*
Balances at 01 January 2019		**300.000.000**	**1.938.150**	**(87.397.007)**	**214.541.143**
Share capital increase		*121.000.000*	-	-	*121.000.000*
Transfer of BID 2 general provision to credit risk reserve		-	*(39.250)*	*39.250*	-
Loss for the year		-	-	*(43.119.029)*	*(43.119.029)*
Balances at 31 December 2019	*19*	**421.000.000**	**1.898.900**	**(130.476.786)**	**292.422.114**

** the credit risk reserve complies with the minimum requirements as set out according to BID-2.*

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
Cash flows from operating activities			
Income from services and commissions		2.018.833	1.416.277
Interest and similar income		24.772.550	24.868.675
Interest and commissions expense		(2.849.491)	(1.578.360)
Cash paid to suppliers and employees		(51.831.912)	(39.416.506)
Gains/losses on foreign exchange		6.423.319	329.459
Cash utilised in operations	28	**(21.466.701)**	**(14.380.456)**
(Increase)/decrease in operating assets			
Investment in securities		(70.092.013)	64.176.619
Loans and advances to financial institutions		(37.095.997)	(40.296.939)
Loans and advances to clients		(21.977.475)	(79.978.254)
Other assets		(1.436.865)	468.119
		(152.069.051)	**(70.010.911)**
Increase/(decrease) in operating liabilities			
Deposits from financial institutions		3.888.060	20.755.009
Deposits from clients		47.059.282	14.567.545
Other liabilities		(551.133)	(2.349.760)
		50.396.209	**32.972.794**
Net cash flow utilised in operating activities		**(101.672.842)**	**(37.038.117)**
Cash flows from investing activities			
Additions to property, plant and equipment		(3.810.189)	(6.019.006)
Additions to intangible assets		(8.399.352)	(3.433.522)
Net cash utilised in investing activities		**(12.209.541)**	**(9.452.529)**
Cash flows from financing activities			
Loans from financial institutions		(3.445.189)	82.405.189
Lease liability		(3.552.295)	-
Increase share capital		121.000.000	-
Net cash generated from financing activities		**114.002.516**	**82.405.189**
Net (decrease)/increase in cash and cash equivalents		120.133	35.914.544
Effects of exchange rate changes on cash and cash equivalents		(3.567.945)	(2.572.275)
Cash and cash equivalents at beginning of the year		57.744.109	24.401.840
Cash and cash equivalents at the end of the year		**54.296.297**	**57.744.109**
Composition of cash and cash equivalents			
Cash and balances with central bank	4	7.852.975	11.227.389
Balances due from other banks	5	46.443.322	46.516.720
Cash and cash equivalents at the end of the year		**54.296.297**	**57.744.109**

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 four branches, two in Windhoek, one in Walvis Bay and one in Rundu.

2 BASIS OF PREPARATION 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 adopted

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 and effective but not yet adopted:

Standard	Pronouncement	Effective date
IFRS 7 Financial Instruments: Disclosures	*Original issue*	*01 January 2020*
IAS 1 Presentation of Financial Statements	*Original issue*	*01 January 2020*
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	*Original issue*	*01 January 2020*

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.

2,2,2 Changes in accounting policies

Not applicable

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 cash is 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) and*
- *Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets*

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 in 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.

2,5,1,3 Impairment (continued)

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 Bank 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 Bank'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:

- *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*
- *where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the bank 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 Bank's impairment methodology calculations and in the Bank'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.

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. Where the impairment allowance exceeds the gross carrying amount of the asset, 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.

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.

2,5,2 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 instrument*	*A forward curve is used to calculate future cash flows and then discounted using a discount curve over the contractual period.*

2,5,3 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.

2,5,4 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.

2,5,4,1 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.

2,5,4,2 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.

2,8 Leases

Background

In the current year, the bank applied |IFRS 16 (as issued by IASB in January 2016) that is effective for annual periods that begins on or after 1 January 2020.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between the operating lease and finance lease and requiring recognition of right of use asset and a lease liability at commencement of all leases, except for short term leases and leases of low value assets when such recognition exemptions are applied. In contrast to lessee accounting, the requirements of the lessor accounting have remained largely unchanged.

The date of initial recognition of IFRS 16 for the bank is 1 January 2019.

Adoption of IFRS 16

The Bank applied 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. Accordingly, the Bank's previously reported financial results up to 31 December 2018 are presented in accordance with the requirements of IAS 17 and for 2019, and future reporting periods, are presented in terms of IFRS 16.

Impact of the new definition of a lease:

The Bank has made use of the practical expedient available on transition to IFRS 16 not to reassess whether the contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered on or before 1 January 2019.

The Bank applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019. (whether it is a lessor or a lessee in the contract.

2,8 Leases (continued)

IFRS 16 - transition

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. This incremental borrowing rate was calculated for each legal entity in the Bank utilising the internal funding rate of each entity.

Right of Use Asset is measured at its carrying amounts as if IFRS 16 had been applied since the commencement date.

Practical expedients applied:

In applying IFRS 16 for the first time, the Bank used the following practical expedients permitted by IFRS 16:

- *the use of a single discount rate to a portfolio of leases with reasonably similar characteristics*
- *the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases provided there was no option to extend the term,*
- *the exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application, and*
- *the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.*

IFRS 16 key financial impacts

The single lessee accounting model which comprises IFRS 16's most material impact for the Bank resulted in an increase of N$11 million gross up in total asset, and N$13 million gross up in total liabilities.

The bank has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

	IFRS16 transitional adjustment at 01 January 2019	*01 January 2019*
Assets		
Right of use asset	*11.235.070*	*11.235.070*
Equity and Liabilities		
Lease assets	*13.336.065*	*13.336.065*
Retained earnings.	*2.100.995*	*2.100.995*

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.

2,8 Leases (continued)

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.

2,9 Revenue Recognition

2,9,1 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).

2,9,2 Fees and Commission Income

IFRS 15 - Applicable to the current year figures

Revenue from customers is measured based on the consideration specified in the contract with customers and excludes amounts collected on the behalf of third parties. The Bank recognises revenue when it transfers control over a service to a customer.

