FNB

Namibia Holdings

2013

ANNUAL REPORT

THE VALUE OF VALUES

This annual report places a special emphasis on the core values of FNB Namibia Holdings Limited. These values are summarised in five simple words – integrity, accountability, innovation, passion and respect. But they do not, as some may think, amount to merely warm and fuzzy notions. They have profound implications for all who work at the organisation.

All members of staff are expected to live out these values in every working situation. Of course each word is merely a convenient summary. But properly elaborated, the values provide a watertight guide for all.

Indeed, it is the firm conviction of FNB's leadership that the application of these values, distilled over decades, is what explains FNB Namibia's historic success – and will ensure its continuing prosperity.

FNB Namibia Holdings Limited is the oldest financial services group in the country and listed on the Namibian Stock Exchange. It has a market capitalisation of more than N$5 billion. It is a subsidiary of FirstRand EMA Holdings Limited and its holding company, FirstRand Limited, which is listed in both South Africa and Namibia.

Our values are enduring. They dictate how we deal with customers, the community and our stakeholders. They lay down standards of behaviour. They define our ethics. And they enable us to live out our brand mantra:

"How can we help you?"

Ultimately they lead us to achieving our vision of being "the local world class financial solutions provider of first choice"

In this year's annual report we have contextualised how our values contribute to FNB's daily operations and lead to a sustainable business model. We have included selected quotations from our staff, reflecting how our values are embraced throughout the group.

"Personal leadership is the process of keeping your vision and your values before you and aligning your life to be congruent with them"

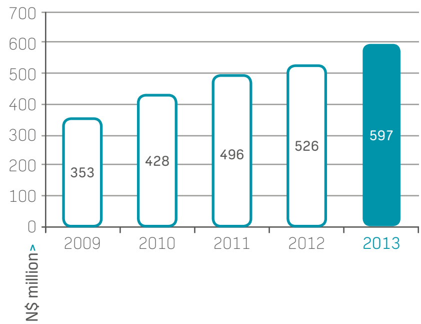
Stephen Covey, American leadership consultant and writer

CONTENTS

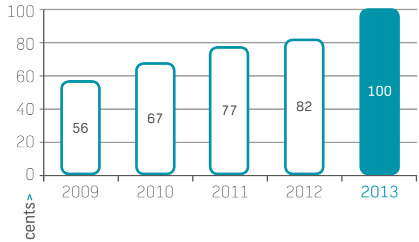
FEATURES OF GROUP RESULTS

	2013	2012
Share performance		
Continuing and discontinued operations		
Earnings per share (cents)	231.2	294.3
Diluted earnings per share (cents)	231.2	294.3
Headline and diluted headline earnings per share (cents)	230.4	203.1
Dividends per share (cents) - ordinary (declared for the period) - excluding special dividend	100.0	82.0
Dividends per share (cents) - ordinary (declared for the period) - including special dividend	100.0	262.0
Closing share price (cents) - ordinary	1 925	1 466
Market capitalisation (millions)	5 151	3 923
Number of shares in issue (millions) - ordinary*	259.4	259.0
Weighted number of shares in issue (millions) - ordinary*	259.2	259.0
Dividend cover (times) - excluding special dividend	2.3	2.4
Net asset value per share (cents)	872.1	911.6
Dividend yield (%) - ordinary dividend	5.2	5.6
Earnings yield (%) - ordinary shares	12.0	20.1
Price to Book ratio	2.2	1.6
Price: Earnings ratio - ordinary shares	8.3	5.0
* after consolidation of share trusts		
Continuing operations		
Headline and diluted headline earnings per share (cents)	230.4	203.1
Capital adequacy		
Capital adequacy of FNB (%)	16.2	17.7
Solvency margin of OUTsurance (%)	42.9	39.5

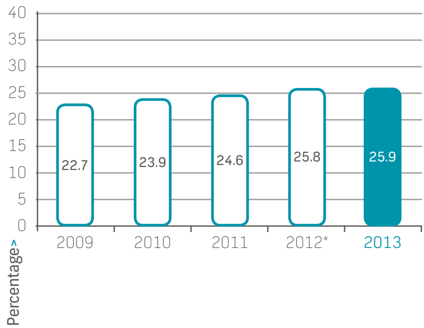
Headline earnings – N$ million



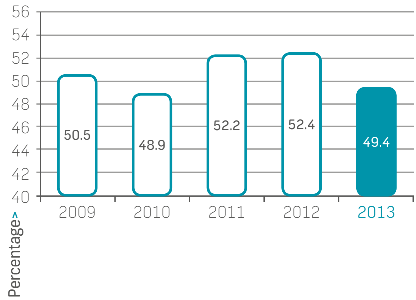
Ordinary dividends per ordinary share



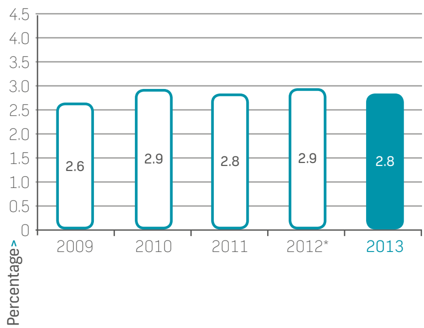
Return on average equity



Cost to income ratio



Return on average assets

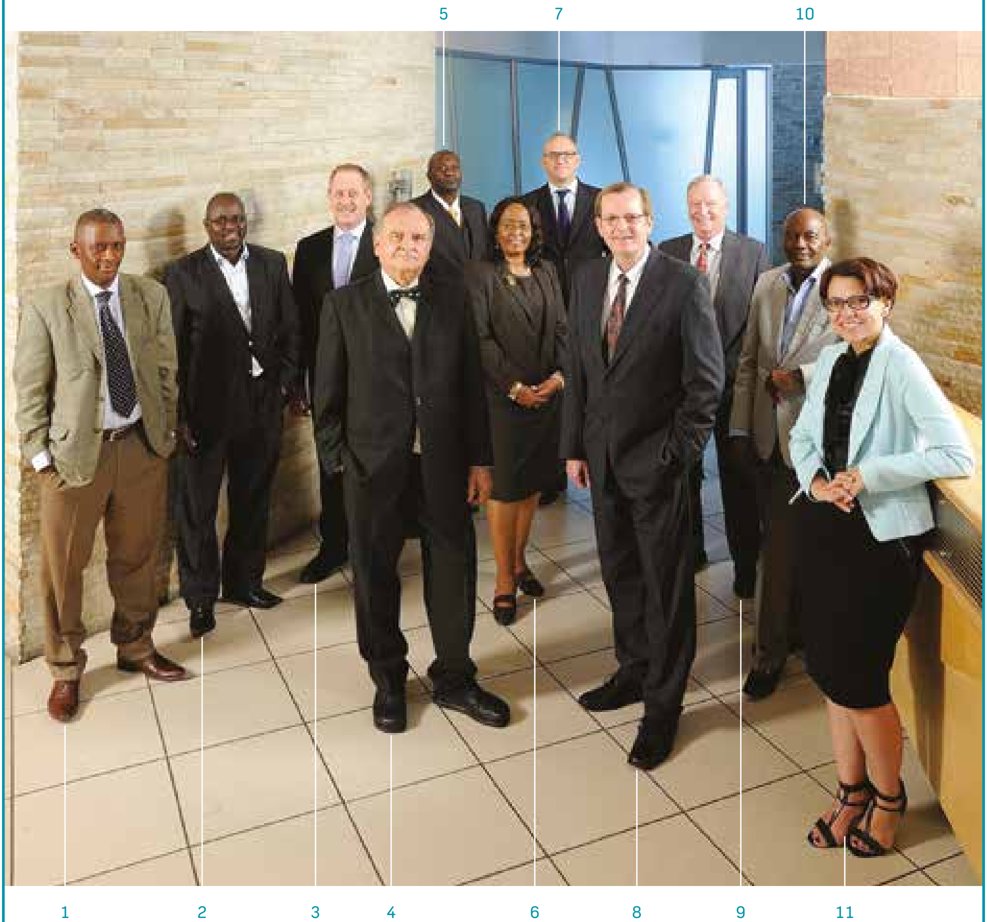


2012* - normalised

FNB BY NUMBERS

198 ATM's
N$22.5 billion total assets
51 branches
11.6 billion ATM transactions
1 883 employees
11 million speedpoint transactions
689 642 accounts
23 976 OUTsurance policy holders
525 628 customers
8 million cellphone banking transactions
1 891 speedpoints
N$1.1 billion value cellphone transactions

BOARD OF DIRECTORS



1. Jabulani R Khethe; 2. Petrus T Nevonga; 3. Leonard J Haynes; 4. Claus J Hinrichsen (Chairman); 5. Christian LR Haikali; 6. Inge I Zaamwani-Kamwi; 7. Cecil JL Giddy; 8. Ian JM Leyenaar; 9. Stuart H Moir; 10. Mwahafar N Ndilula; 11. Jennifer J Comalie
John K Macaskill (not present in photograph)

1. Jabulani Richard Khethe (50)

Non-executive director

South African, Appointed July 2007

Qualifications: BCom (Banking), MBA

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

FNB group committee membership: Directors' Affairs and Governance

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

2. Petrus Tukondjeni Nevonga (44)

Independent non-executive director

Namibian, Appointed May 2003

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

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

External directorships: Namibia Grape Company (Pty) Ltd, Effort Investment Holdings (Pty) Ltd, Endombo Enterprises (Pty) Ltd, Esindano Pharmaceutical (Pty) Ltd

3. Leonard Jack Haynes (50)

Non-executive director

South African, Appointed February 2013

Qualifications: B Com (Hons), MBA

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

FirstRand Group directorships: First National Bank of Botswana Ltd(alternate), First National Bank of Lesotho Ltd (Chairman), FNB Mozambique, S.A.(alternate), First National Bank Tanzania Ltd

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

4. Claus Jürgen Hinrichsen (70)

Independent non-executive chairman

German, Appointed March 2009

Qualifications: BA LLB, BA Honours, Admitted Legal Practitioner

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

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

External directorships: Candida (Pty) Ltd, Tovsorel Investments (Pty) Ltd, Bismark (Pty) Ltd, Ausspannplaza Investments No. 4 (Pty) Ltd

Trusteeships: Namibia Legal Practitioners Trust, Goreangab Trust, FNB Foundation

5. Christiaan Lilongeni Ranga Haikali (44)

Independent non-executive director

Namibian, Appointed November 2005

Qualifications: BBA (Entrepreneurship)

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, FNB Insurance Brokers Namibia (Pty) Ltd (Chairman)

FNB group committee membership: Remuneration, Directors Affairs and Governance

External directorships: Prosperity Health, Africa Personnel Services, Namibia Stevedoring Services, HANU Investments cc, Aruba Fruit Exporters Namibia (Pty) Ltd, NSWE (Pty)Ltd, APS International (Pty) Ltd, Chappa AI Investments (Pty) Ltd, Petronam Investments (Pty) Ltd, Namibia Liquid Fuel, Oryx Investment (Pty) Ltd, Mertens Mining and Trading (Pty)Ltd, Duiker Investments 175 (Pty) Ltd, Tumba Holdings (Pty) Ltd, Surecast Mining and Construction (Pty) Ltd, Vision Africa (Pty) Ltd, Tulongeni Strategic Investments (Pty) Ltd, Namibia Jetlink (Pty) Ltd, Ekango Retail Solutions (Pty) Ltd and Safland Property Services

Trusteeships: Tulongeni Family Trust, Frontier Property Trust, FNB Share Incentive Trust

6. Inge Ingenesia Zaamwani-Kamwi (54)

Independent non-executive director

Namibian, Appointed January 2000

Qualifications: LLB (Hons) - London; LLM - Dundee

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

FNB group committee membership: Remuneration Committee (Chairperson), Audit Committee, Risk Capital and Compliance

External directorships: Namdeb Diamond Corporation (Pty) Ltd (CEO), Fishcor & Seaflower Lobster Ltd, Zantang Investments (Pty) Ltd, UNAM Council, National Planning Commission, MCA-Namibia, Tungeni Africa Investments (Pty) Ltd, Swakop Uranium, NCCI, Public Office Bearers Committee (POBC)

Trusteeships: XNET Trust Fund, FNB Share Incentive Trust

7. Cecil John Giddy (40)

Non-executive director

South African, Appointed February 2013

Qualifications: B Com (Hons) CA(SA), Chartered Financial Analyst

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

FirstRand group directorships: RMB Nigeria Ltd

8. Ian Jetze Miller Leyenaar (56)

Chief executive officer

South African, Appointed February 2013

Qualifications: B Comp, LIB (SA) AEP

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, FNB Insurance Brokers Namibia (Pty) Ltd, FNB Trust Services (Pty) Ltd, RMB Namibia (Pty) Ltd

External directorships: Momentum Asset Management Namibia Ltd

Trusteeships: FNB Namibia Holdings Retirement Fund (Chairman), FNB Foundation

9. Stuart Hilton Moir (65)

Independent non-executive director

South African, Appointed November 2005

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

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, FNB Insurance Brokers (Namibia) (Pty) Ltd, FNB Namibia Unit Trust Ltd (Chairman)

FNB group committee membership: Audit, Risk, Capital and Compliance, Remuneration

External directorship: Stimulus Investments Ltd

Trusteeships: FNB Share Incentive Trust, FNB BEE Trust, Nampro Trust

10. Mwahafar Ndakolute Ndilula (63)

Independent non-executive director

Namibian, Appointed November 2005

Qualifications: MPA/DDA

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, OUTsurance Insurance Company of Namibia Ltd (Chairman)

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

11. Jennifer Juanita Comalie (39)

Independent non-executive director

Namibian, Appointed February 2013

Qualifications: B Com (Hons) CA(Nam)

FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, RMB Namibia (Pty) Ltd

FNB group committee membership: Audit, Risk, Capital and Compliance

External directorships: Oryx Properties Ltd, Namport

12. John Kienzley Macaskill (63)

(Not present for photograph)

Non-executive director

South African, Appointed March 2003, alternative director effective 25 February 2013

Qualifications: BCom (BEM); CAIB / AEP

FNB group directorships: FNB Namibia Holdings Ltd (Alt), First National Bank of Namibia Ltd (Alt), First National Bank of Botswana Ltd (Alt), FNB Moçambique SA, First National Bank Zambia Ltd

INTEGRITY

Integrity is doing what is right – even when no one is watching. It gives me fulfilment and by living this value shows My FNB to be the place I love to work and be.

Linea Negonga,
Corporate Action/Cash Settlement Specialist, Custody Department

CHAIRMAN'S REPORT

THE OPERATING ENVIRONMENT REMAINS CHALLENGING

Compared to the 2012 financial year, the fragile parameters of global growth have eased somewhat. Policy makers have largely defused two of the biggest short-term threats to global recovery – threats of a euro area break-up and a sharp fiscal contraction in the United States. As a result, global growth prospects have improved even though the road to full recovery for advanced economies remains bumpy.

On the domestic front, national accounts data for 2012 shows that the economy grew by 5% year on year, compared to 5.7% year on year in 2011. It was relatively broad-based. The primary sector grew by 12.8% and the secondary and tertiary sectors grew by 3.9% and 6.6%. These numbers suggest that the economy grew much faster during the first half of the current financial year. Growth seems to have slowed during the second half considering the dismal growth that was recorded during the first quarter of 2013. The prevailing drought conditions will also diminish growth prospects going forward. On the demand side, Bank of Namibia data shows annualised growth of 15.5% year on year for the period ending in June. Household credit demand grew by only 14.8% compared to 16.6% for the business sector for the same period.

Inflation has eased during the year. It averaged 6.4% over our 2013 financial year, lower than the 6.5% averaged in 2012 - a positive from a monetary policy perspective.

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In a surprise move, the Bank of Namibia reduced interest rates by 50 basis points on 21 August 2012 after a similar move in South Africa. Since then rates have stayed on hold. We continue to believe that a combination of medium term growth concerns and robust credit demand will convince the central bank to maintain this level in the foreseeable future.

Our mission

Our environment is constantly changing, requiring individuals and businesses to adapt. An important change we made this year was to review our mission statement. It now reads:

To create sustainable wealth for all stakeholders through discipline, innovation, empowerment, staff engagement, value-added partnerships and a passion for service excellence.