Fees and commission income consists of transactional fees, account servicing fees, investment management fees, sales commission, placement fees and loan commitment fees.

Fees and commission revenue is recognised at an amount that reflects the consideration to which the bank expects to be entitled in exchange for providing the services . The performance obligation , as well as the timing of their satisfaction are identified and determined at the inception of the contract.

When the Bank provides the service to its customers, consideration is invoiced and generally due immediately upon the satisfaction of a service provided at a point in time or at the end of the contract period for the services provided over time.

The Bank has generally concluded that it is the principal in its revenue arrangement because it typically controls the services before transferring them to customers.

2,9,2 Fees and Commission Income (continued)

2,9,2,1 *Fees and commission income from services where performance obligation is performed over time:*

Performance obligations performed over time includes transactional fees, account servicing fees and loan commitment fees where the customer simultaneously consumes and receive the benefit provided by the Bank's performance as the Group performs its obligation.

2,9,2,2 *Fees and commission income from services where performance obligation is performed at a point in time:*

Fees and commission income from investment fees, sales commission fees and placement fees are recognised at a point in time where the Bank's performance obligation is satisfied at a point in time and it is recognised once the control of the service is transferred to the customer. This is typically on the completion of the underlying transaction or the service.

2,10 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.

2,11 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.

Effect of possible loss/default is not material.

3 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.

3,1 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:

3,2 Determination of impairment losses for loans

Impairment losses for loans granted to customers are determined in accordance with the methodology defined in Note 2.5.1.3
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 2.5.1.3 adequately reflect the risk associated with its portfolio of loans granted to clients.

3,3 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.

NOTES TO THE FINANCIAL STATEMENTS

4 CASH AND BALANCES WITH CENTRAL BANK

	2019	2018
Cash	5.790.910	10.829.434
Current account with central bank	2.062.065	397.955
	7.852.975	**11.227.389**

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.

5 BALANCES DUE FROM OTHER BANKS

	2019	2018
Deposits with local banks	10.386.970	13.090.021
Deposits with foreign banks		
- Banco BIC Português, S.A.(related party) (Note 26,3)	35.002.083	32.646.616
- First Rand (S.A)	1.054.269	780.083
	46.443.322	**46.516.720**

Placements with other banks are callable on demand.

6 FINANCIAL ASSETS

6,1 Trading asset

	2019	2018
Treasury bills - Sovereign (Central Bank)	75.023.398	4.905.641
Accrued Interest	532.131	25.744
	75.555.529	**4.931.385**
Classified as:		
Net financial investment measured at amortised cost	**75.555.529**	**4.931.385**

As at 31 December 2019, Treasury bills earn interest at the average rates of 7,36%, (2018: 7,715%) respectively.

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

	Opening ECL 1 January 2019	*Total transfers between stages*	*Net Impairments raised / (re-leased)*	*Impaired amounts written off*	*Exchange and other movements*	*Closing ECL 31 Dec 2019*
Sovereign	-	-	-	-	-	-
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	-	-	-	-	-	-

6,2 Maturity structure

	2019	2018
-One year or less	75.555.529	4.931.385
-Five years or less but over one year	-	-
-Over five years	-	-
	75.555.529	**4.931.385**

7 DERIVATIVES

	2019	2018
Forward agreements (liability)/ asset	(3.556.360)	2.831.236

Derivative originates from forward agreement entered into with Bank Windhoek Limited, purchase of 5,000,000 Euro for maturity date, 23rd of May 20. The forward agreement is to settle interbank borrowings from Banco BIC Cape Verde, Refer Note 15. As permitted by IFRS 9, the company has elected not to apply hedge accounting.

8 LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

8,1 Loans and receivables

	2019	2018
Loans and advances to Banks:		
Central Bank	40.533.920	27.700.678
Local Banks	74.000.000	52.350.000
Foreign Banks		
- Banco BIC Português, S.A. (Note 26,3)	2.868.464	-
- Other	-	-
Accrued interest	170.670	255.709
Less credit impairment (Note 8,5)	-	-
	117.573.054	**80.306.387**

As at 31 December 2019 and 31 December 2018, placements with financial institutions earn interest at the following average interest rates by currency:

	2019	2018
NAD	6,92%	7,17%
ZAR	-	6,14%

8,2 Maturity structure

	2019	2018
-One year or less	117.573.054	80.306.387
-Five years or less but over one year	-	-
-Over five years	-	-
	117.573.054	**80.306.387**

8,3 Geographical analysis

	2019	2018
Namibia	114.704.556	80.306.387
Outside Namibia	2.868.498	-
-Portugal	2.868.498	-
-South Africa	-	-
	117.573.054	**80.306.387**

8,4 Reconciliation of expected credit losses for debt financial investments measured at amortised cost

	Opening ECL 1 January 2019	Total transfers between stages	Net Impairments raised / (re-leased)	Impaired amounts written off	Exchange and other movements	Closing ECL 31 Dec 2019
Sovereign	-	-	-	-	-	-
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	-	-	-	-	-	-

8,5 Impairment of loans and advances to financial institutions

	2019	2018
Balances at the beginning of year	-	(44.000)
Debts written off	-	-
Current year charge	-	44.000
Bad debts recovered	-	-
Balances at the end of the year	-	-

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.

9 LOANS AND ADVANCES TO CLIENTS

9,1 Category analysis

	2019	2018
Mortgage loans	73.136.112	52.463.343
-Individuals	15.860.747	12.987.111
-Business	57.275.365	39.476.232
Business loans	58.375.091	70.317.358
Asset based finance	11.720.519	9.554.650
Overdrafts	71.869.604	60.737.298
Personal loans	728.916	557.369
Gross loans and advances to clients	**215.830.242**	**193.630.018**
Accrued interest	332.244	204.678
Deferred income	(37.749)	(19.678)
Less credit impairment (Note 9,4)	(262.348)	(210.055)
Net loans and advances to clients	**215.862.389**	**193.604.963**

9,2 Sectoral analysis

	2019	2018
Retailers, catering and accommodation	89.151.220	58.534.448
Construction and real estate	45.031.365	60.400.752
Agriculture, hunting and fishing	55.902.487	65.517.839
Business services	14.924.090	3.311.753
Individuals	8.423.508	5.608.970
Transport and communication	2.397.572	256.256
	215.830.242	**193.630.018**

9,3 Maturity structure

	2019	2018
-One year or less	72.595.264	61.020.933
-Five years or less but over one year	64.298.836	74.255.619
-Over five years	78.936.142	58.353.466
	215.830.242	**193.630.018**

As at 31 December 2019 and 2018, there were no overdue loans and interest.