The important change was the inclusion of "staff engagement", emphasising our commitment to improve engagement levels in FNB. This dedication has seen us implementing an employee engagement initiative identified by our people and aimed at fast-tracking FNB's goal of being the employer of choice.

Building on our values

In last year's annual report I declared my interest in our governance and decision-making processes. This year, I would like to take this to another level and focus on values.

By definition values are: "Important and lasting beliefs shared by the members of a culture about what is good or bad and desirable or undesirable. Values have a major influence on a person's behaviour and attitude and serve as broad guidelines in all situations. Some common business values are fairness, innovation and community involvement" (Business Dictionary.com)

In addition our FNB values are:

Integrity,
Accountability,
Innovation,
Passion, and
Respect.

The FNB Namibia Holdings board is guided by these values. Each is of equal importance and each is a key component of our strategy. In fact, you could say our strategy is cemented by our values. All contribute equally and uniquely to FNB's underlying business model.

In a continuously changing environment, innovation becomes particularly important. It unlocks creativity.

By focussing on building trusted and rewarding relationships with all stakeholders we are freed to innovate. Dedicated team members are able to explore new and unique ways of adding value for our clients. The market in which we operate challenges our comfort zone and obliges us to unlock innovative ways of banking. This in turn encourages us to introduce novel, appropriate and cost-effective methods of giving service.

Continuous innovation requires the right people, new efficiencies and active engagement of key stakeholders.

No innovation can detract from our positioning of FNB as more than a retail bank with an increased focus on business banking. This still enjoys priority attention.

RMB Namibia has developed a more integrated service approach to larger business customers through our Corporate Division and Global Markets. Our aim is to build relationships which add value to the business of our clients.

Dividend

I am pleased to announce a final dividend for the year ending 30 June 2013 of 54 cents per ordinary share. Taking into account the dividend of 46 cents paid in March 2013, ordinary shareholders will receive a total dividend for the year of N$1.00 per ordinary share.

Appreciation

I wish to thank our Government for securing peace in our country thereby creating a conducive business environment which enables the realisation of Vision 2030 and our fourth National Development Plan.

Last but not least, I extend a big thank you to my fellow directors and the entire management of FNB for their valuable contributions during the past financial year.

During the year we said goodbye to Advocate Vekuii Rukoro, our Group Chief Executive Officer. He served FNB diligently for seven years. Ian Leyenaar was welcomed as the FNB Group CEO, which position he now holds in addition to the office of the bank CEO. I wish Ian all the best in his new role of Group CEO. I am confident he will master it with his acknowledged banking skills and integrity.

Finally, to each and every FNB employee: you contributed to yet another exceptional year. Thank you!

Looking forward

There are still significant medium-term risks in the global growth environment, as pointed out by the IMF report which will impact on the Namibian growth outlook. These are:

- Very low growth or stagnation in the Euro-area – a key export destination for Namibia;
- Less excess capacity than expected in the leading economies or a sudden burst of inflation;
- Risks related to unconventional monetary policy which could lead to greater volatility in currency markets; and
- Lower potential output in key emerging market economies such as China which holds risk for commodity exports.

Our GDP growth forecast for 2014 is between 4 and 4.5%, based on the likely positive impact of the Husab project and Otjikoto gold mine. Overall we are bullish on domestic demand. The recent tax relief of N$1.6 billion will support spending.

I have no doubt that FNB will continue to create sustainable wealth for all our stakeholders, and that our values will remain fundamental to our operations.

Claus Hinrichsen
Chairman

ACCOUNTABILTY

We accept that we are the masters of our own destiny and therefore we will always take full responsibility for all our decisions and actions and never leave anything unfinished.

Imensia Tjozongoro,
Team Leader-General Ledger Balancing, Admin Centre

CORPORATE GOVERNANCE REPORT

Statement by the chairman of the board

The board remained a source of strength and leadership during 2013 by guiding the group in adopting sound corporate governance practices in a continually evolving environment. Our goal is to go beyond regulatory requirements in achieving our vision of remaining the preferred financial services provider.

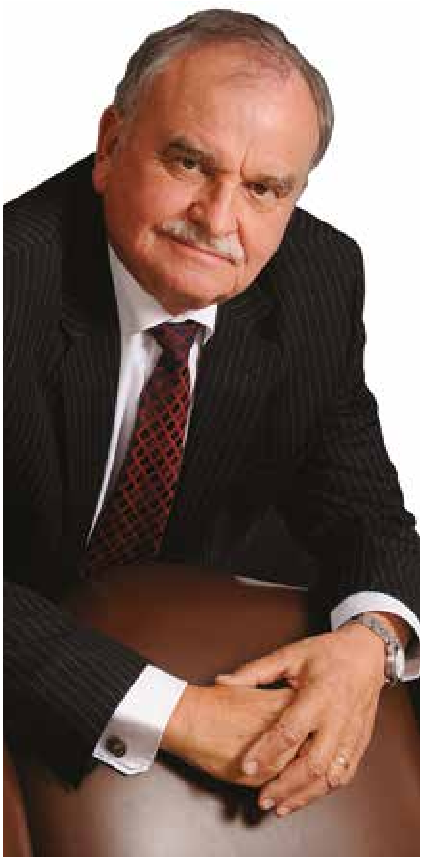
Corporate governance in the group

The FNB board of directors provides overall oversight and direction in the governance of the group with the aim of promoting greater corporate accountability, transparency, increase in stakeholder confidence and the achievement of sustainable growth. The board of directors subscribes to these principles and ensures that they are incorporated in all business operations.

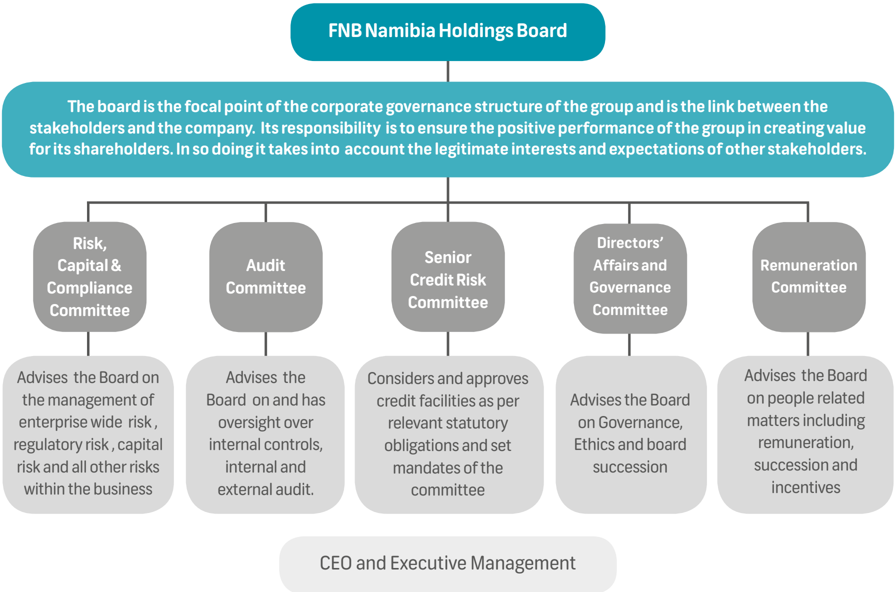
FNB is committed to the principles of good corporate governance as set out in King III Code on Corporate Governance and the board of directors ensures its implementation across the group and monitored consistently in all its operations.

The board of directors of the group through the directors' affairs and governance committee of the board assures all stakeholders that it has complied with the principle requirements of King III. The NSX in partnership with FNB and industry role players committed to the development of a local governance code as King III has yet to be adopted by the NSX. The group will follow this Namibia code once adopted.

The directors are satisfied that the way in which the group is directed and controlled, complies with the King III Code in all material respects.



Governance structure



Tools we use to apply good governance within FNB are:

- Formalised charters and mandates of accountability,
- Director performance reviews against set objectives and mandates at individual, board or committee level, and
- Group wide ethics programme for leadership, management and people management policies and processes.

The board is responsible to cultivate and promote an ethical corporate culture within which integrity permeates throughout the company as set out in the group's Code of Ethics. The object of the group's code of ethics is to enable employees to always act according to defined ethical principles. This code commits all employees to the highest standards of integrity, and ethics behaviour in all interactions with all stakeholders. All staff are required to, at all times familiarise themselves with this code and to adhere to it, as it is regarded as a strategic business imperative and a source of competitive advantage. The principles set in the Code of Ethics is underpinned and re-confirmed in the values of respect, innovation, integrity, passion and accountability adopted for the group.

Role of the board of directors

The board is responsible and accountable for providing effective and ethical leadership and executes these functions by:

- Providing strategic leadership and guidance to management to build a sustainable business;
- The directors having a duty to exercise leadership, enterprise, integrity and judgment based on transparency, fairness, accountability and responsibility;
- Pronouncing and monitoring the implementation of the value system of the company thorough the Code of Ethics. All directors subscribe to the code of ethics which forms part of the board charter and their performance is monitored by the directors' affairs and governance committee;
- Ensuring active and positive stakeholder engagement in various aspects of the business. The board is responsible for managing successful and productive relationships with all stakeholders that foster trust and confidence in the company. All directors, both executives and non-executives, carry full fiduciary responsibility and owe a duty of care and skill to the group in terms of governing legislation; and

- Control and oversight over the operations of the company through various governance structures including audit, risk, capital and compliance committee, remuneration committee and directors' affairs and governance committee and executive management committee.

Board composition and independence of directors

The company has a unitary board. Its chairman is non-executive and independent, which independence is confirmed through an assessment. The roles of the chairman and chief executive officer are separate and distinct, and the number and stature of independent directors serving on the board ensures that enough independence is applied when making significant decisions.

The board of the company comprised of a total of 12 directors. The following directors are considered to be independent in judgment and character:

- Mr CJ Hinrichsen (Chairman)
- Ms JJ Comalie
- Mr CLR Haikali
- Mr SH Moir
- Mr MN Ndilula
- Mr PT Nevonga
- Ms II Zaamwani-Kamwi

Messrs JR Khethe, CJ Giddy, JK Macaskill and LJ Haynes are deemed to not be independent non-executive directors due to their various roles within FirstRand Bank Holdings Ltd, the ultimate majority shareholder of the company. Mr IJM Leyenaar was appointed as Chief Executive Officer of the company in February 2013.

Messrs Giddy, Haynes, Leyenaar and Ms Comalie were appointed to the board in February 2013 and said appointment is to be confirmed at the annual general meeting to be held in November 2013. Regulatory approval was obtained for all appointments.

The board accepted Mr JK Macaskill as an alternate director to Mr Khethe on the board and to Mr Haynes on several committees. The board welcomes the continued commitment of Mr Macaskill to the Namibian operation while noting his role within the FirstRand Group.

Advocate Vekuii Rukoro retired from the FNB group as CEO in February 2013.

The interest of directors in equity of the company are detailed in note 6.3 of the report. Messrs Ndilula and Haikali are representatives of the BEE Consortia and hold indirect shareholding in the company.

The Chief Financial Officer, Mr O Capelao attends all meetings in an ex-officio capacity.

The board seeks and assesses the independence of the directors through the directors' affairs and governance committee on an annual basis.

The boards of major subsidiaries are similarly constituted with an appropriate mix of skills, experience and diversity.

Nomination and succession

The board adopted a formal appointment process of directors and appointments are made at the annual shareholder's meeting. The board of directors on the recommendation of the directors' affairs and governance committee, which serves as the nominations committee for the group, appoints the directors in compliance with regulatory requirements. The board takes cognisance of the need to ensure that its composition is appropriately diversified in terms of skill, experience, diversity, size and demographics to serve the interest of the company and its stakeholders.

All non-executive directors are subject to retirement by rotation and re-election by shareholders periodically, with a third of the directors rotating annually in accordance with the articles of association. A staggered rotation ensures continuity of experience and knowledge. A brief curriculum vita of each director standing for election or re-election at the annual general meeting accompanies the notice of the meeting. The reappointment of non-executive directors is not automatic and is subject to performance and eligibility.

The re-appointment of the following directors, who retire in terms of the articles of the company, would be discussed at the general meeting of the company: Messrs JR Khethe, SH Moir, MN Ndilula and Ms II Zaamwani-Kamwi

Board and committee meetings and attendance

The board and committees, excluding the Remuneration committee, meet at least on a quarterly basis, with additional meetings convened as and when necessary.

	Board					Audit Committee				Risk, Capital and Compliance Committee				Directors' Affairs and Governance Committee			Remuneration Committee
Name of Director	Aug	Nov	Jan	Feb	Apr	Aug	Nov	Jan	Apr	Aug	Nov	Jan	Apr	Oct	Jan	Apr	Apr
CJ Hinrichsen (chairman) I NED	√	√	√	√	√	At	At	At	At	NM	At	NM	NM	√	√	√	√
VR Rukoro (CEO) Executive (Retired 28 Feb 2013)	A	√	√	A	-	NM	At	NM	-	NM	At	NM	-	NM	NM	-	-
CLR Haikali I NED	√	√	√	√	√	NM	NM	NM	NM	NM	NM	NM	NM	√	√	√	√
JR Khethe NED	√	√	√	√	√	NM	NM	NM	NM	NM	NM	NM	NM	√	√	√	NM
JK Macaskill NED	√	A	√	√	A	√	A	√	A	√	A	√	A	√	√	A	A
SH Moir I NED	√	√	√	√	√	√	√	√	√	√	√	√	√	At	NM	NM	√
MN Ndilula I NED	√	√	√	√	√	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
PT Nevonga I NED	√	√	√	√	√	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
II Zaamwani-Kamwi (Ms) I NED	√	√	A	√	√	√	√	A	√	√	√	A	√	NM	NM	NM	√
IJM Leyenaar (executive) (appointed 25 Feb 2013)	-	-	-	√	√	At	At	At	At	At	At	At	At	NM	NM	NM	At
CJ Giddy NED (appointed 25 Feb 2013)	-	-	-	A	√	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
JJ Comalie I NED (appointed 25 Feb 2013)	-	-	-	√	√	√	√	√	√	√	√	√	√	NM	NM	NM	NM
LJ Haynes NED (appointed 25 Feb 2013)	-	-	-	√	√	At	At	√	√	At	At	√	√	NM	NM	√	√

I NED = Independent non-executive director
NED = Non-executive director

√ =attended
A = apology
At = attended ex-officio
NM = not a member

Access to management and company resources

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

Directors' development

Training and development of directors is conducted through a formalised sessions, including induction, that takes into account the performance evaluation of the individual directors and the board as a whole. Directors undergo a formalised induction programme at appointment and continuing professional development which includes exposure to new developments relevant to their role and the financial sector.

Training sessions were conducted for directors during the past year. These sessions covered important topics such as recent developments in the financial sector, Internal Capital Adequacy Assessment Process (ICAAP), corporate governance, updates on legislative developments, as well as relevant developments in the group's areas of operation.

Directors' evaluation

The board of directors through the directors' affairs and governance committee conducts annual performance evaluation of the board, committees and individual directors on the various functions as set out in charters. The chief executive officer's performance is evaluated against set objectives both as an executive director and as a director.

Subsidiary boards

The company has two major subsidiaries. These are:

- First National Bank of Namibia Limited, and
- OUTsurance Insurance Company of Namibia Limited

These subsidiary boards are subject to oversight by regulatory authorities including the Bank of Namibia, Namibia Financial Institutions Supervisory Authority and the South African Reserve Bank.

Each subsidiary has a board of directors and an executive management committee and report into the group on a quarterly basis. The group is represented on each subsidiary board by a director and or executive management member.

The subsidiaries have the benefit of group governance and administrative support and to that end various group wide policies are applied across subsidiaries with specific adaption to fit the objectives of the subsidiary.

Board committees

Board committees assist the directors in the discharge of their duties and responsibilities. At company level, in addition to the executive management committee (Exco), the following board committees exist:

- Audit;
- Risk, capital and compliance;
- Remuneration;
- Directors' affairs and governance; and
- The senior credit risk committee which is a subcommittee of the audit committee.

All committees have formal terms of references and report to the board of directors. With the exception of Exco and senior credit risk committee, they are chaired by independent non-executive directors and have a majority of independent non-executive directors. Independent professional advice may be obtained at the group's expense in support of their duties.

Share dealings

Directors, senior executives and key personnel who participate in the share option schemes, or persons who may have knowledge of price sensitive information may not trade in the company's shares during the closed period as defined in terms of the NSX rules (said period extends from the end of the financial year until after the publication of the financial results).

This prohibition also covers periods where the company is trading under cautionary announcements. Additional closed periods may be invoked by the board.

All dealings in shares by the directors require prior approval by the chairman, are disclosed on SENS, and the group company secretary files all records of all such share dealings and approvals. Details of trades in shares by staff members who may have access to price sensitive information is also disclosed to the group remuneration committee.

Financial statements

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

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

Group's compliance with regulatory requirements

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

The board is satisfied that the group materially complied with all these laws and regulations for the past year and none of the regulatory authorities, through their on-going supervision mechanisms, expressed any material dissatisfaction with the manner in which the group conducts its business.

Social responsibility and sustainability

The group's corporate sustainability strategy aims to reinforce the effectiveness of business strategy through ensuring integrated monitoring and management of the group's financial and non-financial performance. The group has defined sustainability as a corporate business practice which will by understanding the financial, economic, social and environmental risks and opportunities faced by the company and its operating entities, enable it to remain a leading financial services provider. Corporate sustainability within the FNB context involves social responsibility, economic empowerment, environmental sustainability and corporate social investment.

The group satisfies its social responsibility through the FNB Foundation which on a yearly basis supports worthy community development initiatives. This foundation is funded by 1% of the annual post tax profits of the group. A board of trustees oversees the work of the foundation to ensure that the funds therein are properly managed and are used for their intended purpose.

The group also continues to provide bursaries to Namibians (not necessarily employed by the group), a policy which is in line with our commitment to developing the skills of all Namibians and thus contributing to the country's general economy.

These contributions form part of the group's efforts to support the Government's Vision 2030 which is aimed at creating jobs, wealth and prosperity for all Namibians. The group is committed to the social and economic transformation objectives as set out in the Financial Institutions Charter and actively engages in activities aimed their achievement.

The abridged sustainability report contained herein provides further information on the social responsibly and investment initiatives.

Group company secretary

The group company secretary is suitably qualified and empowered and has access to the group's resources. She provides support and guidance to the board in matters relating to governance and ethical practices across the group. She is also responsible for the induction programs of new directors to ensure that they settle well in their new responsibilities and ensuring that board members are kept abreast of relevant changes in legislation and governance principles. All directors have unrestricted access to the group company secretary.

Communication with shareholders

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

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

Report of the audit committee chairman

The focus of the audit committee is to oversee the group's internal control environment as well as and ensure integrity of the financial disclosure. The board assumes ultimate responsibility for the functions performed by the committee.

Composition of the audit committee

The committee consists of three independent non-executive directors and a non-executive director. The committee's membership has a good understanding of financial risks, financial and sustainability reporting and internal controls taking into account the group's size and the banking sector requirements.

Members: Mr. SH Moir (chairman), Mr. JK Macaskill (alternate from April 2013), Ms II Zaawani-Kamwi, Ms JJ Comalie, and Mr LJ Haynes (appointed April 2013).

The chairman of the audit committee is an independent non-executive director and three of the four members are independent non-executive directors. The group chief executive officer, group chief financial officer, head of internal audit, head of risk and head of compliance and external auditors attend all meetings in an ex-officio capacity. The external auditors and chief internal auditor meet independently with the non-executive members of the committee at least on an annual basis and as and when required.

Focus areas of the committee

The group audit committee's mandate, as set out in a board approved charter, is to ensure effective internal financial controls, financial risk identification and management and upholding the integrity of financial and integrated reporting and executes this mandate on behalf of the board.

The audit committee performed its role in respect of the entire group of companies. To this end, it has adopted a charter that sets out the above mandate in detail, the membership, structure and authority. The group's audit committee has complied with its terms of reference.

Generally, the responsibility of the group audit committee could be summed up as follows:

- Ensuring the expertise, resources and experience of the financial management function;
- Ensuring integrity, reliability and accuracy of accounting and financial reporting systems and resources;

- Evaluating the adequacy and effectiveness of internal audit assurance functions;
- Maintaining transparent and appropriate relationships with the external auditors;
- Reviewing the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors;
- Ensuring that there is adequate reliance placed on effective internal, external and management assurance providers;
- Ensuring that the integrated sustainability reporting obligations are met; and
- The committee is authorised to investigate any activity or concern externally on any matter within its terms of reference.

Financial statements

The audit committee reviews and monitors the integrity and completeness of the company's financial report. The committee members have ensured that changes in accounting policies are presented in detail to facilitate understanding of accounting practices for complex areas.

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

Integrated reporting

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

Internal audit and internal controls

The internal audit function forms a critical pillar in the provision of independent assurance and facilitated the monitoring of the effectiveness of the internal control environment against set policies and scope. The committee assures stakeholders that the internal audit function and internal control and risk management environment were effective during the year under review.

Annual general meeting

The chairman of the audit committee will be in attendance at the AGM to confirm the audit committee report and encourages stakeholders to forward questions for consideration by the committee.

The committee assures stakeholders that:

- The committee has reviewed a documented assessment including key assumptions, prepared by management of the going concern status of the company and has accordingly confirmed to the board that the company will be a going concern for the foreseeable future;
- The financial statements of the group accurately reflect the financial position and records of the group;
- Effective accounting practices and policies have been maintained;
- The skills and resources of the internal audit and finance functions are adequate and all requirements have been met.
- Internal controls of the group have been effective in all material respects during the year under review; and
- The skills, experience and overall performance of the external auditor was acceptable and it recommends to shareholders that Deloitte & Touche be re-appointed as external auditors of the group for 2014 financial year. The committee assures the stakeholders that it met its obligations in terms of the charter in all material respects.

Plans for 2014

- Enhancement of the integrated sustainability reporting program including the internal control environment underpinning these;
- Continued implementation of the combined assurance philosophy aimed at aligning and leveraging of the risk and assurance functions as performed by risk, external and internal auditors; and
- Review of the effectiveness of the internal control environment and risk management processes.

The committee met four times during the 2013 financial year.

Auditor's independence

The group's annual financial statements have been audited by the independent auditors, Deloitte & Touche. The group believes that the auditors have observed the highest level of business and professional ethics. It has no reason to believe that they have not at all times acted with unimpaired independence. The audit committee has confirmed the independence of the external auditors for the reporting period.

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

Report of the risk, capital and compliance committee chairman

The group's risk, capital and compliance committee assists the board in discharging its responsibilities relative to its responsibility of risk governance, risk policy determination, risk assessment and reporting. The committee adopted terms of reference dealing with membership, structure, authority and duties. The group's risk, capital and compliance committee has complied with its terms of reference and objectives set for the period. Please refer to the risk report following for further reading. The risk management framework, risk appetite, maturity level and material losses are detailed in the risk report.

Composition of the risk, capital and compliance committee

The committee consists of a minimum of two independent non-executive directors and a non-executive director. The committee's members have a good understanding of risks and risk management taking into account the group's size and the banking sector requirements. The group chief executive officer, group chief financial officer, head of risk, head of compliance and head of internal audit attend meetings in an ex-officio capacity.

Members: Mr SH Moir (chairman), Mr JK Macaskill (alternate from April 2013), Ms II Zaawani-Kamwi, Ms JJ Comalie, Mr LJ Haynes (appointed April 2013)

Focus areas of the committee

Generally, the responsibility of the group risk, capital and compliance committee could be summed up as follows:

- Reviewing of reports on key risks of the company including IT and compliance risks;
- Determining risk appetite of the group and its subsidiaries and monitoring compliance thereto;
- Ensuring that appropriate resources and systems are in place to identify and monitor and mitigate risk;
- Ensuring that appropriate resources and systems are employed in the management of regulatory risk and receiving reports thereto;
- Reviewing risk assessment reports on detailing risk monitoring reports, management responses and obtaining assurance regarding the effectiveness of the risk management process;
- Ensuring the effective management of credit and concentration risk; and
- Ensuring and maintaining an Internal Capital Adequacy Assessment Process ("ICAAP").

The committee is authorised to investigate any activity or concern externally on any matter within its terms of reference at the cost of the group.

The committee met four times during the year under review

The committee assures stakeholders that:

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

Report of the remuneration committee chairperson

Composition of the remuneration committee

The remuneration committee consists of non-executive directors with the executive officers attending in ex-officio capacities.

Its primary objective is to develop and implement the remuneration philosophy and policy for the group and discharging accountability over the human capital resources within the group.

Members: Ms II Zaawani-Kamwi (chairperson), Mr. JK Macaskill (alternate from April 2013), Mr. SH Moir, Mr. CLR Haikali, Mr. CJ Hinrichsen and Mr. LJ Haynes (appointed April 2013)

The remuneration policy of the company is set out herein and follows the following principles:

- The importance of ensuring that remuneration is reflective of the performance of the company and shareholder expectations;
- Attracting, retaining and motivating people with the ability, experience and skill to successfully implement business strategy;
- Creating a recognizable alignment between rewards for employees, particularly executive directors and senior management and the risk of exposure of shareholder and other stakeholders;
- The achievement of market and internal equity are aligned with reasonable remuneration commensurate with skills, experience required for the position and the performance of the individual;
- Incentivising employees to deliver consistent performance in line with strategic goals and risk tolerances and rewarding success appropriately;
- Total reward including guaranteed pay, discretionary performance bonus, incentives, recognition schemes and long-term incentive schemes for qualifying staff. The rules and management of the FNB Share Incentive Scheme and Black Directors and Employees Share Trust Scheme are set out in Note 30 of the annual report;
- Competitive and balanced reward philosophy that recognises that talented and motivated people are a key differentiator for the company to achieve its strategic objectives; and
- Supply and demand factors for scarce skills and retention of critical skills and the overall performance of the business and the individual play a critical role in determination of remuneration.

Focus areas of the committee

Its responsibilities are set out in the charter and mainly provide for:

- The determination of remuneration, bonus and share incentive scheme policies and practices in the group;
- All forms of remuneration and reward to directors including, but not limited to fees;
- On recommendation of the majority shareholder, the remuneration committee has overview of all forms of remuneration and rewards to senior management including, but not limited to, basic pay, bonus and incentive payments, restraint of trade, issuing of share options; and other benefits;
- Reviewing and approving annual salary increases and bonus awards of staff; and
- Approving general human resource management policies, including succession of key management positions and talent management.

The committee met once during the year with condonation from the board.

Executive remuneration

Executive and senior management members are employed on fairly standard employment contracts as all other employees. Remuneration is benchmarked against peers and aligned to the group's remuneration philosophy and there is a significant performance related component to the said remuneration. Performance targets are set for the group as a whole and for individual targets for the business arm and include non-financial measures such as customer service and human capital management. In line with its risk/reward alignment philosophy the group introduced a share option scheme as a long-term incentive awarded to select staff members based on performance and long term strategic value to the organization. Further details on the scheme are provided in note 30 of the report.

The remuneration of the executive directors is disclosed in the notes of the annual financial statements. The committee took note of the recommendations of King III that companies disclose the remuneration of its three highest paid employees who are not directors. After due consideration of this provision the committee, with concurrence of the board, resolved that the disclosure of the remuneration of the executives sufficiently illustrates the alignment between reward and shareholder return, without disclosing individually.

Non-executive director remuneration

Non-executive directors' fees are based on market comparisons, and are reviewed on an annual basis in order to meet the remuneration philosophy of the group that advocates for fair and responsible remuneration. These fees are paid on a retainer as well as attendance basis. There are no contractual arrangements for compensation for loss of office. The remuneration of directors for the financial year is set out in the notes of the annual financial statements.

Non-executive directors do not receive share options or other incentive awards except for the implementation of the BEE/Transformation agreement entered into in 2005. Further information on exposure of directors to the shares of the company is provided in the notes to the annual financial statements.

Succession planning

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

Employment equity

The group is committed to the achievement of equity with it's workforce in compliance with internal and regulatory obligations and has to that extent approved an affirmative action policy. The policy is aimed at achieving employment equity in the workplace and to enhance business competitiveness. Developing all employees is critical to the success of the programme and emphasis is placed on training, monitoring and promotion of existing staff.

The group has received its Affirmative Action Compliance Certificate from the Employment Equity Commission annually since inception and has met its set targets.

Directors' affairs and governance committee

This is a committee of the board of FNB Namibia Holdings Limited and those companies within the group and is appointed in terms of its articles of association.

Attendance of members for the year under review is detailed on page 15 above.

Members: Mr CJ Hinrichsen (chairman), Mr JR Khethe, Mr CLR Haikali and Mr LJ Haynes (appointed April 2013), Mr JK Macaskill (alternate).

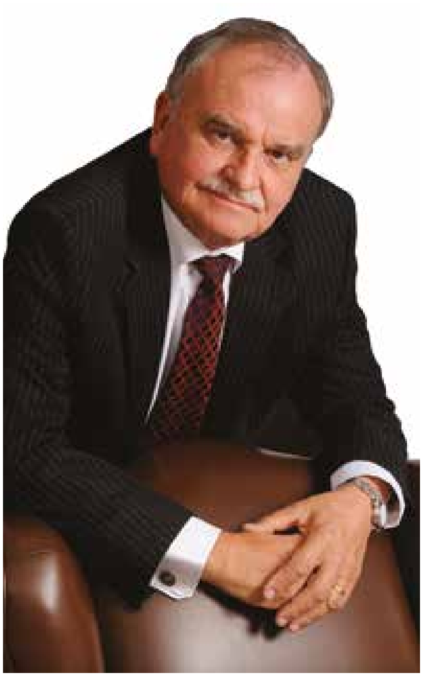
Focus areas of the committee

Its prime objectives are to assist the board in discharging its responsibilities relative to:

- Determine and evaluate the adequacy, efficiency and appropriateness of the corporate governance structures of the group;
- Board and board committee structures;
- The maintenance of a board directorship continuity programme including:
  - the continuity of non-executive directors;
  - the regular review of the competence of the board of directors, including the skills, experience and other qualities required to enhance the effectiveness of the board; and
  - the selection and appointment of new directors;
- The assessment of the effectiveness of the board as a whole and the contribution of each director is self-assessed; and
- The committee reviews the structure and composition of the boards of significant operating companies within the group.

Board nomination and succession

The board approved a formalised board appointment and succession plan for independent non-executive directors and executive management that takes into account the skills, experience of the current and prospective directors, the outcome of the board and director evaluation process as well as the group's commitment to the Financial Sector Strategy and other statutory requirements set by the various regulators.



Board evaluation process

The directors affairs and governance committee conducts a formal board evaluation process. The process entails a review of the charter obligations of the board and of the committees as well as individual director requirements as set by various statutes and the articles of association of the company and the Code of Ethics. Executive directors are further assessed on their roles as executive management members. The format of the evaluation is both a peer review and self-assessment.

The results are analysed and presented to the directors affairs and governance committee and chairpersons of the various committees. The results form an integral part of board nomination and training process.

The committee met three times during the year.

Management Committees

Strategic committee ("Stratco")

This committee assists the board in the formulation of strategies and meets once a month. Membership consists of the chief executive officer and members of the executive team who identify strategic priorities for the group. Stratco sets the strategic framework within which the group pursues its business objectives.

Executive committee ("Exco")

The group's exco is required to implement strategies approved by the board and manage the affairs of the group. Meetings are held once a month. Exco is chaired by the group chief executive officer. Membership includes key members of senior management. Exco has the following sub-committees:

- asset and liability management committee (ALCO);
- procurement; and
- operational risk and compliance committee

Changes to key management

Advocate Rukoro retired as group CEO in February 2013 and Mr Ian Leyenaar was appointed as group CEO. Mr Erwin Tjipuka resigned as group CFO in September 2012 and Mr Oscar Capelao was appointed in this role. Stakeholders are assured that the skills and experience of the management members are effective and appropriate to ensure that the objectives of the group are attained.

INNOVATION

FNB has a rich culture of innovation in our veins and this is what really makes our bank stand out as the best. We are encouraged to unlock our creativity to make banking more efficient.