9,4 Reconciliation of expected credit losses for loans and advances measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
Opening ECL 1 January 2019	176.983	24.348	8.724	210.055
Transfer between stages	-	-	-	-
Transfer (to)/from stage 1	-	-	-	-
Transfer from/(to) stage 2	-	-	-	-
Transfer from/(to) stage 3	-	-	-	-
Net ECL (released) / raised	85.365	(24.348)	(8.724)	52.293
ECL due to new loans	86.092	-	-	86.092
ECL due to matured loans	-	-	-	-
ECL change due to transfer between stages	-	-	-	-
ECL due to change in LGD	(727)	-	-	(727)
Subsequent changes in ECL	-	(24.348)	-	(24.348)
Change in ECL due to derecognition	-	-	(8.724)	(8.724)
Impaired accounts written-off	-	-	-	-
Exchange and other movements	-	-	-	-
Closing ECL 31 December 2019	262.348	-	-	262.348

9,4 Reconciliation of expected credit losses for loans and advances measured at amortised cost (continued)

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

	Opening ECL 1 January 2019	Total transfers between stages	Net Impairments raised / (released)	Impaired accounts written-off	Exchange and other movements	Closing ECL 31 Dec 2019
Overdrafts	**65.112**	**-**	**(25.459)**	**-**	**-**	**39.653**
Stage 1	*48.013*	*-*	*(8.360)*	*-*	*-*	*39.653*
Stage 2	*17.099*	*-*	*(17.099)*	*-*	*-*	*-*
Stage 3	*-*	*-*	*-*	*-*	*-*	*-*
Asset finance	**55.227**	**-**	**(21.321)**	**-**	**-**	**33.906**
Stage 1	*52.694*	*-*	*(18.788)*	*-*	*-*	*33.906*
Stage 2	*2.533*	*-*	*(2.533)*	*-*	*-*	*-*
Stage 3	*-*	*-*	*-*	*-*	*-*	*-*
Mortgage loans	**9.361**	**-**	**46.521**	**-**	**-**	**55.882**
Stage 1	*8.580*	*-*	*47.302*	*-*	*-*	*55.882*
Stage 2	*781*	*-*	*(781)*	*-*	*-*	*-*
Stage 3	*-*	*-*	*-*	*-*	*-*	*-*
Commercial loans	**71.188**	**-**	**57.966**	**-**	**-**	**129.154**
Stage 1	*67.275*	*-*	*61.879*	*-*	*-*	*129.154*
Stage 2	*3.913*	*-*	*(3.913)*	*-*	*-*	*-*
Stage 3	*-*	*-*	*-*	*-*	*-*	*-*
Personal loans	**9.167**	**-**	**3.309**	**(8.724)**	**-**	**3.752**
Stage 1	*421*	*-*	*3.331*	*-*	*-*	*3.752*
Stage 2	*22*	*-*	*(22)*	*-*	*-*	*-*
Stage 3	*8.724*	*-*	*-*	*(8.724)*	*-*	*-*
Total	**210.055**	**-**	**61.017**	**(8.724)**	**-**	**262.348**

9,5 Impairment of loans and advances to clients

	2019	2018
Balances at the beginning of the year	*(210.055)*	*(1.259.686)*
- General impairments	*(210.055)*	*(1.136.518)*
- IFRS 9 transitional adjustment - ECL	*-*	*(123.168)*
-Portfolio impairment	*-*	*-*
Bad debts written off	*-*	*-*
Current year charge - General Provision	*(52.293)*	*(86.887)*
Current year charge - Specific Provision	*-*	*-*
Transfer to credit risk reserves	*-*	*1.136.518*
Bad debts recovered	*-*	*-*
Balances at the end of the year	*(262.348)*	*(210.055)*
-General impairments	*(262.348)*	*(210.055)*
-Portfolio impairment	*-*	*-*

10 PROPERTY, PLANT & EQUIPMENT

	Leasehold improvements	Furniture & Equipment	IT Equipment	Other Installations	Security Equipment	Motor Vehicle	Total
2019							
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)*
Additions	*1.075.761*	*645.858*	*610.538*	*-*	*275.203*	*1.202.829*	*3.810.189*
Depreciation current year (Note 24)	*(1.208.795)*	*(552.176)*	*(2.411.531)*	*(149.662)*	*(54.807)*	*(463.345)*	*(4.840.316)*
Carrying amount at 31 December 2019	**7.940.278**	**3.375.509**	**3.065.091**	**654.019**	**575.805**	**1.699.422**	**17.310.124**
-at cost	*10.680.457*	*4.873.739*	*10.453.505*	*1.197.296*	*683.360*	*2.176.925*	*30.065.282*
-accumulated depreciation	*(2.740.179)*	*(1.498.230)*	*(7.388.414)*	*(543.277)*	*(107.555)*	*(477.503)*	*(12.755.158)*
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 24)	*(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)*

11 INTANGIBLE ASSETS

	Computer software	Development costs	Total
2019			
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 amortisation	*(15.868.457)*	*-*	*(15.868.457)*
Additions	*409.400*	*8.288.242*	*8.697.642*
Amortisation current year (Note 24)	*(2.654.538)*	*-*	*(2.654.538)*
Carrying amount at 31 December 2019	**445.381**	**20.813.593**	**21.258.974**
-at cost	*18.968.376*	*20.813.593*	*39.781.969*
-accumulated depreciation	*(18.522.995)*	*-*	*(18.522.995)*
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 24)	*(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)*

12 RIGHT-OF-USE ASSETS

	2019	2018
Carrying amount at 31 December 2018	**-**	**-**
-at cost	*-*	*-*
-accumulated amortisation	*-*	*-*
IFRS 16 transition	*11.235.070*	*-*
Balances at 01 January 2019	*11.235.070*	*-*
Additions	*4.478.785*	*-*
Depreciation current year (Note 24)	*(2.713.293)*	*-*
Carrying amount at 31 December 2019	**13.000.562**	**-**
-at cost	*15.713.855*	*-*
-accumulated depreciation	*(2.713.293)*	*-*

		2019	2018
13	**OTHER ASSETS**		
	Deferred expenses	1.992.380	972.861
	-Insurance	26.532	18.180
	-Other rents	324.316	175.868
	- Prepaid expenses	1.641.532	778.813
	Sundry debtors and other receivables	335.372	113.111
	Receivable from Bank BIC Holdings	335.449	324.317
	Receivable from Banco BIC, S.A	183.953	-
		2.847.154	**1.410.289**
14	**DEPOSITS FROM FINANCIAL INSTITUTIONS**		
	Deposits from other banks	1.712.140	654.572
	Deposit from Banco BIC, S.A (Angola)	31.485.780	28.655.288
		33.197.920	**29.309.860**

As at 31 December 2019, deposits from other banks correspond to non interest bearing vostro accounts from Banco BIC, S.A. (Angola) and Banco Keve S.A. (Angola), callable on demand. (Note 26,3).

		2019	2018
15	**LOANS FROM FINANCIAL INSTITUTIONS**		
	Borrowings from Banco BIC Cabo Verde, S.A. (Note 26,3)	78.960.000	82.293.750
	Accrued Interest	112.183	111.439
		79.072.183	**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%.

		2019	2018
16	**DEPOSITS FROM CLIENTS**		
16,1	**Category analysis**		
	Current accounts	13.441.895	4.417.618
	Savings accounts	24.471.832	17.145.471
	Call accounts	5.544.651	3.895.328
	Term deposits	42.485.945	13.270.000
		85.944.323	**38.728.417**
	Accrued interest	1.032.424	156.624
		86.976.747	**38.885.041**
16,2	**Sectoral analysis (Excluding accrual interest)**		
	Individuals	69.193.973	30.434.338
	Agriculture, hunting and fishing	861.414	9.475
	Other services	1.105	1.255.543
	Construction and real estate	2.511.570	1.716.021
	Retailers, catering and accommodation	3.096.779	616.142
	Business services	2.994.842	394.661
	Transport and communication	1.309.233	1.140.136
	Manufacturing	4.354.100	3.157.647
	Mining	1.621.307	4.454
		85.944.323	**38.728.417**
16,3	**Maturity structure**		
	-One year or less	85.834.933	38.648.027
	-Five years or less but over one year	109.390	80.390
		85.944.323	**38.728.417**

17 LEASE LIABILITIES

	2019	2018
Lease liabilities - Balance as at 01 January 2019	-	-
IFRS 16 transition	13.336.065	-
Movements during the year	2.253.275	-
Lease liabilities - Closing Balance	**15.589.340**	**-**
Finance costs	1.326.785	-
Maturity structure	**15.589.340**	**-**
-One year or less	3.024.479	-
-Five years or less but over one year	12.564.861	-

18 OTHER LIABILITIES

	2019	2018
Creditors	7.447.345	6.779.051
-Local suppliers	(91.818)	206.471
-Foreign suppliers	1.255.401	-
-Banco BIC Português, S.A. (Note 26,3)	-	288.818
-Banco BIC, S.A. (Note 26,3)	6.283.762	6.283.762
Accruals	409.187	409.188
Clearing, settlement and internal accounts	(16.577)	107.836
Indirect Taxes	(950.536)	(153.813)
	6.889.419	**7.142.262**

As at 31 December 2019 and 31 December 2018, the amounts within the caption "Foreign suppliers" include initial costs with the implementation of the Bank, that are due to related parties (Note 26,3)

19 SHARE CAPITAL

As at 31 December 2019, 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%	399.950.000	399.950.000
Other shareholders	5%	21.050.000	21.050.000
	100%	**421.000.000**	**421.000.000**

As at 31 December 2018, 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**

20 NET INTEREST INCOME

	2019	2018
Loans and advances to clients	19.470.855	14.280.422
Placements with other banks	5.547.975	5.020.434
Financial assets (Treasury bills)	788.765	1.602.542
Total interest and similar income	**25.807.595**	**20.903.398**
Loan from Banco BIC Cabo Verde, S.A. (Note 26,3)	(1.024.496)	(108.966)
Deposits from clients	(2.494.719)	(1.073.696)
-Current accounts	(42.462)	(774)
-Savings deposit	(735.087)	(476.769)
-Call deposits	(284.568)	(134.144)
-Term deposits	(1.432.602)	(462.009)
Total interest and similar expense	**(3.519.215)**	**(1.182.662)**
Net Interest income	**22.288.380**	**19.720.736**
Comprising:		
Interest income on items measured at amortised cost	25.807.595	20.903.398
	25.807.595	**20.903.398**

21 NON-INTEREST INCOME

	2019	2018
For loans to clients	*205.342*	*37.314*
For services provided	*1.742.705*	*1.380.472*
-Maintenance fees	*737.255*	*694.986*
-Foreign transaction fees	*408.245*	*443.512*
-Banco BIC, S.A. (Note 26,3)	*183.953*	*-*
-Other	*413.252*	*241.974*
For guarantees provided	*70.786*	*(1.509)*
Total fee and commission income	**2.018.833**	**1.416.277**
Transaction processing fee	*(474.883)*	*(395.698)*
Total fee and commission expense	**(474.883)**	**(395.698)**
(Losses) / gains on instruments at fair value through profit or loss	*(3.532.222)*	*588.420*
Total fair value (losses)/ gains	**(3.532.222)**	**588.420**
Total non-interest (loss)/ income	**(1.988.272)**	**1.608.999**

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.