Nesdha de Jongh
Data Capturer, EasyLoans

EXECUTIVE COMMITTEE

8 9 10 11 12 13 14 15

1 2 3 4 5 6 7

1. Ester Kali; 2. Stephen van Rhyn; 3. Oscar Capelao; 4. Dixon Norval; 5. Susan Fick; 6. Michelle van Wyk; 7. Ian Leyenaar; 8. Johan du Plessis; 9. Brian Katjaerua; 10. Yamillah Katjirua; 11. Kobus Louw; 12. Sylvia Muller; 13. Florentia Amuenje; 14. Steve Galloway; 15. Rowan Yeomans

1. Ester Kali (45)

Qualifications: CAIB(SA), MBA, LDP
Namibian
Head: Retail Banking

Ester is a career banker with over 25 years' experience in banking within the FNB family. Ester holds several banking and management qualifications and has extensive experience in operations, strategy and retail and business banking.

Ester serves on the NamClear (Pty) Ltd board.

2. Stephen van Rhyn (44)

Qualifications: Post Graduate Diploma IT MDP, SMDP, various Microsoft qualifications
Namibian
Head: Information Technology

Stephen is a seasoned information technology specialist with extensive experience in systems development, IT risk management, network and data management and applications software. Prior to joining FNB in 2003, Stephen worked in telecommunications companies and at Standard Bank.

3. Oscar Capelao (34)

Qualifications: B Com Hons (Accounting), CA
Namibian
Group Chief Financial Officer

Oscar is a registered chartered accountant having completed his articles at PWC. Prior to joining FNB, Oscar worked at Old Mutual Namibia. He joined the FNB Group in 2006, initially as Treasury Accountant and then Group Finance Manager during which time he assisted the FirstRand Group in assessing new ventures. Oscar was appointed as Group CFO in 2012.

4. Dixon Norval (54)

Qualifications: BA Hons, MA, MBA
Namibian
Head: Strategic Marketing & Communications

Dixon is an accomplished brand, marketing and communication strategist. Prior to his appointment as Head of Strategic Marketing and Communications in 2006, Dixon worked at Standard Bank and Namibia Breweries as Head Corporate Affairs and Strategy.

Dixon is a director of Junior Achievement Namibia, Africa Leadership Institute and vice chair of Team Namibia.

5. Susan Fick (32)

Qualifications: B.Acc Hons, CA
Namibian
Senior Manager: Special Projects and Strategy

Susan is a registered chartered accountant and first joined the group as finance manager for Retail Banking in 2006. She currently co-ordinates the group's strategic planning and special projects. Prior to joining FNB she worked as an audit manager at PWC.

6. Michelle van Wyk (37)

Qualifications: B.Acc Hons, CA, ACT, ACI
Namibian
Group Treasurer

Michelle is chartered accountant, having completed her articles at Deloitte. After a further three years as manager at Deloitte, she joined FNB Namibia in 2004. Subsequently she re-located to the FirstRand Capital Management team in Johannesburg for four years and returned to FNB Namibia in 2009 as Treasurer. She oversees the bank Treasury function, as well as the Global Markets, Trade and Custody offering to clients.

7. Ian Leyenaar (56)

Qualifications: B.Com, LIB (SA) AEP
South African
Group Chief Executive Officer

Ian was appointed as Group CEO of FNB Namibia Holdings Limited in February 2013, after serving as First National Bank of Namibia Ltd CEO from February 2009. Ian is a career banker of over 38 years. He has held several portfolios within the FirstRand Group with his previous position having been CEO of FNB Swaziland.

Ian is also a non-executive director of FNB Trust Services Namibia (Pty) Ltd, FNB Insurance Brokers Namibia (Pty) Ltd, RMB Namibia (Pty) Ltd and Momentum Asset Management Namibia (Pty) Ltd.

8. Johan du Plessis (39)

Qualifications: B.Compt (Hons), CTA, CRA
Namibian
Chief Risk Officer

Johan has extensive experience and qualifications in risk management, Basel II, Corporate Governance and Money Laundering. He is a registered member of the Compliance Institute of South Africa and IRMSA. Johan was head of enterprise risk at Nedbank Africa before his appointment at FNB Namibia in 2012.

9. Brian Katjaerua (38)

Qualifications: LLB, LLM (Econ. Law), LLM (Merc. Law) MBA
Namibian
Group Legal Advisor

Brian is an admitted legal practitioner of the High Court of Namibia and has extensive skills and experience in banking, legal risk management, litigation, conciliation and arbitration and drafting of contracts. In addition to his role as Group Legal Advisor, Brian is CEO of OUTsurance Namibia.

10. Yamillah Katjirua (38)

Qualifications: B.Juris, LLB, Certificate in Compliance (UCT), SMDP
Namibian
Group Company Secretary and Compliance Officer

Yamillah is a member of the Compliance Institute of South Africa and has skills and experience in governance, listing requirements and regulatory risk management. Prior to her appointment at FNB in 2008 she held various company secretarial positions and she served as a public prosecutor.

11. Kobus Louw (50)

Qualifications: CAIB(SA), B.Econ, MBA
South African
Head: Corporate and Commercial Banking

Kobus is a career banker with 29 years' experience in banking and extensive skills and experience on corporate and commercial banking, lending, structuring and strategic management. Kobus was part of the FNB SA Corporate Banking team before his appointment to his current position in 2011.

12. Sylvia Muller (44)

Qualifications: B Comp Hons (Accounting), CA
Namibian
Head: Credit Compliance

Sylvia commenced her career at Deloitte where she was an audit manager before moving to Bank of Namibia's Banking Supervision Department. In 1999 she joined FNB's credit team. She has extensive experience and skills in lending, structuring, credit risk and regulatory risk management. Sylvia was registered as a chartered accountant in 1994.

13. Florentia Amuenje (43)

Qualifications: MBA, Masters of Arts Psychology, BA Honors Industrial Psychology, Coaching Certificate
Namibian
Head of Human Resources Management

Florentia is a certified coach and has extensive skills and experience in transformation management, human resource development and management. Prior to joining FNB in 2007, Florentia was employed at the Motor Vehicle Accident Fund and PWC. Florentia was appointed as head of Human Resources in 2013.

Florentia serves on the boards of Namibia Training Authority and Namibia Statistics Agency.

14. Steve Galloway (56)

Qualifications: BSc Hons (Geology), B Com Hons (Econ)
Namibian
Managing Director: RMB Namibia (Pty) Ltd

Steve has more than 30 years' working experience in exploration, mining, investments, corporate and project finance and strategic management and has served on boards of several finance and mining companies. Steve was the Executive Director of the Namibia Investment Centre for 4 years and managing director of NedCapital Namibia for more than 10 years.

15. Rowan Yeomans (58)

Qualifications: FIIASA, GIA (SA), Diploma Bank Credit Management
South African
Head: Internal Audit

Rowan has over 39 years of experience in banking, internal audit and strategic management. He has been instrumental in establishing an experienced and skilled internal audit team and system in the FNB group.

RESPECT

Respect is a vital value in society and I believe that it is essential that everyone live by it, whether at work or in society. By respecting each other's differences, such as personality, age, culture it creates a positive working environment for everyone and encourages team cohesiveness. Respecting others is also a good common sense and therefore it is important that we get to respect ourselves in order to earn it from our fellow peers.

Josephine Shafashike
Code Line Clearing Official, Admin Centre

CHIEF EXECUTIVE OFFICER'S REPORT

A CONSISTENT STRATEGY BASED ON CORE VALUES THAT CONTINUE TO DELIVER SOLID GROWTH

Our vision is to be a world class financial solutions provider of first choice in Namibia while remaining a market leader priding itself on innovation. Our solid overall performance was achieved by continuing to focus on growing and servicing our local market in accordance with our strategic objectives.

FNB Namibia understands that it needs to continue building its strong brand by exceeding customer expectations for innovation and service. Our goal is to remain "first to market".

Our key competitive advantages are an ongoing focus on service and our drive to encourage customers to save time and money by using self-service banking channels.

To set ourselves apart from competitors, we focus on four strategic pillars, or areas of excellence: ***People, Efficiencies, Customers*** and ***Key Partnerships.*** First and foremost, each pillar must conform to our basic values – the set of rules which guide our people in better serving stakeholders.

PASSION

We believe in and enjoy what we are doing and nurture caring relationships with our stakeholders.

The group recognises that skilled and passionate employees are imperative as the industry evolves. We realise how important it is to create employment that offers something more than mere recognition and reward.

Ensuring that we have the right people for the right jobs is vital. We have improved the Performance Management System to reduce poor performers and adequately reward high performers. We have grown our skills pool by encouraging employees to focus on learning, skills development career plans, succession planning and empowerment.

To achieve our goal of becoming the employer of choice we established a staff programme that actively drives improvement in employee engagement levels. It reached a new level this year when FNB introduced a bold group-wide process called "FNB Let's Talk". One-on-one interviews gave almost every employee across the group an opportunity to have their say.

This was followed by a first-ever "employee engagement summit". Here our people themselves thrashed out a plan for unique staff engagement initiatives for the group. These will be driven at group and business unit level. The plan includes a roll-out of a junior management development programme offering customised leadership training. Other successful initiatives related to improving performance scorecard measurement and communicating updated HR policies, in particular the *"living the FNB values"* campaign.

FNB also proactively communicates with our people through a weekly staff publication and other information notices. We have a tailor-made internal social "blogging" page where we drive communication and solicit feedback directly from our people. Together with a new internal social network site called Face-to-Face, we use these platforms to encourage group-wide discussions. Timely communication is an integral part of the success of the staff engagement initiative.

Staff engagement scores rose from 70% to 74% according to an internal People Pillar Survey in February 2013.

RESPECT

We believe that all our people have a valuable contribution to make. Therefore we respect ourselves and the myriad of attributes that make each of us different. We value the unique contributions that each person has to make in all spheres.

Inspired by our value of ***respect*** we will soon appoint a Junior EXCO which will give Generation Y's a platform to influence senior management decision-making.

Because the wellbeing of our people is of paramount importance a dedicated team drives initiatives such as wellness days and distributes information on different medical conditions. We also have an emergency telephone number to provide professional help in fields ranging from psychology to medical health to financial planning.

ACCOUNTABILITY

We accept that we are the masters of our own destiny and will always take full responsibility for all our decisions and actions and never leave anything unfinished. We will celebrate our successes and learn from our mistakes in our journey to new pinnacles.

At FNB we believe we have a responsibility to protect all our communities from unsustainable debt due to excessive borrowing. FNB plays a leading role when it comes to building a stable financial sector based on the principles of sound and sustainable banking practice. We are only too aware of what can happen when these principles are compromised.

INNOVATION

We unlock creativity by allowing our diverse and passionate team members to explore unique ways of adding value for all customers. We want to be the industry benchmark.

Our people initiate innovations

Our annual staff innovations campaign attracts great ideas, 200 and more a year. Because innovation is a core value, employees are encouraged to participate.

Big or small, all ideas are welcomed. Rewards of up to N$1 million after tax are possible. Among the successful ideas are the Ekwatho Meatco and Okamatapati bridging capital financing schemes benefiting commercial and communal farmers, contract and tender financing, the FNB song, Pension-backed home loans, the Business Intelligence/360 degrees project, and the Mobile speed-point. A rigorous judging process selects the best.

Innovative efficiencies

Efficiency will help ensure continued sustainable growth and performance. One measure we use to evaluate efficiency is the cost to income ratio. This has improved to 49.4% (2012: 52.4%), making FNB the most efficient Namibian commercial bank.

Our building

Our new head office development in Windhoek's CBD will house staff presently located in four buildings and unlock efficiencies – saving support and delivery costs, reducing travelling costs, centralising communication and energy resources, cutting telecommunication and external rental costs. The official ground-breaking ceremony officiated by the President of the Republic of Namibia, Hifikepunye Pohamba, was held on June 6, 2013.The project should be completed in the second half of 2015.

Our systems

The Account Opening Optimisation (AOO) project was successfully implemented in November 2012 and all relevant employees have undergone systems training. AOO allows us to automate the account opening processes and enhances branch capability to cross-sell value-added FNB products.

Although only recently introduced, we are already seeing the financial benefit and are still exploring ways to extract additional benefits.

Improving efficiencies and streamlining support functions will enable us to re-direct capacity to sales. There will be continued focus on how the business can best be re-organised to achieve asset growth, which exceeds private credit extension expectations.

Operational processes have been reassessed to create efficiencies and promote cost savings. Bank cheques have been streamlined, salary processing converted from manual to on-line and selected branches do self-processing and continuous recovery of costs.

A new web-based teller system, known as Karabo, replaced an obsolete process towards the end of the financial year. It offers an opportunity to enhance our telling service. All operating systems are continually reviewed to ensure that as far as possible they are efficient and customer friendly.

This focus on efficiency will ensure that FNB remains the market leader in innovations.

INTEGRITY

We will always honour our commitments, be truthful in what we say and do, uphold high ethical and moral standards and be fair and equitable in our dealings.

Treating our customers with integrity

Our strategy to position ourselves as more than just a retail bank is designed to widen our scope and enable us to tap into the wealth and business segments. Because our customers are diverse, we have to meet different financial needs in varied ways

Segment focus

Our corporate team: The strategy of strengthening relationships by appointing dedicated relationship managers in industry segments has proved a winner, creating unique customer value propositions through close collaboration with RMB and our global markets business unit.

The ***Global Markets*** division: It faced numerous challenges during the year, arising from the impact of subdued global economic growth on clients' international counterparts. Not only in the trading of goods and services, but also in commodity markets, our clients were significantly impacted by low export prices. We managed to compensate partly for this decrease in business by structured solutions in foreign currency, interest rate and commodity markets, thanks to strong collaboration with our RMB counterparts at Global Markets in Johannesburg.

Volumes in both the Corporate and Retail sectors were impacted, with Retail showing fairly flat growth. The trend reflects the impact of lower levels of USD cash from Angolan sales and the tourism sector.

The low interest rate environment brought further surprises with a 50bps cut in the bank rate in August 2012. The outlook changed from further cuts to flat rates for varying periods, long and short. To a large extent, this followed world economic conditions and an accommodative central bank approach to global growth.

An increased focus on *Trade* products and structured trade solutions will supplement the decrease in traditional sources of foreign exchange revenues.

Custody and Trustee Services: The division has re-aligned itself with increased efficiencies and collaboration with Custody Services of RMB Corporate Banking. Assets under Custody increased by 31% and we expect above-average growth for 2014.

Business, agriculture, small and medium enterprise (sme) and tourism: The strategy remains positive and with enhancements these segments continue to maximise growth and increase revenues.

Biz Network, our networking platform, has reached new heights. Customers benefit from interaction with relationship managers and discussion on topical information. They are also able to share ideas and best practice with similar businesses across Southern Africa – just one of the advantages we offer.

FNB home loans: It maintains its strategy to write quality business. We continue to strengthen relationships among estate agents in residential property markets, providing a channel for new business. Agents are rewarded through the "Realtors Millionaire Club" annual competition.

WesBank: A part of the FNB group, it has shown commendable growth and contributes significantly to the group's bottom-line. The growth is augmented by relationship building and tailor-made deals which attract customers.

OUTsurance continued to promote its business insurance aggressively. Service excellence remains an imperative to attract different sectors.

Channel focus

Electronic solutions and a keen understanding of customer needs enable us to develop meaningful value propositions, fostering our image as "more than just a retail bank."

A unique FNB innovation is the eWallet, launched in November 2012. This facility allows customers to send money to anyone with a valid Namibian cellphone number. The money is transferred instantly. It can also be used to withdraw cash from FNB ATMs and buy prepaid airtime. An average of 6 700 eWallet users per month have been registered since its launch. None of our competitors have been able to introduce a similar product.

eWallet is still being marketed aggressively. We believe that many Namibians, particularly those with limited access to financial institutions, still do not fully understand the benefit of the product and how it can be used by non-FNB clients. We are convinced that eWallet will promote 'financial inclusion' and take banking into the most remote rural areas.

Another exciting innovation introduced this year is Pay2Cell – a facility that enables users to pay someone directly into their FNB bank account merely by entering their cellphone number.