22 STAFF COSTS

	2019	2018
Salaries, wages and allowances of employees	*(18.980.237)*	*(16.512.253)*
Directors' remuneration and benefits	*(6.372.601)*	*(1.931.873)*
Staff training	*(273.629)*	*(64.985)*
Board sitting fees	*-*	*-*
Other staff costs	*(19.459)*	*(206.950)*
	(25.645.926)	**(18.716.061)**

As at 31 December 2019 and 31 December 2018, the Bank had 45 and 34 employees, respectively.

23 OPERATING EXPENDITURE

	2019	2018
IT costs	*(12.722.584)*	*(6.915.176)*
Operating lease charges	*(138.390)*	*(3.495.603)*
-Property rental	*2.124*	*(2.897.143)*
-Motor vehicles	*(140.514)*	*(598.460)*
Professional fees	*(996.099)*	*(1.249.978)*
Communication	*(3.719.954)*	*(3.450.763)*
Value Added Tax	*-*	*(255.445)*
Advertisement and marketing	*(808.935)*	*(1.028.865)*
Travel and accommodation	*(338.606)*	*(280.468)*
Insurance costs	*(824.203)*	*(681.989)*
Auditors' remuneration	*(1.653.377)*	*(131.035)*
Duties and other	*(4.946)*	*(5.500)*
Bad debts written off	*(8.907)*	*-*
Other expenses	*(4.969.985)*	*(3.205.624)*
Total operating expenditure	**(26.185.986)**	**(20.700.446)**

24 DEPRECIATION AND AMORTISATION

	2019	2018
Depreciation (Note 10)	*(4.840.316)*	*(3.825.668)*
Depreciation (Note 12)	*(2.713.293)*	*-*
Amortisation (Note 11)	*(2.654.538)*	*(6.138.232)*
	(10.208.147)	**(9.963.900)**

25 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 2019 and 31 December 2018.

Deferred tax

As at 31 December 2019 and 31 December 2018, 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 31 December 2019 and 31 December 2018 amounts to N$ 151,894,558 and N$ 107,286,124 respectively.

26 RELATED PARTIES

26,1 Parent company

Bank BIC Namibia Ltd majority shareholder is Bank BIC Namibia Holdings Ltd (95%) (2018: 95%), which is incorporated in Namibia. No single entity or individual controls a majority of Bank BIC Namibia Holdings Ltd.'s voting rights.

26,2 Identification of related parties with whom transactions have occurred

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

26,3 Related party balances and transactions

	Note	Bank BIC Namibia Holdings Ltd	Banco BIC, S.A.	Banco BIC Português, S.A.	Banco BIC Cabo Verde, S.A.	Members of the board of directors	TOTAL
2019							
ASSETS							
Balances due from other banks	*5*	*-*	*-*	*35.002.083*	*-*	*-*	*35.002.083*
Loans and advances to Banks	*8*	*-*	*-*	*2.868.464*	*-*	*-*	*2.868.464*
Other assets	*13*	*335.449*	*183.953*	*-*	*-*	*-*	*519.402*
LIABILITIES							
Deposits from financial institutions	*14*	*-*	*31.485.780*	*-*	*-*	*-*	*31.485.780*
Loans from financial institutions	*15*	*-*	*-*	*-*	*78.960.000*	*-*	*78.960.000*
Deposits from clients	*16*	*-*	*-*	*-*	*-*	*448.167*	*448.167*
Other liabilities	*18*	*-*	*6.283.762*	*-*	*-*	*-*	*6.283.762*
COMPREHENSIVE INCOME							
Interest and similar expense	*15/20*	*-*	*-*	*-*	*(1.024.486)*	*-*	*(1.024.486)*
Directors' remuneration and benefits	*22*	*-*	*-*	*-*	*-*	*(6.372.601)*	*(6.372.601)*
Operating expenditure	*23*	*-*	*-*	*(127.016)*	*-*	*-*	*(127.016)*
Other Income	*21*	*-*	*183.953*	*-*	*-*	*-*	*183.953*

26,3 Related party balances and transactions (continued)

	Note	Bank BIC Namibia Holdings Ltd	Banco BIC, S.A.	Banco BIC Português, S.A.	Banco BIC Cabo Verde, S.A.	Members of the board of directors	TOTAL
2018							
ASSETS							
Balances due from other banks	5	-	-	32.646.616	-	-	32.646.616
*Intangible assets**	11	-	-	18.441.694	-	-	18.441.694
Other assets	13	324.317	-	-	-	-	324.317
LIABILITIES							
Deposits from financial institutions	14	-	28.655.288	-	-	-	28.655.288
Loans from financial institutions	15	-	-	-	82.293.750	-	82.293.750
Deposits from clients	16	-	-	-	-	121.645	121.645
Other liabilities	18	-	6.283.762	288.818	-	-	6.572.580
COMPREHENSIVE INCOME							
Interest and similar expense	15/20	-	(108.966)	-	(111.439)	-	(220.405)
Directors' remuneration and benefits	22	-	-	-	-	(1.931.873)	(1.931.873)
Operating expenditure	23	-	-	-	-	-	-

27 COMMITMENTS

27,1 Undrawn committed funding

	2019	2018
Unutilised credit facilities	1.950.000	12.461.000
Undrawn overdraft facilities	11.206.697	6.619.684
Guarantees	3.648.000	2.918.196
Forex spot rate	3.037.843	988.478

27,2 Contingent Liability

	2019	2018
Financial Intelligence Centre penalty	5.000.000	-

On the 28th of December 2020, the Bank received a notice to pay N$ 1 million for an administrative penalty from the Financial Intelligence Centre. The total penalty is for N$ 5 million of which N$ 4 million remains suspended for a period of 5 years. The Bank has exercised its rights in terms of the Financial Intelligence Act and appealed against the imposition of the penalty in it's totallity taking into consideration the background of the penalty.

The Bank filed a suspicious transaction report to the Financial Intelligence Centre on the 9th of July 2019. On the same day, the Financial Intelligence Centre (FIC) issued an Intervention order to block the account in question and maintain the balance of the account as at 9th July 2019. The account was blocked on the 10th of July 2020 and between the time of notice and execution of the block, an amount of N$ 3000,00 was withdrawn from the clients account via ATM. As a result, the FIC issued the penalty based on the amount withdrawn after the intervention order was issued.