In line with our strategy to move customers from bricks to clicks, we are continually educating the public on available electronic channels and how much cheaper such transactions are. To promote this strategy we have introduced value-added services on our ATM's, Online Banking and Cellphone Banking platforms. The Coastal, Central, Northern and Rehoboth town councils have been added as online vendors from whom electricity may be purchased by cellphone, ATM or internet banking. Initially, the prepaid electricity service was available only in Windhoek.

We have replaced our base of Ingenico Point of Sale (POS) devices with the newer Magi Cube instruments across our entire merchant base. Customers can expect improved connectivity and service on our new range.

A number of our older ATMs are being phased out and FNB has embarked on a project to replace all ATMs with a more modern and uniform model.

Two new branches were opened in the first half of the financial year - Klein Windhoek and Ongwediva. They will relieve pressure on the existing network and encourage growth. We now have 51 branches throughout the country and expect to open at least two more in the coming year.

Service focused

The drive for service excellence is key to ensuring that we offer our customers a memorable experience. This requires relevant and regular communication. Our brand mantra - *"How can we help you?"* - ensures that we respond with integrity to questions our customers ask.

We retain and gain customers through efficient and innovative product and service delivery and by managing relationships with internal and external stakeholders.

Our annual customer loyalty survey (Buzz Barometer) reveals that the level of customer loyalty increased from 42% in 2008 to 51% in 2012 – a significant rise. Customers ranked our customer service above 80%. But we're not complacent. We always strive to improve customer engagement.

Accolades achieved bear testimony to our progress. In November 2012 we were voted the best bank in Namibia by the Banker Magazine in London for the fourth year running. And in February 2013 we received seven PMR awards at an annual ceremony in Windhoek. We were among the top in various categories, including business banking, credit cards, debit cards, personal banking, investment services, and property valuators and the bank doing most for the elderly.

Key partnerships

Because our partners have diverse and sometimes conflicting interests and different expectations, it was important to engage with them.

Key partners include government, regulators, shareholders, board members, trade unions, consumer lobby groups, industry bodies and the general public.

We have various policies and methodologies governing our communication and conduct. They are informed by best practice, corporate governance and legislative requirements and risk and compliance management principles.

Among our most valued partnerships is the one with the *Namibian Government* and its line ministries. The group strives to contribute towards the vision of the country. For instance, our annual budget synopsis adds value and provides a platform for the Minister of Finance as our keynote speaker.

Our annual results presentation in September remains an important *media* engagement forum.

Our *Housing Index* covers developments in the national housing market and measures the movement of prices and volumes in different regions. The *FNB Tourism Index* enables individual businesses to better understand the tourism environment and plan ahead. The index comes out in alternate months and is factual, accurate and timely. Both of these initiatives are highly regarded by the media as well as the housing and tourism industries.

We engage continuously with our *regulators*, both the *Bank of Namibia* and *NAMFISA*, formally and informally, either in reply to specific questions or in response to draft and issued determinations and legislation. We actively participate in working groups and forums.

Our people represent the FNB Group in the following industry forums:

- The Banker's Association of Namibia
- Payment Association of Namibia (PAN)
- Payment Clearing House (PCH) Card, Code Line Clearing (CLC), Electronic Funds Transfer (EFT)
- Namibian Insurance Brokers Association
- Namibian Insurance Association
- We are also an industry leader on SADC Bankers Association Payment Integration Project.
- Team Namibia
- NCCI

We have a very good working relationship with all our external partners.

The first and most important priority for the FNB brand is to resolve differences with customers without resorting to *legal* action. This is embedded in FNB's core value of integrity. The legal department does not operate in isolation but in tandem with other important areas such as customer care. Complaints are attended to speedily and with a determination to resolve them. We are thus pleased to report that there were no new civil cases instituted against the group for the past financial year – excluding, of course, normal recoveries in the course of business.

Trade unions are important stakeholders. We have established a discussion forum between our HR department and the union. The two teams meet regularly to discuss industrial relations matters. Salaries and benefits are negotiated annually.

Regular and relevant releases keep open our lines of communication with our media partners and promote good relations. Other key partnerships are with our ***vendors***, without whom it would be challenging to meet customer expectations.

FNB also seeks opportunities to engage in smart partnerships with the ***general public***, to drive specific initiatives.

FNB Namibia, as a tourism industry partner, is joint host to the Adventure Trade World Summit (ATWS), which will celebrate its 10th anniversary in Namibia – a first for Africa.

FNB Namibia is active in a smart partnership with Government, through the Ministry of Finance, assisted by the Federal Republic of Germany and the Deutsche Gesellschaft für Internationale Zusammenarbeit in driving the Financial Literacy Initiative (FLI). Officially launched in March 2012, the FLI was founded to assist Namibians to make informed judgments on managing their finances, and has embarked on a mass education drive.

In addition to our corporate social responsibilities, as reported in the sustainability report, our bank proudly re-launched FNB Classic Clashes in May 2013. This is a project to develop sporting talent at schools. The object is to identify stars of tomorrow who will represent Namibia in international sports such as football, rugby and netball.

In summary

Our continued focus on profitable asset growth with a view to growing market share in selected asset classes is vital. The corporate segment will drive opportunities identified in state-owned enterprises, the commercial segment and property term loans.

It will target international banking, custody offering and transactional banking to grow non-interest revenue. The benefit gained from RMB Namibia and its Investment Banking Division team is expected to make a marked impact on balance sheet growth and fee income.

Retail banking will enhance service delivery to Private Clients and Business banking by increasing representation in selected areas. Both Private Clients and Business Banking will contribute to profitable asset growth and non-interest revenue.

Volume growth is core to the continued success of retail banking. We will capitalise on being the market leader in the electronic arena by promoting existing and unique self-help management services while continuing to introduce new world class offerings.

Looking ahead

The need to function optimally as a group and to ensure our structures support our strategies triggered a review of our operating structures. The outcome will be fully implemented in the 2014 financial year.

We will continue to focus on improving shareholder returns. We are aware of the increased regulatory compliance requirement, as well as a focus by the regulator on the reduction of fees. We will continue to work closely with both regulators and lawmakers to improve the regulatory environment.

Our outlook for the Namibian economy remains positive. We expect above-average market growth and return in the year ahead.

Appreciation

A word of appreciation goes to Claus Hinrichsen, our distinguished board chairperson, and his board colleagues for the trust they have shown in me by appointing me as FNB Namibia Group CEO in addition to my existing portfolio. Your encouragement, wisdom and leadership are much appreciated.

To our customers, thank you for the continued loyalty and the ongoing feedback we receive. You give life to our brand mantra "How can we help you?".

I also want to thank the senior leadership and all FNB staff. Their continued efforts, dedication and loyalty shaped another excellent group performance once again. Together we make a formidable team. Thank you!

Ian Leyenaar
FNB Group Chief Executive Officer

ABRIDGED SUSTAINABILITY REPORT

In keeping with its holistic approach to doing business, FNB has a five-point plan to enable it to play a leading role in growing the Namibian economy. The plan demands that it applies proper financial and risk management processes; keeps its systems and business processes up to date; fairly rewards and develops its employees; pays its taxes; and is sensitive to the impact its business operations may have on the social and natural environment.

Ultimate responsibility for sustainable development rests with the board, which approves strategy annually. The group's governance structures ensure that responsibility is delegated to board and management committees and is implemented throughout all business structures.

STAKEHOLDER ENGAGEMENT

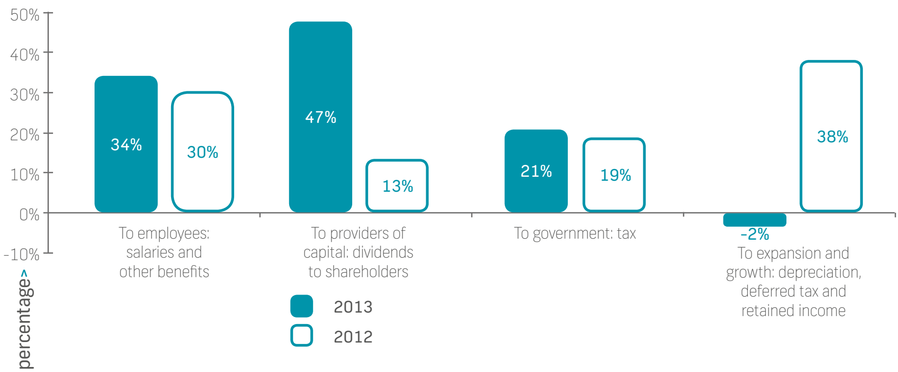
Stakeholders include employees, customers, suppliers, service providers, the communities we support, the natural and cultural environment in which we operate, Government and regulators and shareholders. Actively managing relationships with the full spectrum of stakeholders is core to maintaining a successful and sustainable business model. Our annual financial statements demonstrate our commitment to transparent disclosure to the public at large. It is the foundation of our communication with stakeholders.

FNB has always engaged positively with the Namibian Government and various industry forums to promote the national interest, especially on economic and social fronts. It is committed to the developmental objectives set out in the fourth national development plan. The objectives coincide with our goals as set out in our national vision 2030.

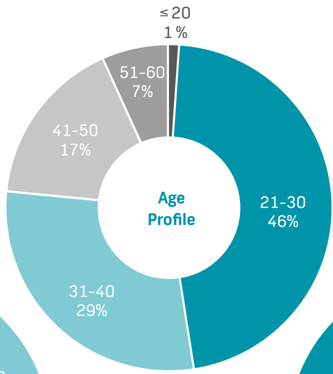
Our close co-operation with Bank of Namibia ensured that FNB was the first Namibian bank to launch a basic banking product that encouraged access by all to financial services.

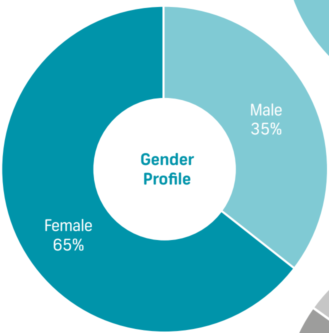
The contribution we continue to make to our stakeholders is illustrated by our value added statement. We spent N$496 million on our employees and we paid government N$301 million in taxes. Shareholders received N$692 million.

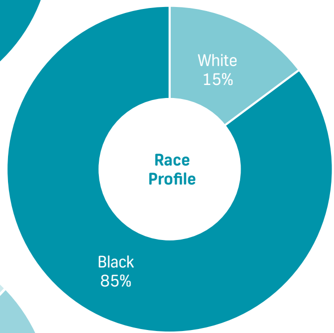
Group value added statement

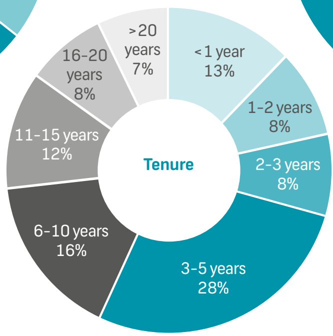


Employee statistics
30 June 2013









OUR PEOPLE

FNB's more than 1800 permanent employees are key to our success. We believe in building enduring and rewarding relations with them. We continue to recruit the best Namibia offers and provide opportunities to them to develop the full innovative potential of all our stakeholders, particularly our staff.

We recognise performance. Our people are rewarded according to the market and their own efforts. Rewards include a wide range of benefits and incentives, ranging from cash to interest-free study loans to an in-house wellness programme. The wellbeing of our employees is critical to improving productivity by:

- Enhancing on-the-job performance and decision-making;
- Reducing absenteeism and time lost; and
- Improving staff morale, which leads to a lower turnover.

The employee wellness programme (EWP) aims to ensure that staff are mentally, spiritually and physically well and lead balanced lifestyles at work and at home. We employ a wellness coordinator who works with a team of educators across the country. They encourage staff to take responsibility for their own health. For our part, we offer health screening assessments; health education initiatives; and we support national and international initiatives tackling AIDS, cancer, malaria, drug abuse, illicit trafficking and gender violence.

Partnering with LifeAssist, our employees, their spouses/partners and immediate family have access to free guidance on issues that can affect their wellbeing. They can seek help on health and wellness, and financial and legal advice. Qualified experts are made available for face-to-face attention at no fee.

OUR PEOPLE *(continued)*

Among initiatives in the past year:

- Presentations on alcohol and drug abuse by Namibia Business Coalition on Aids (NABCOA) and the Ministry of Health and Social Services [partners of the FNB Wellness Programme).
- Training programmes attended by 50 wellness educators from branches and business units throughout Namibia;
- National Suicide Prevention Week: FNB employees participated in a joint effort with other banks, the Namibian Government, the City of Windhoek, the City Police and Traffic Department, social workers and other stakeholders to distribute information at traffic lights promoting suicide prevention.
- Health Screening (blood pressure, diabetes, cholesterol and body mass index). Colleagues with challenges were immediately referred to a biokineticist and/or dietician;
- Cancer screening in business units (pap smear, breast cancer, prostate and testicle cancer); and
- Participation in World Day for Safety and Health at Work.

We remain passionate about people delivering great results, and our staff share the benefits of being part of the organisation with the people they serve. We are proud to report that for the past two years, our salary increase settlement was the highest in the financial services sector.

Using our People Pillar Survey, we encouraged staff to tell us what they thought of our programmes. As a result, we put in place improvements relating to recruitment selection, performance management, training and development, values and culture, as well as retention of staff; all in line with our ***Care and Growth*** people philosophy.

Managing talent

Modern business demands talented people. Our talent management programme identifies critical roles and the pool of talent available. Learning, development and career-path planning play a key role. Employees are encouraged to formulate personal development plans. We have a robust succession management process which ensures a successor is identified for every key position in the organisation.

Learning and development

A fully-fledged in-house training centre in Windhoek and an advanced curriculum enable employees to receive training in areas necessary for the execution of the group's strategic objectives. It is recognised that specialised skills transfer is costly and time-consuming, but FNB remains committed to ensuring that staff are fully equipped to meet the group's objectives. The training facility was revamped and enlarged during the year. External training by institutes of higher learning is used when special skills are required.

OUR CUSTOMERS

We continue to promote the use of cost-effective electronic self-service channels and have improved our free cell phone, card-less and online banking offerings for customers.

FNB has a heritage of more than a century of excellence in service delivery. It provides fully integrated financial services through a network of 51 branches.

Our most basic contribution to sustainable development lies in our contribution to economic growth. This is achieved through a range of credit, savings, investment and risk products for individuals and businesses. Our banking products and services cater for a wide range of markets. Our core focus, as ever, is on delivering value propositions at appropriate cost while sustaining service excellence.

TRANSFORMATION

Diversifying our ownership base

FNB is listed on the Namibian Stock Exchange and further diversified its ownership base by implementing a BEE share incentive scheme in 2005.

The programme was aimed at distributing wealth and empowering the previously disadvantaged. It catered for staff members and BEE partners. The BEE initiative started in 2005 when about 5% of equity in FNB Namibia Holdings was earmarked for transformation. Vesting was exercised over five years. This investment was valued at N$78 million in December 2004. It now stands at N$248 million. One per cent was dedicated to black non-executive directors and a staff share trust.

A total of 500 000 shares have been transferred to the Staff Assistance Trust, which uses annual dividends to help needy staff pay medical bills, cover educational needs or for any other reason considered deserving.

The company has 2 516 registered shareholders of which approximately 2 400 are Namibian. They own more than 110 million shares. The Namibian ownership was valued at about N$2.1 billion.

Diversifying leadership

The FNB Namibia Holdings board has adopted the principle that it needs to reflect Namibian society in respect of race and gender. Currently it compromises nine members of which six are black and one is female. Sixty per cent of board members are Namibian. Namibians make up 87% of executive management - 40% are black and 40% are female.

OUR SUPPLIERS

There is no formal accreditation process in place, making it a challenge to monitor the allocation of contracts to BEE and SME-accredited suppliers. We urge suppliers to accredit themselves at the Namibian Preferential Procurement Council to enable us to build a database and so meet our BEE spend targets.

In the last financial year a concerted effort was made to broaden our supplier base, especially for building and renovation projects and daily repair and maintenance. An invitation to supply was placed in newspapers and bids for building projects were invited on open tender. Several new suppliers were identified and major renovation projects were allocated to newcomers.

We will remain focused on accelerating local procurement as part of our commitment to supporting local enterprises. We will also engage actively in supplier and product sourcing and research.