28 CASH UTILISED IN OPERATIONS

	2019	2018
Income/(loss) before taxation	(43.119.029)	(26.957.041)
Adjusted for:		
-Depreciation and amortisation	10.208.147	9.963.900
-Foreign exchange gains/losses	9.955.541	2.572.275
-Loan impairment, net of reversals and bad debts written off	52.293	210.055
Transfer to credit risk reserves	-	(1.136.518)
Accrued interest receivable		
-Financial assets	(532.131)	(25.744)
-Loans from financial institutions	112.183	111.439
-Deposits from financial institutions	(170.670)	818.325
-Loans and advances to clients	(332.244)	63.825
-Deposits from clients	1.032.424	-
IFRS 16 - Finance cost	1.326.785	-
Other	-	(971)
	(21.466.701)	**(14.380.456)**

29 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-5A 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%.

	2019	2018
29 CAPITAL RISK MANAGEMENT (continued)		
Regulatory Capital (Unaudited)		
Share capital	*421.000.000*	*300.000.000*
Retained earnings	*(128.575.342)*	*(85.296.012)*
Total qualifying Tier 1 capital	**292.424.658**	**214.703.988**
Less: Regulatory adjustments:		
Intangible assets	**-**	**15.215.870**
Common equity Tier 1 capital	**292.424.658**	**199.488.118**
General impairments	*2.161.247*	*210.055*
Total qualifying Tier 2 capital	**2.161.247**	**210.055**
Total regulatory capital	**294.585.905**	**199.698.173**
Risk weighted assets:		
Credit risk	*227.067.000*	*204.031.000*
Operational risk	*42.293.000*	*28.375.000*
Market risk	*1.318.000*	*10.040.000*
Total risk weighted assets	**270.678.000**	**242.446.000**
Capital adequacy ratios:		
Leverage Capital	*56%*	*53%*
Tier 1 risk-based capital ratio	*108%*	*82%*
Total risk-based capital ratio	*109%*	*82%*

30 OTHER RESERVES - CREDIT RISK RESERVE

	2019	2018
Balance at the beginning of the year	*1.938.150*	*-*
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*
Current year movement	*(39.250)*	*-*
Balance at the end of the year	**1.898.900**	**1.938.150**

31 EVENTS AFTER THE REPORTING PERIOD

Possible Financial Intelligence Act Penalties - Refer to note 27,2.

Impact of COVID - 19

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.

The Bank has a Business Continuity Plan in action in order to continue delivering services as normal and has 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 2019.

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.

32 FINANCIAL INSTRUMENTS

32,1 Categories of financial instruments

	At fair value through profit and loss	Financial instruments at amortised cost	Non-financial	Total
2019				
ASSETS				
Cash and balances with central bank	-	7.852.975	-	7.852.975
Balances due from other banks	-	46.443.322	-	46.443.322
Financial assets	-	75.555.529	-	75.555.529
Derivatives	-	-	-	-
Loans and advances to financial institutions	-	117.573.054	-	117.573.054
Loans and advances to clients	-	215.862.389	-	215.862.389
Property, plant & equipment	-	-	17.310.124	17.310.124
Intangible assets	-	-	21.258.974	21.258.974
Right-of-use asset	-	-	13.000.562	13.000.562
Other assets	-	2.847.154	-	2.847.154
	-	**466.134.422**	**51.569.660**	**517.704.083**
LIABILITIES				
Deposits from financial institutions	-	33.197.920	-	33.197.920
Loans from financial institutions	-	79.072.183	-	79.072.183
Deposits from clients	-	86.976.747	-	86.976.747
Derivatives	3.556.360	-	-	3.556.360
Lease liability	-	-	15.589.340	15.589.340
Other liabilities	-	6.480.232	409.187	6.889.419
	3.556.360	**205.727.082**	**15.998.527**	**225.281.969**

	At fair value through profit and loss - available for sale	Financial instruments at amortised cost	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	-	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**

32,2 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:

32,2 Liquidity risk (Continued)

	On demand and up to 3 months	3-6 months	6-12 months	1-5 years	Over5 years	Non-financial	Total
2019							
ASSETS							
Cash and balances with central bank	7.852.975	-	-	-	-	-	7.852.975
Balances due from other banks	46.443.322	-	-	-	-	-	46.443.322
Financial assets	75.555.529	-	-	-	-	-	75.555.529
Loans and advances to financial institutions	117.573.054	-	-	-	-	-	117.573.054
Loans and advances to clients	31.804.167	394.944	40.690.647	64.298.836	78.936.142	(262.348)	215.862.389
Property, plant & equipment	-	-	-	-	-	17.310.124	17.310.124
Intangible assets	-	-	-	-	-	21.258.974	21.258.974
Right-of-use asset	-	-	-	-	-	13.000.562	13.000.562
Other assets	2.847.154	-	-	-	-	-	2.847.154
	282.076.202	**394.944**	**40.690.647**	**64.298.836**	**78.936.142**	**51.307.312**	**517.704.083**
LIABILITIES							
Deposits from financial institutions	(33.197.920)	-	-	-	-	-	(33.197.920)
Loans from financial institutions	-	(79.072.183)	-	-	-	-	(79.072.183)
Deposits from clients	(77.286.243)	(8.475.814)	(1.105.300)	(109.390)	-	-	(86.976.747)
Derivatives	(3.556.360)	-	-	-	-	-	(3.556.360)
Lease liability	-	-	-	-	-	(15.589.340)	(15.589.340)
Other liabilities	(6.889.419)	-	-	-	-	-	(6.889.419)
	(120.929.942)	**(87.547.997)**	**(1.105.300)**	**(109.390)**	**-**	**- 15.589.340,00**	**(225.281.969)**
Net funding gap	161.146.260	(87.153.053)	39.585.347	64.189.446	78.936.142	35.717.972	292.422.113
Cumulative liquidity gap	161.146.260	73.993.207	113.578.554	177.768.000	256.704.142	292.422.113	-

	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
Property, plant & equipment	-	-	-	-	-	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	-

Undrawn facilities

	2019 EURO	2018 EURO
Banco BIC Cabo Verde, S.A.	15.000.000	15.000.000
Banco BIC, 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. Loan was extended to 20 May 2020 but repaid early on 31 January 2020.