OUR ENVIRONMENT

In terms of current legislation, and within the Namibian operating environment, we endeavour to be environmentally aware in everything we do, and to set new trends where we can.

Caring for the environment has become a priority in the design of our new head office. We plan to have the first independently certified green building in Namibia – a meaningful gauge to measure the company's commitment. Green buildings are designed to reduce the impact of the built environment on human health and the natural environment. They do so by using energy, water and other resources efficiently. At the same time they protect the health of occupants, improve productivity and reduce waste, pollution and environmental degradation.

Each branch takes responsibility for re-cycling initiatives and ensuring a green approach.

We will keep on refining our environmental strategy.

Over the last three years FNB has facilitated a United Nations Development Programme initiative whereby 300 low-interest loans were granted to fund installation of solar power.

Encouraging reduced paper use in branches, we foresee that simplified account-opening procedures and an emphasis on electronic banking will lead to even greater paper savings. Clients are increasingly convinced of the advantages of electronic statements.

OUR COMMUNITIES

FNB's Corporate Social Responsibility focus areas are immediately relevant to its workforce, community, market and environment. The group pledges to seek and support corporate social investment opportunities in its operating environment.

What is important to us is going the extra mile. We want to exceed our legal obligations and our core responsibilities to social investment for the community and environment. The group believes in long-term investments that are sustainable and strategic, and focus on projects that are responsive to national challenges where the business benefit may be direct or indirect. The FNB Foundation is responsible for monitoring all Corporate Social Investment (CSI) and charity initiatives.

Key Focus Area	Including
Educational development	Programmes to improve school-level management and other skills in education. In support of Vision 2030 and, to a lesser extent, support to individual schools.
Skills development	Programmes, including bursaries, that enhance SME management skills, promote entrepreneurship and raise awareness of good corporate governance.
Community and health development & environmental guardianship	Any programmes with regional or national focus that uplift and empower communities and protect the environment. They can be partnerships.
Consumer education, protection and financial inclusion	Any programmes that advance consumer knowledge, access to finance and financial literacy.
Arts and culture	Initiatives that preserve local artistic heritage and give Namibians access to it. Current artistic developments are supported.
Sports development	Team events inside Namibia, premier league clubs. Working, where possible, with national bodies.
Customer hospitality	Activities that enhance customer relations and the brand position of the group.

The group has made substantial investment in the areas indicated in the table below. The FNB Foundation is responsible for monitoring and approving all CSI and charity initiatives.

Focus Area	CSR projects supported for 2012/2013
Educational development	**FNB Inspectors' Academy** The African Leadership Institute, supported by the FNB Foundation, established an academy to upskill school inspectors . They are expected to have a full understanding of what is happening on the ground and should communicate guidelines and policies to principals, to be cascaded down to classrooms. With the help of the FNB Foundation, the institute has provided life-changing training to more than 500 Namibians. A second programme to train Heads of Departments at specific schools is also now being supported..
	Nampharm Foundation It was formed in 2005, focusing on children with cancer. In 2010 it started assisting children with cleft lips and palates . Because there is widespread lack of knowledge about these conditions, they propose to print educational material in a variety of local languages. The Foundation assisted with information brochures that will be available in all regional medical centres.
	Polytechnic of Namibia: Women in Engineering (WIE) The Department of Electrical Engineering at Polytechnic established a special section for women who now comprise 25% of the student population. WIE wants the Foundation to help with funding a research project for a prototype solar street lamp.
Skills development	**Criminals Return to Society (CRIS)** CRIS works to reintegrate former prisoners by providing training, life skills support, counselling and assistance with job placements. The Foundation supports the training programme, particularly in the area of sewing and fashion design.
	Namibia Community Development Programme The Project is to assist the Mariental Community to become self-reliant by involving volunteers in activities that generate income.
Community and health development and environmental guardianship	**Lifeline/Childline** This is one of the oldest and best known NGO's in the country. It offers counselling and child protection. The Foundation supports its annual Lollipop campaign to raise awareness.
	Alternatives to Violence Project AVP is an independent social welfare organisation with an innovative, inclusive and non-hierarchical management structure. It aims to establish workshops to empower people from all socio-cultural backgrounds to resolve conflicts productively without resorting to violence.
	REPSSI: Psychosocial Wellbeing For All Children The project aims to train 20 care-givers in Namibia through a distance learning programme on community-based work with children and youth. The programme will run over three years.
	SYNEGOS: Child, Women and Infant Clinic The Ministry of Health and Social Services created a number of "container clinics" in under-served areas. The Foundation sponsored three clinics for three years, starting in the 2013 financial year.
	Junior Achievement: AFLATOUN Aflatoun is a programme that trains teachers to educate young children on their rights and responsibilities, and how to manage their personal finances and save. Its aim is to empower children to break the cycle of poverty by equipping them with the tools to put their rights into practice. This programme is managed and co-ordinated by Junior Achievement (JA) Namibia.
Sports development	**Namibia Rugby Union: Get Into Rugby** The NRU under the IRB's *Get into Rugby* programme is part of a new IRB strategy to support the growth of rugby globally in partnership with member regions and unions. It encourages schools, teachers and coaches to get children involved in the game at an early age.
	Dolphins Swimming Club FNB Bank has been part of "the learn to swim" programme for the past four years and has sponsored a Learn to Swim gala since 2010. In that time, both swimming coaches and skills have flourished and the programme has expanded to areas where opportunities were lacking
	Namibia Tennis Development The Tennis Development programme started in October 2012, under the Namibia Tennis Association. Exceeding all expectations, it has reached out to many children previously denied the opportunity to play tennis and has been successfully introduced at primary schools in and around Windhoek and elsewhere.
Arts and culture	**MAMA MIA** One focus area of the FNB Foundation is heritage and culture. It supported the production of Abba's *Mama Mia* by the College of the Arts.

PASSION

Passion is the driving force in the world. It's that strong and barely controllable emotion. It's the energy that comes from bringing more of YOU into what you do. It's that nudge that makes you step up and stand out.

Jessica Kelber

Corporate Admin Officer, WesBank

CHIEF FINANCIAL OFFICER'S REPORT

DESPITE A CHALLENGING ENVIRONMENT, FNB NAMIBIA GENERATED A PROFIT OF N$610 MILLION (2012: N$539 MILLION) FROM CONTINUING OPERATIONS ON THE BACK OF ROBUST GROWTH IN ADVANCES AND DEPOSITS.

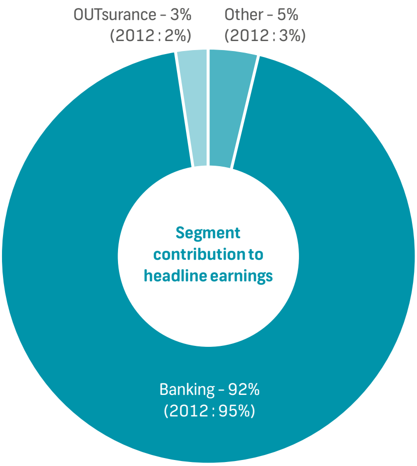
Group overview

The group performance is more accurately judged by considering headline earnings. Last year's results included the profit from the sale of the group's 51% shareholding in Momentum Namibia to Metropolitan Life Namibia on 29 June 2012 and Momentum's earnings contribution. The additional non-recurring item in 2012 was the gain on the disposal of the group's shareholding in Visa Inc. In the current year there was a gain on the sale of minor properties.

The table below illustrates headline earnings:

N$ million	2013	2012	% change
Earnings attributable to ordinary equity holders of the group	599.2	762.1	(21.4%)
Profit on sale of property and equipment	(1.9)		
Realised gains from sale of Visa Inc.		(9.5)	
Profit on disposal of subsidiary		(231.6)	
Impairment of intangible asset		5.0	
Headline earnings	597.3	526.0	13.6%

The group consists of two key operating entities: First National Bank of Namibia Limited (FNB) and OUTsurance Insurance Company of Namibia Limited (OUTsurance). As can be seen from the chart below, the banking group dominates the contribution to earnings. The other segment represents FNB Insurance Brokers, FNB Unit Trusts, FNB Trust Services, RMB Namibia, consolidation adjustments and the property owning company.



Earnings per share from continuing operations increased to 231.2 cents (2012: 204.5 cents). Headline earnings were at 230.4 cents (2012: 203.1 cents). Return on average equity improved to 25.9% (2012: 25.8% normalised). The cost to income ratio has improved to 49.4% from the already commendable 52.4% reported in the prior year.

Statement of comprehensive income

Interest income

Net interest income increased by 10.7% to N$985 million (2012: N$890 million). This did not keep pace with the growth in average advances which was close to 17%. After Bank of Namibia's 50 basis point reduction in the bank rate to 5.5% in August 2012, the prime rate has been maintained at the lowest level in 38 years. Low interest rates have continued to impact negatively on the endowment effect on capital and certain deposits.

In addition, we did not enjoy the relief obtained in the prior year from the release of interest previously suspended. Surplus funding in the market acted to our detriment and a strategic initiative to diversify our funding profile led to reduced overall margins.

It also needs to be considered that the Investment Banking Division entered into transactions which, for accounting purposes, are designated as fair value through profit and loss. Fair value income of N$34 million (2012: N$41 million) appears under non-interest rather than interest income.

Impairment losses

As reported last year, the net impairment reversal of N$42 million was occasioned mainly by a portfolio impairment release arising from a rigorous actuarial calculation based on historic data. This has now shifted into an impairment charge of N$23 million. All non performing loans have been fully provided for after taking into consideration the value of security held. The components of the impairment line in the current and prior year is summarised below:

	2013		2012	
	N$m	% average advances	N$m	% average advances
Specific impairment recognition/(reversal)	11.0	0.1%	(1.7)	-0.0%
Specific impairment (merchant acquiring)	11.2			
PV of securities on non-performing loans	6.9		4.8	
Total specific impairments	29.1	0.2%	3.1	-0.0%
Portfolio impairment release	(5.8)		(45.0)	
Total impairment charge/(reversal)	23.3	0.1%	(41.9)	-0.3%

In the current year there was a portfolio impairment release, which was less than in the prior year. An additional specific impairment charge of N$11.2 million was included for unrecovered amounts in FNB's merchant acquiring business.

The specific impairment charge is low at 0.1% of average advances. It continues to reflect the consistently healthy profile of the advances book; effective early delinquency detection; and an efficient collection process.

Non-interest income

Our footprint across Namibia and our world-class products serve us well. Net fee and commission income increased by 17% to N$747 million. Banking fee and commission income grew by 16% to N$728 million, predominantly reflecting good growth in accounts and transaction volumes and an inflation-linked annual price increase. The electronic pricing option was maintained at the same level as last year. The number of accounts has increased by 28%, including 19 000 new basic accounts. The disproportion between the increase in revenue and number of accounts is the result of FNB's strategy to promote less expensive electronic delivery channels. Cellphone banking transactions have increased by 83% while traditional banking operations increased by only 1%.

Fair value income increased by 27%, contributing N$102 million (2012: N$80 million). The foreign exchange trading component of N$68 million remained close to the 2012 level, reflecting a squeeze on margins and lower volumes.

In 2012 we reported a negative derivative revaluation of N$34 million mainly attributable to an interest rate swap which, although still negative, was not as severe this year, reducing to N$8 million – a net improvement of N$26 million. Designated at fair value through profit and loss, income of N$34 million (2012: N$41 million) was derived from fair value advances.

The inclusion last year of the N$9 million gain under investment income resulting from the disposal of FNB's shares in Visa Incorporated contributed to a reduction in gains and losses from investing activities to N$11 million (N$17 million).

Other non-interest income in the current year reflects the sale of minor properties by the banking group, realising a gain of N$2 million.

Net insurance premium income and net claims and benefits paid

OUTsurance's net premium income increased by 18% which is ascribed to an increase in the personal lines sales resulting in a premium growth of 22.9%. The uptake of the business product was below expectations.

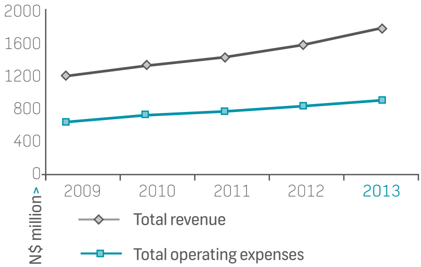
A favourable loss ratio resulted on the homeowners' book given the prevailing drought.

Operating expenses

Non interest expenditure increased by 6% to N$940 million. The lower rate of expenses growth was supported by a N$6 million reduction in amortisation of software relating to the localisation of core banking systems in 2009, the N$5 million impairment on the trademark of the insurance broker business acquired in 2012, as well as N$5 million professional fees on the Momentum Namibia transaction.

We are pleased with the positive outcome of our continued investment in technology to improve efficiencies. The cost to income ratio has improved to 49.4% (2012: 52.4%). The positive trend in growth in income increasing above that of expenses is illustrated below:

The operating jaws



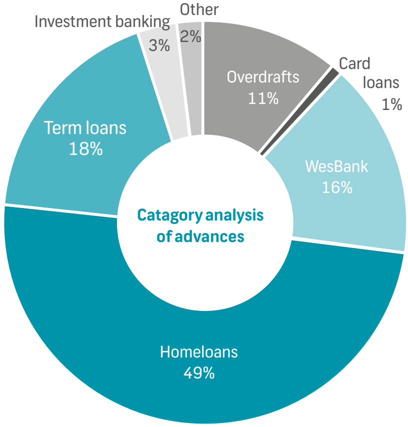
Statement of financial position

The group's total assets grew by 14%. The N$348 million decrease in cash and cash equivalents, and balances due from banks, relate to short-term investments and reflect the slight reduction in surplus liquidity in the market that spiked at 30 June 2012. The prior year also included the proceeds received on the sale of Momentum.

Advances reflect a year on year increase of 20.5% to N$16.96 billion. This is well ahead of private credit extension of 15.5% and creates a promising base for growth in 2014. Average advances reflect a year on year increase of 17% to N$15.7 billion. Our strategy to increase the weighting of our corporate lending activities met with success.

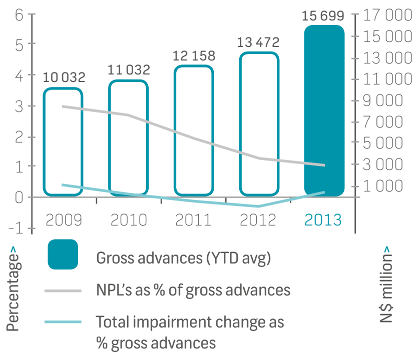
We achieved a 27% growth in our average exposure to the corporate segment, while retail grew by 19%. WesBank's loans increased by 16% and home loans by 14%. FNB remains the market leader in asset financing solutions for home loans and vehicles. Mortgage loans constitute 49% of FNB's advances book. This is not considered a concentration risk due to the stable Namibian property market. On average the loan to value ratio is close to 70%.

Over the past year the relative composition of the various categories of advance remained fairly stable and is illustrated in the chart following.



The ratio of non performing loans to average gross advances continued to improve, reducing to 1.05% (2012: 1.30%). Non performing loans increased by 11.6% to N$158 million (2012: N$142 million).

Gross advances vs NPL's & impairment



Deposits increased by 16% to N$18.8 billion. Retail deposits increased by 18%. The improvement can mostly be attributed to an increase in transactional banking accounts and our optimising cross-sell opportunities. Furthermore, there was an increase in wholesale funding due to corporates delaying or cancelling investment in production capacity. This resulted in an increase of surplus funding. The bank is geared to meet the expected increase in credit demand.

Diversifying both sources and term of funding is closely monitored, and has improved materially. Although this has impacted margins, a significant improvement in liquidity is evident.

Shareholder return

The group aligns growth in dividend with growth in sustainable earnings, which can vary. The group also continues to review appropriate levels of capital and excess capital will be returned to shareholders. In the current year a dividend cover of 2.3 has resulted in an ordinary dividend distribution for the year of N$1.00, a 22% increase.

Based on the closing share price on 30 June 2013 of N$19.25, a shareholder who purchased a single FNB Namibia Holdings share on 1 July 2012 at N$14.66 would have gained N$4.59 in capital appreciation. Together with the ordinary dividend of N$1.00, this equates to a return on investment of 38% for the year.