32,3 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 32,4 and note 32,5 for disclosure regarding these risks.

32,4 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
2019							
ASSETS							
Cash and balances with central bank	7.346.036	17.292	70.657	-	418.990	-	7.852.975
Balances due from other banks	7.518.472	31.139.036	2.874.727	695	4.910.392	-	46.443.322
Financial assets	75.555.529	-	-	-	-	-	75.555.529
Derivatives	-	-	-	-	-	-	-
Loans and advances to financial institutions	117.573.054	-	-	-	-	-	117.573.054
Loans and advances to clients	215.862.389	-	-	-	-	-	215.862.389
Property, plant & equipment	-	-	-	-	-	17.310.124	17.310.124
Intangible assets	-	-	-	-	-	21.258.974	21.258.974
Right-of-use asset	-	-	-	-	-	13.000.562	13.000.562
Other assets	2.847.154	-	-	-	-	-	2.847.154
	426.702.633	**31.156.328**	**2.945.384**	**695**	**5.329.382**	**51.569.660**	**517.704.083**
LIABILITIES							
Deposits & loans from financial institutions	(3.052.802)	(107.964.784)	(1.252.516)	-	-	-	(112.270.103)
Deposits from clients	(84.582.260)	(598.855)	(1.795.631)	-	-	-	(86.976.747)
Derivatives	(3.556.360)	-	-	-	-	-	(3.556.360)
Lease liability	-	-	-	-	-	(15.589.340)	(15.589.340)
Other liabilities	(6.777.980)	(111.439)		-	-	-	(6.889.419)
	(97.969.402)	**(108.675.079)**	**(3.048.148)**	**-**	**-**	**- 15.589.340**	**(225.281.968)**
Net exposure	**328.733.231**	**(77.518.750)**	**- 102.763**	**695**	**5.329.382**	**35.980.320**	**292.422.115**
Rates of exchange at 31 December 2019	-	15,79	14,06	18,56	1,00	-	-

	NAD	EUR	USD	GBP	ZAR	Non-financial	Total
2018							
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
Property, plant & equipment	-	-	-	-	-	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	-	-

32,5 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
2019								
ASSETS								
Cash and balances with central bank	-	-	-	-	-	7.852.975	-	7.852.975
Balances due from other banks	1,73%	1,0	101.916	10.191.581	-	36.251.741	-	46.443.321
Financial assets	7,36%	1,0	-	-	75.555.529	-	-	75.555.529
Derivatives	-	-	-	-	-	-	-	-
Loans and advances to financial institutions	8,20%	1,0	405.339	40.533.920	76.868.464	-	-	117.402.384
Loans and advances to clients	11,11%	1,0	2.158.302	215.830.242	-	32.147	-	215.862.389
Property, plant & equipment	-	-	-	-	-	-	17.310.124	17.310.124
Intangible assets	-	-	-	-	-	-	21.258.974	21.258.974
Right-of-use asset	-	-	-	-	-	-	13.000.562	13.000.562
Other assets	-	-	-	-	-	2.847.154	-	2.847.154
			2.665.557	**266.555.743**	**152.423.994**	**46.984.016**	**51.569.661**	**517.533.413**
LIABILITIES								
Deposits from financial institutions	-	-	-	-	-	33.197.920	-	33.197.920
Loans from financial institutions	1,25%	-	-	-	78.960.000	-	-	78.960.000
Deposits from clients	4,97%	1,0	300.240	30.023.959	43.513.276	13.439.512	-	86.976.747
Derivatives	-	-	-	-	-	3.556.360	-	3.556.360
Lease liability	-	-	-	-	-	-	15.589.340	15.589.340
Other liabilities	-	-	-	-	-	6.889.419	-	6.889.419
			300.240	**30.023.959**	**122.473.276**	**57.083.211**	**15.589.340**	**225.169.786**

	Average interest rate	Expected change %	Expected change on profit and loss	Variable rate	Fixed rate	Non-interest sensitive	Non-financial	Total
2018								
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	0,00%	0,0	-	-	-	2.831.236	-	2.831.236
Loans and advances to financial institutions	8,20%	1,0	277.007	27.700.678	52.605.709	-	-	80.306.387
Loans and advances to clients	11,30%	1,0	1.936.300	193.630.018	-	(25.055)	-	193.604.963
Property, plant & equipment	-	-	-	-	-	-	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**	**57.537.095**	**48.090.475**	**33.556.121**	**374.384.490**
LIABILITIES								
Deposits from financial institutions	-	-	-	-	-	29.309.860	-	29.309.860
Loans from financial institutions	0,01	-	-	-	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**

33 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

Total exposure (items where credit exposure exists)	**2019**	**2018**
Balance with the central bank	*2.062.065*	*397.955*
Balances due from other banks	*46.443.322*	*46.516.720*
Financial Assets	*75.555.529*	*4.931.385*
Loans and advances to financial institutions	*117.573.054*	*80.306.387*
Loans and advances to clients	*215.862.389*	*193.604.963*

	2019 - IFRS 9		
	Carrying amount	**Loss allowance**	**Maximum exposure to credit risk**
Total exposure (items where credit exposure exists)			
Balance with the central bank	*2.062.065*	-	*2.062.065*
Balances due from other banks	*46.443.322*	-	*46.443.322*
Financial Assets	*75.555.529*	-	*75.555.529*
Loans and advances to financial institutions	*117.573.054*	-	*117.573.054*
Loans and advances to clients	*216.124.737*	*262.347*	*216.387.084*
Overdrafts	*71.977.363*	*39.653*	*72.017.016*
Asset finance	*11.720.396*	*33.906*	*11.754.302*
Mortgage loans	*73.297.183*	*55.882*	*73.353.064*
Commercial loans	*58.395.755*	*129.154*	*58.524.909*
Personal loans	*734.040*	*3.752*	*737.792*

ANNEXURE A: RISK REPORT (UNAUDITED)

The Bank 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 Bank'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 Bank is exposed to a variety of risks. The Bank therefore adopted measures to avoid, reduce, transfer and mitigate the risks inherent in doing its business.