Concluding remarks

The group is well positioned to continue to create sustainable wealth for all stakeholders. The benefit of the RMB and FNB collaboration is proving to offer innovative business solutions and we will continue to focus on this area in supporting our strategy of diversifying our exposure and growing our share of market whenever a gap is identified.

The group has recently completed a roll-out of new systems which are already enhancing customer service and improving efficiencies. Our values will remain fundamental to our operations. We will build on our strong capital position to make continued headway. Despite continued low interest rates, we expect that the group's tested and disciplined lending policy combined with strong risk management will weather any acceleration in default rates arising from negative interest or growth rate shocks. We need to remain cognisant of regulatory changes and the resultant implications which will ultimately cost "the system". The question remains: ***Who bears the cost – borrowers, depositors or shareholders?***

Oscar Capelao
Group Chief Financial Officer

TEN YEAR REVIEW

Statement of comprehensive income

N$ million	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Continuing operations										
Interest and similar income	1 635	1 525	1 415	1 388	1 582	1 504	1 212	926	815	780
Interest expense and similar charges	(650)	(635)	(575)	(630)	(839)	(775)	(601)	(443)	(392)	(382)
Net interest income before impairment of advances	985	890	840	758	743	729	611	483	423	398
(Impairment losses) / reversal of impairments of advances	(23)	42	12	(13)	(38)	(72)	(68)	(29)	(23)	(23)
Net interest income after impairment of advances	962	932	852	745	705	657	543	454	400	375
Non-interest income	869	740	605	574	433	403	380	344	281	218
Net insurance premium income	99	84	72	56	185	160	120	108	89	78
Net claims and benefits paid	(51)	(41)	(41)	(38)	(125)	(117)	(44)	(42)	(30)	(27)
Decrease / (increase) in value of policyholder liabilities: insurance contracts					73	84	(38)	(37)	(29)	(17)
Fair value adjustment of policyholder liabilities: investment contracts					11	(4)		2	(2)	
Fair value adjustments to financial liabilities		4	(1)	(2)	(26)	16	8			
Income from operations	1 879	1 719	1 487	1 335	1 256	1 199	969	829	709	627
Operating expenses	(940)	(884)	(769)	(719)	(694)	(618)	(521)	(454)	(400)	(380)
Net income from operations	939	835	718	616	562	581	448	375	309	247
Share of profit from associates	2	3	5	5	2	6	(1)	(3)	1	
Income before tax	941	838	723	621	564	587	447	372	310	247
Indirect tax	(20)	(17)	(17)	(16)	(12)	(18)	(13)	(13)	(3)	(4)
Profit before tax	921	821	706	605	552	569	434	359	307	243
Direct tax	(311)	(282)	(242)	(202)	(185)	(160)	(130)	(102)	(91)	(78)
Profit for the year from continuing operations	610	539	464	403	367	409	304	257	216	165
Discontinued operations										
Profit attributable to discontinued operations		1	75	56						
Profit after tax on sale of discontinued operations		232								
Profit for the year	610	772	539	459	367	409	304	257	216	165
Equity holders of the parent	599	762	496	429	354	384	303	256	211	165
Non-controlling interests	11	10	43	30	12	24				
Non-cumulative non-redeemable preference shareholders					1	1	1	1	5	
Reconciliation of earnings attributable to ordinary shareholders and headline earnings										
Earnings attributable to ordinary shareholders	599	762	496	429	354	384	303	256	211	165
Headline earnings adjustments										
(Profit) / Loss on sale of fixed assets	(2)			(1)		1		(1)	(6)	(1)
(Profit) / Loss on revaluation of investment property						1		(1)	(1)	
Reversal of impairment of associate companies						(4)	1	3		
Realised gain on available for sale financial assets		(9)			(1)	(2)	(4)	(3)		
(Profit) / Loss on disposal of subsidiary		(232)				(34)				
Impairment of intangible asset		5								
Gains on initial recognition of VISA shares						(16)				
Headline earnings	597	526	496	428	353	330	300	254	204	164

Statement of financial position

N$ million	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Assets										
Cash and cash equivalents	690	1 002	428	455	357	345	226	208	203	280
Due from banks and other financial institutions	1 889	1 926	763	851	479	1 004	116	170		
Derivatives financial instruments	94	27	24	57	130	38	22	39	5	
Advances	16 965	14 077	12 464	11 227	10 486	9 142	8 726	7 862	6 709	5 827
Investment securities	2 273	2 144	1 644	2 800	1 899	2 068	1 152	967	839	637
Accounts receivable	188	216	135	117	116	95	155	102	182	97
Tax asset					1	17			8	41
Investment in associates	4	4	25	23	21	5			6	3
Property and equipment	377	287	279	267	236	188	164	158	152	142
Intangible assets	16	11	17	56	59	67	62	71	79	109
Deferred income tax asset	3	3	2	6	1	20	34	39	35	46
Policy loans on investment contracts				27	23	19	3	1		
Reinsurance assets		1	1	50	287	390	8	8	3	
Investment properties						4	6	6	12	18
Non-current assets and disposal group held for sale			1 382	1	5					
Total assets	22 499	19 698	17 164	15 937	14 100	13 402	10 674	9 631	8 233	7 200
Equity and liabilities										
Liabilities										
Deposits	18 836	16 239	13 306	12 046	10 601	9 676	7 817	7 812	6 706	5 884
Due to banks and other financial institutions	319	48	44	54	23	354	831	124		
Short trading position			52							
Derivative financial instruments	129	60	22	58	116	62	33	40	4	17
Creditors and accruals	160	230	229	185	297	247	152	114	133	102
Tax liability	143	152	24	32	5	1	104	1	17	
Employee liabilities	122	128	112	98	22	38	34	30	28	26
Deferred tax liability	48	19	3		18			35	46	36
Policyholder liabilities under insurance contracts	50	45	42	999	927	1 104	188	147	109	77
Policyholder liabilities under investment contracts				44	36	38				
Other liabilities	10									
Tier two liabilities	393	393	270	270	261	236	251			
Policy holders liabilities relating to discontinued operations					32	19	24	26	15	20
Liabilities directly associated with non current assets classified as held for sale			1 074							
Total liabilities	20 210	17 314	15 178	13 786	12 338	11 775	9 434	8 329	7 058	6 162
Equity										
Ordinary shares	1	1	1	1	1	1	1	1	1	1
Share premium	174	182	188	192	195	258	264	266	267	302
Reserves	2 086	2 179	1 631	1 759	1 444	1 224	975	1 035	907	735
Capital and reserves attributable to the equity holders of the group	2 261	2 362	1 820	1 952	1 640	1 483	1 240	1 302	1 175	1 038
Non-controlling interests	28	22	166	199	122	144				
Total equity	2 289	2 384	1 986	2 151	1 762	1 627	1 240	1 302	1 175	1 038
Total equity and liabilities	22 499	19 698	17 164	15 937	14 100	13 402	10 674	9 631	8 233	7 200

Ratios and selected financial information

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Number of ordinary shares issued ('000)	267 593	267 593	267 593	267 593	267 593	267 593	267 593	267 593	267 593	260 771
Ordinary shares issued after share trust eliminated ('000)	259 390	259 016	258 789	258 502	258 395	264 384	264 323	264 347	264 347	259 071
Weighted number of ordinary shares in issue ('000)	259 221	258 992	258 699	258 471	260 226	264 384	264 331	264 347	258 496	259 071
Number of preference shares in issue	2	2	2	2	2	2	2	2	2	27.2mill
Earnings per ordinary share (cents)	231.2	294.3	191.8	166.1	136.1	145.2	114.7	96.7	81.6	63.7
Headline and diluted headline earnings per share (cents)	230.4	203.1	191.6	165.7	135.6	124.6	113.5	95.0	78.7	63.4
Diluted earnings per share (cents)	231.2	294.3	191.8	166.1	136.1	145.2	114.7	96.7	81.6	60.4
Return on assets (earnings on average assets)(%)	2.8	4.1	3.0	2.9	2.6	3.2	3.0	2.9	2.7	2.8
Return on assets (earnings on average assets) (%) - Normalised	2.8	2.9	2.8							
Return on equity (earnings on average equity) (%)	25.9	36.4	26.3	23.9	22.7	28.2	23.9	20.6	19.1	20.2
Return on equity (earnings on average equity) (%) - Normalised	25.9	25.8	24.6							
Cost to income ratio (%)	49.4	52.4	52.2	48.9	50.5	48.1	48.0	49.0	49.8	52.2
Critical mass (%) (excluding merger expenses in 2004)	4.2	4.5	4.5	4.5	4.9	4.6	4.9	4.7	4.9	5.3
Net asset value per share (cents)	872.1	911.6	703.2	755.1	634.9	561.0	469.3	492.7	444.6	400.7
Market capitalisation	5 151	3 923	3 307	3 093	3 158	2 665	2 119	1 873	1 606	1 200
Price to Book	2.2	1.6	1.8	1.6	1.9	1.8	1.7	1.4	1.4	1.2
Dividend information:										
Dividends per share - ordinary dividend declared (cents) *(based on current year profits)*	100	82	77	67.0	56.0	53.0	47.0	40.0	32.0	25.0
Dividends per share - ordinary dividend paid (cents) *(based on dividends paid within financial year)*	87	82	72	59.0	55.0	48.0	44.0	34.0	28.5	11.5
Dividend per share - special dividend (cents)		180	170				93.0			
Dividend yield - ordinary dividend (%)	5.2	5.6	6.2	5.8	4.7	5.3	5.9	5.7	5.3	5.4
Dividend yield - special dividend (%)		12.3	13.8				11.7			
Dividend cover (times) based on total dividends	2.3	1.1	0.8	2.4	2.4	2.4	0.8	2.4	2.5	2.5
Earnings yield (%)	12.0	20.1	15.5	14.4	11.5	14.6	14.5	13.8	13.6	13.9
Closing share price - ordinary (cents)	1 925	1 466	1 236	1 156	1 180	996	792	700	600	460
Price / Earnings ratio	8.3	5.0	6.4	7.0	8.7	6.9	6.9	7.2	7.4	7.2
Impairment charge vs. Net Advances (%)	0.15	-0.32	-0.10	0.1	0.4	0.8	0.8	0.4	0.4	0.5
Capital adequacy										
Banking group	16.2	17.7	17.2	20.4	20.3	20.7	20.0	20.3	18.4	21.2
OUTsurance - solvency margin	42.9	39.5	35.1	35.1	32.4	53.1	85.2	77.7	83.9	75.0
Number of Staff *(2012 staff excludes Momentum)*	1 883	1 837	1 808	1 791	1 664	1 601	1 463	1 433	1 406	1 363

CAPITAL MANAGEMENT REPORT

FNB

Introduction and objectives

FNB's approach to capital management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment in which we operate. Given our outlook we seek to establish and manage a portfolio of businesses and associated risks inherent in such businesses.

Our policy on capital management is underpinned by a capital management framework which enables us to manage capital in a consistent manner. The board approved framework incorporates a number of capital measures including invested capital, economic capital and regulatory capital.

We incorporate stress testing in the capital management framework, determining sensitivities and core assumptions in the case of extreme but plausible events. Stress testing allows us to formulate our response, including risk mitigation actions, in advance of stressful conditions.

Our sound capital management practices are also informed by the internal capital adequacy assessment process (ICAAP) to determine a forward looking assessment of our capital requirements under various stressed environments. The board takes cognisance of ICAAP when setting internal capital targets and establishing the buffer over the minimum regulatory requirement.

Capital adequacy and planning

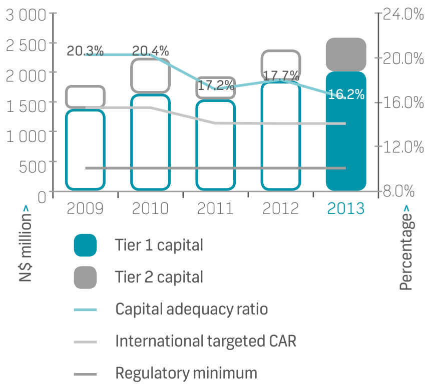
Supply of capital

The group's planning process ensures that the total capital adequacy and tier 1 ratios remain within approved ranges or above target levels across economic and business cycles. FNB is appropriately capitalised for a range of normal and severe scenarios and possible stress events. FNB aims to back all economic risk with tier 1 capital, which offers the greatest capacity to absorb losses. Although the group's internal capital generation remains strong, the group seeks to hold limited excess capital above the approved target range, unless required to support business growth plans and future regulatory changes.

Total capital

During the year FNB exceeded the minimum capital adequacy requirements of the Bank of Namibia (BoN) for both total capital and tier 1 capital. At 30 June 2013 total capital adequacy ratio is 16.24% of which tier 1 is 12.71%. Despite the special dividend payment in October 2012, our tier 1 capital remains high. This is attributable to internal capital generated of N$168 million, being retained earnings after taking into account dividends. The following graph depicts five years' growth in capital and capital adequacy compliance:

Banking group capital



Demand for capital

Risk weighted assets (RWA) continue to define the demand of capital in accordance with the group's strategic direction and risk appetite. Credit risk, as the dominant risk, remained the key driver for the increase in risk weighted assets during the year mainly arising from growth in advances. In addition, operational risk increased in line with the growth in gross income.

Regulatory developments

The regulatory architecture of financial institutions continues to undergo significant changes in response to the global financial crisis. In December 2010 the Basel Committee issued the final Basel 3 framework "A global regulatory framework for resilient banks and banking systems". It places greater emphasis on the quality and level of capital, introduces a liquidity and leverage ratio, while focusing on greater risk coverage, most notably for counterparty credit risk. As a subsidiary of a South African banking group, FNB is required to adopt Basel 3 and reporting to the South African Reserve Bank (SARB) was aligned to Basel 3 capital rules on 1 January 2013 with the first set of numbers successfully reported in March 2013.

With SARB postponing the liquidity regulations to a future date, the impact of Basel 3 to FNB has been minimal so far. The group is only required to hold additional capital against counterparty credit risk which arises from it's over the counter (OTC) derivative exposures to external parties that are not intra-group.

As mentioned earlier, Basel 3 seeks to enhance the quality of loss absorbing capital with emphasis on tier 1 capital, now known as Common Equity tier 1 (CET1), as the predominant form of capital. This approach is welcomed within the group as it supports the BoN tier 1 capital requirements of 7% that we already comply with.

Earlier this year, BoN finalised its consolidated supervision determination that requires banks to report group capital among its subsidiaries and holding company on a consolidated basis.

Namibia is still following the standardised approach of Basel 2. It favours counterparties of banks that are externally rated by recognised rating agencies. This approach therefore places pressure on capital of banks interacting with unrated corporates in Namibia. Pricing for corporate transactions needs to consider the cost of capital and can become uncompetitive when rivalling internal rating-based banks.

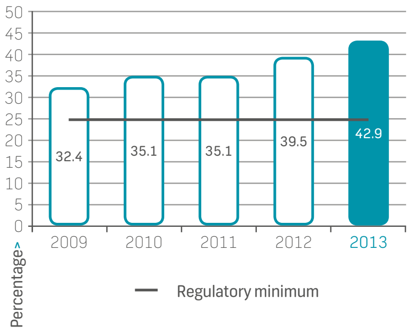
The table following provides a breakdown of RWA numbers and capital requirements for the banking group per the current BoN regulations.

	30 June 2013 N$ million	30 June 2012 N$ million
Risk weighted assets		
Credit risk	13 830	11 640
Market risk	38	38
Operational risk	2 041	1 843
Total risk weighted assets	15 909	13 521
Regulatory capital		
Share capital and share premium	1 143	1 143
Retained profits	1 056	895
Capital impairment: intangible assets	(176)	(183)
Total tier 1 capital	2 023	1 855
Eligible subordinated debt	390	390
General risk reserves	171	144
Total tier 2 capital	561	534
Total regulatory capital	2 584	2 389
Capital adequacy ratios		
Tier 1	12.7%	13.7%
Tier 2	3.5%	4.0%
Total	16.2%	17.7%
Tier 1 leverage ratio	9.0%	9.4%

OUTsurance

OUTsurance's capital adequacy is measured by the solvency margin that is the free reserve ratio of shareholders' funds expressed as a percentage of net premium income. The company targeted solvency margin range is between 25% and 50%, while the regulatory minimum is 25%. The solvency margin at 30 June 2013 was 42.9% (2012: 39.5%), a sound and healthy position. OUTsurance declared a dividend of N$16 million for the year (2012: N$10 million).