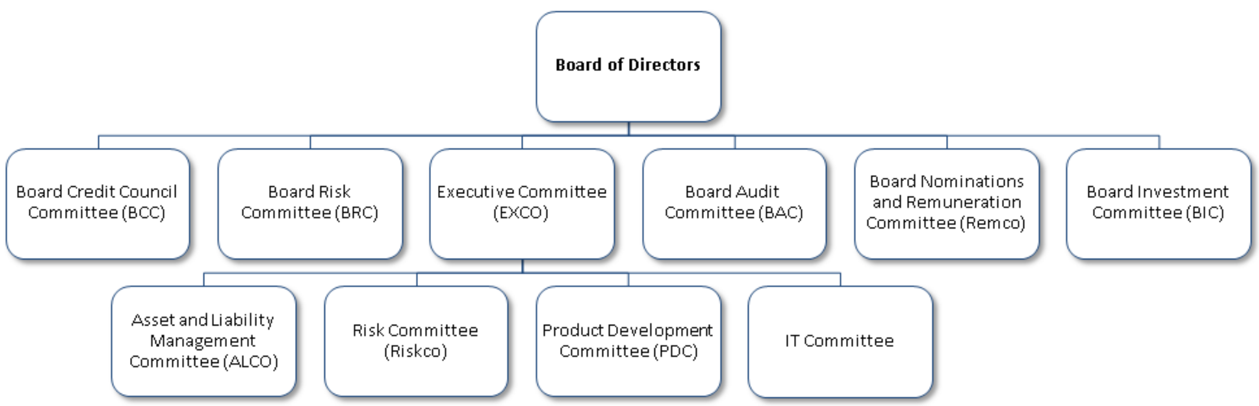
The Bank is cognisant of the fact that effective risk management is fundamental to business success. To this end it developed a sound and balanced risk management and oversight structure guided by a Risk Management Policy. The management and oversight structure is resourced with skilled and technical 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 Bank'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 Bank'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 model similar to that proposed by the Institute of Internal Auditors. 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 Bank, the board approved a series of policies that establish the minimum strategic and operational standards within which the Bank operates. These include the Risk Management Policy; Credit Risk Policy (related to credit approval and decision-making); Credit Risk Management Policy (related to the management of credit risk in general); 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.

ANNEXURE A: RISK REPORT (UNAUDITED) (Continued)

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 risks with high residual risk ratings are classified as top risks. These 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

RISK APPETITE

The purpose of risk appetite 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 Bank 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 Bank is not classified as a systemically important financial institution. The Bank adheres to the minimum capital requirements and possesses a significant capital buffer due to the capital injection received from shareholders. Credit risk constitutes the most significant portion of risk-weighted assets.

Risk-Weighted Assets	**Minimum**	**2019**	**2018**
Credit risk		*227.067.000*	*204.031.000*
Market risk		*42.293.000*	*28.375.000*
Operational risk		*1.318.000*	*10.040.000*
Capital Adequacy			
Leverage ratio	*6%*	*56%*	*53%*
Tier 1 risk-based ratio	*7%*	*108%*	*82%*
Total risk-based ratio	*10%*	*109%*	*82%*

Capital is seen as a last defence against unexpected losses and therefore the Bank 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 Bank 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 Bank'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.

ANNEXURE A: RISK REPORT (UNAUDITED) (Continued)

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 Bank 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 Bank'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 Bank'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 Bank's overall risk assessment and remediation processes.

	2019	**2018**
Operational loss value (NAD)	*17*	*2.000*
Number of metrics	*91*	*91*
Number of issues closed	*8*	*15*
Number of open issues carried over	*18*	*12*

REPUTATION AND STRATEGIC RISKS

The Bank remains focussed on strategic projects, in particular EFT, international debit and credit card issuing and electronic banking. The lack of a full range of electronic channels makes it challenging to meet financial performance targets. The 2020 financial year is expected to be occupied mainly with the resolution of outstanding strategic projects.

The Bank's main top risk relates to difficulty experienced with raising domestic depositor funding within the Namibian market. The Bank's reputation in the market and the lack of a full range of electronic services are seen as the primary contributors to this 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 Bank'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 Bank. 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 Bank'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	**2019**	**2018**
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%*

ANNEXURE A: RISK REPORT (UNAUDITED) (Continued)

CREDIT RISK (continued)

For purposes of determining credit risk-weighted assets the Bank 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 Bank'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 Bank 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 Bank's significant capital buffer serves as defence against unexpected credit losses and as a result credit risk stress testing is still limited. The Bank 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 Bank does not take speculative positions and uses derivatives only for the purpose of hedging open positions. The Bank'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 Bank expects floating interest rates to remain stable. If interest rates increase the Bank 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 Bank 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 Bank complied with its internal limits.

The Bank 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 Bank 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 Bank's maturity ladder of assets and liabilities. The Bank 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 Bank's needs, to comply with liquid asset requirements and to cater for unplanned cash outflows.

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 Bank'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.*

ANNEXURE A: RISK REPORT (UNAUDITED) (Continued)

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 Bank 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. S.A.	*20.000.000*	*-*	*20.000.000*
Banco BIC Cabo Verde, S.A.	*20.000.000*	*5.000.000*	*15.000.000*

The |Bank 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 Bank on track to meet its financial performance targets. The Bank 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

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 Bank is exposed to a wide variety of operational risks.

Projects

Project delivery is impacted by the Bank'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 Bank'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 Bank 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 Bank 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	**2019**	**2018**
Authorised head count	*50*	*50*
Actual head count	*45*	*34*

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 Bank'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.

ANNEXURE A: RISK REPORT (UNAUDITED) (Continued)

Compliance Risk

The Bank 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.

The board-approved AML/CTF compliance programme is reviewed regularly Customer due diligence occurs for new clients and transactions within the branches and departments where they originate. The Bank 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 Bank 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.