Solvency margin



RISK REPORT

Introduction

FNB Namibia Holdings Group primary business objective is the generation of sustainable profits. The effective management of financial and non-financial risk is fundamental to the successful and sustainable realisation of the group's strategic objectives. The group believes that effective risk management is of primary importance to its success and is a key component of the delivery of sustainable returns to its shareholders. Risk management is therefore deeply embedded in the group's tactical and strategic decision making.

Risk taking is an essential part of the group's business and the group thus recognises risk assessment, monitoring and management as core competencies and important differentiators in the competitive environment in which we operate. As an integrated financial services provider, the group wants to be appropriately represented in all significant earnings' pools across all chosen market and risk taking activities. This entails building revenue streams that are diverse and creating long-term value via sustainable earnings' pools with acceptable earnings volatility.

The board acknowledges its overall responsibility for the process of risk management, as well as for reviewing its effectiveness. Executive management is accountable to the board for designing, implementing and monitoring the process of risk management, as well as integrating it with the day-to-day activities of the group. It should be noted that this process is designed to manage, rather than eliminate, the risk of failure to achieve the group's business objectives, and can only provide reasonable, and not absolute, assurance against material loss.

The group remains committed to the objective of increasing shareholder value by developing and growing business that is consistent with its risk appetite, and through building more effective risk management capabilities. As mentioned, the responsibility for risk management resides at all levels within the group, from the executive down through the organisation to each manager. We are seeking an appropriate balance in our business and continue to build the risk management capabilities that will help us to deliver our growth plans in a controlled environment.

As a company built on a strong and pervasive "owner-manager culture", the adherence to the validity, methodology and scope of risk management is deeply embedded in the group's tactical and strategic decision making. Accordingly capital is seen as a scarce resource and the imperative to protect its reputation means that risk is considered in a holistic and integrated manner. The economic crisis precipitated by the turmoil in the world's financial markets and the failure of financial institutions internationally has dramatically underscored the need for an integrated risk and capital management approach alongside the renewed emphasis on sustainable earnings. Consequently, the group has adopted a comprehensive approach to risk and capital management that comprises six core components, illustrated graphically in the following chart:

These core components are:

- The groups risk appetite frames all organisational decision making and forms the basis for the group's continuing efforts to improve its risk identification, assessment and management capabilities. The articulation of risk appetite is closely related to the level of earnings volatility the group is willing to accept, its target capitalisation level and the allocation of capital and risk capacity. Sound capital management practices are a core component of the group's business strategy and support the management of its businesses within risk appetite constraints.

- A strong governance structure and policy framework fosters the embedding of risk considerations in existing business processes and ensures the existence of consistent standards across the group's operating units.
- Best practice risk methodologies have been developed in the respective business areas. These have been modelled on existing and emerging best practice in the global financial services industry and are constantly reviewed, challenged and enhanced by the risk management teams.
- An integrated approach to managing risk has been established to facilitate the pro-active exchange of information between individual risk areas and between risk and finance functions. In doing so, the organisation aims to eliminate any "risk silo" thinking across different risk types and ensure an increasing integration of the traditionally separate domains of risk and finance.
- The group adopted a comprehensive, consistent and integrated approach to stress testing that is embedded as a business planning and management tool, emphasising scenario based analyses in all its decision processes. This will enable the group to draw on strong expertise in individual risk areas and the finance functions to ensure optimal decision making in pursuit of stable, growing and sustainable earnings. Stress testing methodology has been adopted for Capital Risk, Market Risk, Liquidity Risk and Interest Rate risk.
- Independent oversight, validation and audit functions ensure a high standard across methodological, operational and process components of the group's risk and capital management efforts. These functions independently review and challenge deployed and centralised risk, business and support functions and are directly responsible for providing board members with assurance that the group remains within its chosen risk appetite and adheres to the standards and practices set by the board.

The above approach is further supported by the following risk principles adopted in each business unit;

- assignment of responsibility and accountability for all risks;
- adoption of a framework for integrated risk management;
- protection of our reputation; and
- comprehensive risk governance structures.

In line with our objective to maintain a healthy internal control environment, the group adopted the following approach to risk management.

Risk appetite

The group's business as a financial intermediary is based on the identification, measurement, pricing and ultimately the taking and management of risk. It does not aim to eliminate risk entirely but to assume it deliberately in a measured, calculated and controlled fashion pursuant to its business objectives. The level of risk the group is willing to take on – its risk appetite – is determined by the group's board, which also assumes responsibility for ensuring that risks are adequately managed and controlled through its Risk, Capital and Compliance Committee ("RCC") and its subcommittees.

The group's risk appetite framework sets out specific principles, objectives and measures that link diverse considerations such as strategy setting, risk considerations, target capitalisation levels and acceptable levels of earnings volatility. As each business is ultimately tasked with the generation of sustainable returns, risk appetite acts as a constraint on the assumption of ever more risk in the pursuit of profits – both in quantum and in kind. For example, a marginal increase in return in exchange for disproportionately more volatile earnings is not acceptable. Similarly, certain types of risk, such as risks to its reputation, are incompatible with the group's business philosophy and thus fall outside its risk appetite.

In addition to these considerations, risk appetite finds its primary quantitative expression in two metrics, namely:

- the level of earnings volatility the group is willing to accept from certain risks that are core to its business; and
- the level of capitalisation it seeks to maintain.

Risk appetite *(continued)*

These two metrics define the group's risk capacity and this expression of risk appetite is calibrated against broader financial targets such as the level of dividend coverage and acceptable levels of impairment rates. As a function of the business environment and stakeholders' expectations, and together with the primary risk appetite metrics, these provide firm boundaries for the organisation's chosen path of growth.

Thus, in setting the group's risk appetite, the executive committee and the board balance the organisation's overall risk capacity with a bottom up view of the planned risk profile for each business. It is in this process that the bank ultimately seeks to achieve an optimal trade-off between its ability to take on risk and the sustainability of the returns it delivers to its shareholders.

Risk appetite measures are included in risk and management reports across the businesses, as well as at board level. These measures are continually refined as more management information becomes available and stress test results are reported and discussed. The group views earnings as the primary defence against adverse outcomes. The earnings buffer and capital base provide protection for stakeholders against unexpected events. The group's capacity to absorb earnings volatility and fluctuations is, therefore, supported by the generation of sustainable profits.

Risk governance

The group's board retains ultimate responsibility for ensuring that risks are adequately identified, measured, monitored and managed. The board believes that a culture focused on risk paired with an effective governance structure is a prerequisite for managing risk effectively. In addition, effective risk management requires multiple points of control, or safeguards that should be applied consistently at various levels throughout the organisation. There are three primary lines of defence across the group's operations.

The risk management structure is set out in the group's business performance and risk management framework (BPRMF). As a policy of both the board and EXCO, it delineates the roles and responsibilities of key stakeholders in business, support and control functions across the various business units and the group. The BPRMF recognises the three lines of control.

FIRST LINE OF CONTROL
Focused and informed involvement by the Management, Exco and the Board, to ensure accountability and responsibility is understood for the effective risk management of the business. The first line of control ultimately ensures a healthy internal control environment, adequate risk management and governance structures and processes are being maintained.
SECOND LINE OF CONTROL
Independent risk oversight and monitoring by risk and goverance functions in the greater FNB and FirstRand group.
THIRD LINE OF CONTROL
Independent assurance by internal audit and external advisors.

First line – risk ownership

Risk taking is inherent in the individual businesses' activities. Business management carries the primary responsibility for the risks in its business, in particular with respect to identifying and managing risk appropriately. Business management is supported in this duty by risk champions that are appointed by each business unit. In order to achieve this, the head of each business unit and the risk champions:

- ensures the entity acts in accordance with mandates approved by the board or its delegated authority;
- identifies, quantifies and monitors key risks to business under normal and stress conditions;
- implements the strategic and business plans as applicable to the business entity within approved risk appetite parameters;
- designs business processes that will ensure that risks are managed appropriately;
- specifies the risk management processes whereby the key risks of the entity are managed;
- specifies and implements early warning measures, associated reporting, management and escalation processes;
- implements risk mitigation strategies;
- implements timeous corrective actions and loss control measures as required;

- reports risk information to EXCO and the governance committee structure as appropriate through to the board; and
- ensures staff understand responsibilities in relation to risk management.

Business units, the board and EXCO are supported in these responsibilities by the FirstRand Group.

Second line – risk control

Business management is supported in this by risk champions and specialised risk management functions that are involved in all business decisions and are represented at an executive level across all business units. In addition, the specialised risk functions from the FirstRand Group have a monitoring and consulting role to ensure that the group implements best practice standards in line with the FirstRand Group objectives.

The risk champion in each business unit as well as the specialised risk manager have dotted reporting lines to the Chief Risk Officer (CRO) for all risk related matters. The specialised risk managers are responsible for risk identification, measurement and control. To this end, they:

- approve, coordinate and monitor risk assessment and risk management processes;
- ensure that board-approved risk policies and risk tools are implemented and adhered to;
- approve the design of business risk processes that will ensure that risks are managed appropriate;
- ensure that performance, risk exposures and corrective actions are reported in an appropriate format and frequency;
- monitor appropriate implementation of corrective action;
- identify process flaws and risk management issues and initiate corrective action;
- compile, analyse and escalate risk reports through appropriate governance structures; and
- ensure all risk management and loss containment activities are timeously performed as agreed with Enterprise Risk Management (ERM).

All risk management activities are overseen by the independent, central risk control functions, ERM and Regulatory Risk Management (RRM). The ERM function is headed by the CRO who is a member of EXCO and provides independent oversight and monitoring across the group on behalf of the board and relevant committees. Furthermore, the ERM function:

- takes ownership of and maintains risk frameworks;
- develops the group's risk management strategy and communicates the risk management strategy plan and requirements to stakeholders;
- challenges risk profiles through review of risk assessments, evaluation of risk management processes and monitoring of exposures and corrective actions;
- reports risk exposures and performance in relation to management of risk exposures to relevant committees;
- ensures appropriate risk skills throughout the group alongside an appropriate risk management culture for risk taking;
- performs risk measurement validation and maintains risk governance structures;
- deploys a comprehensive and integrated approach to stress testing; and
- manages regulatory relationships with respect to risk matters.

The RRM function is an integral part of managing banking risks and ensures that business practices, policies, frameworks and approaches across the organisation are consistent with applicable laws.

Third line – independent assurance

The third major line of control involves internal audit and external advisors providing independent and objective assurance to the board, audit committee and regulators. The assurance is provided on the overall adequacy and effectiveness of governance, risk management and control within the group as established by the first (management oversight) and second (management of risk) lines of control. The group has an established internal audit function, namely group internal audit (GIA).

GIA is an independent, objective assurance and consulting activity designed to add value and improve the operations of the group and its subsidiaries, joint ventures, trusts and other business interests. GIA assists executive management and the audit committee to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the group. GIA is headed by the Head of Internal Audit, who is part of the EXCO and reports to the board through the audit committee chairman. The head has direct, unrestricted access to the group CEO, the executives, all business units in the group as well as to FirstRand functions.

Third line – independent assurance (continued)

The head reports administratively to the CEO and functionally to the chairman of the Audit committee, which is in line with Institute of Internal Auditing standards and good corporate governance principles.

To achieve its objectives, the Head of Internal Audit:

- assesses whether management establishes and monitors the adequacy and effectiveness of the internal control systems, internal risk management procedures and methodologies;
- assesses the adequacy and effectiveness of the organisation's corporate governance, risk management and internal control frameworks;
- assesses if governance processes and ethics are designed and operating in line with legislation and best practice guidelines;
- reviews the adequacy of manual and automated internal controls to ensure compliance with policies, plans, procedures, regulatory requirements, and business objectives;
- evaluates whether approved business processes adequately address the risks that should be controlled and if they are operating effectively throughout the period under review; if not, adjusts substantive work to address deficiencies in these business processes;
- reviews internal control, management, financial and information systems, including electronic systems to ensure that sound general and processing controls are incorporated to produce accurate, valid and complete financial and regulatory reporting disclosure;
- appraises the economy, efficiency and effectiveness of resource utilisation;
- assesses the adequacy of processes implemented to ensure that all tangible and intangible assets are safeguarded and accounted for;
- assesses if systems of fraud prevention and detection are functioning as intended; and
- escalates significant internal control weaknesses, together with practical recommendations to management and the audit committee and follows up on recommendations to ensure effective remedial action has taken place.

GIA conducts work in accordance with globally recognised internal audit standards and practices.

FIRST LINE
Risk Ownership
Primary risk owner is head of business unit Duty to embed risk as a core discipline and gives consideration to potential risks in business decision. Supported by the Risk Champion in the business unit.
SECOND LINE
Risk Ownership
Specialised Risk managers Specialised risk managers within FNB Namibia and from FirstRand Group support the BU to identify and quantify risk. The riks managers provide independant oversight accross the group on behalf of the Board . Speicialised Risk managers allocated for Operational Risk, Regulatory Risk, IT risk, Market Risk, Peoples Risk, Capital Risk, Accounting Risk, Tax Risk, Reputation Risk, etc
THIRD LINE
Risk Ownership
Independant Assurance providers Group Internal Audit, External Audit and actuaries provide independant assurance of the adequacy and effectiveness of the internal control environment and risk management practices

Combined assurance

The audit committee has overseen the establishment of formal enterprise-wide governance structures for enhancing the practice of combined assurance forums at group level. Through the assurance framework, GIA coordinates its work with senior management and ERM, RRM and external audit. The primary objective of the group and of the assurance forums is for the assurance providers to work together with management to deliver the right assurance in the right areas by people with the best skills and experience and skills as cost effectively as possible. The initial outcomes of the combined assurance work completed during the year indicate the potential for greater efficiency of the assurance processes through the elimination of duplication, more focused risk-based assurance against key control areas and heightened awareness of emerging issues resulting in the implementation of appropriate preventative and corrective actions plans.

Risk governance structure

In line with the group's corporate governance framework, the board retains ultimate responsibility for ensuring that risks are adequately identified, measured, managed and monitored across the group. The board discharges its duty through relevant policies and frameworks, as well as several board committees and subcommittees.

Risk Management Framework

The risk management structure is set out in the Business Performance and Risk Management Framework (BPRMF). As a policy of both the board and EXCO, it delineates the roles and responsibilities of key stakeholders in business, support and control functions across the group. As indicated, the BPRMF stipulates that the head of each business unit is responsible for managing risk in line with the BPRMF and other relevant frameworks of the group. Therefore, it emphasises the embedding of risk management as a core discipline and the requirement for giving explicit consideration to potential risks in all business decisions in line with the group's focus on ensuring the sustainability of earnings. Business ownership of risk and responsibility for risk management constitutes the first line of control applied across the group.

Risk policies and procedures

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

The group is exposed to a number of risks that are inherent in its operations. Identifying, assessing, quantifying, pricing and managing these risks appropriately are core competencies of the individual business areas. Individual risk types are commonly grouped into three broad categories: strategic and business risks, financial risks and operational risks.

RISK CATEGORY	RISK COMPONENTS	DEFINITION
OPERATIONAL RISKS	Operational risk	Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems or from external events and human error. It includes fraud and criminal activity (internal and external), project risk, legal risk, business continuity, information and IT risk, process and human resources risk. Strategic, business and reputational risks are excluded from the definition.
	Legal risk	Legal risk is defined as the risk of loss due to defective contractual arrangements, legal liability, both criminal and civil, incurred during operations by the inability of the organisation to enforce its rights.
	Information risk	Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of the group's information resources, which compromises its confidentiality, integrity or availability.
	Anti fraud and security risk	The Group recognises that fraud and security risk can emanate from internal and external sources. Fraud risk is a function of the predisposition of the individuals towards committing crime and the opportunities provided or created by each organisation.
	Reputation risk	Reputational risk is the risk caused by damage to an organisation's reputation, name or brand, which may impair its ability to retain and generate business.
	Regulatory risk	Regulatory risk is the risk of statutory or regulatory sanction and material financial loss or reputational damage as a result of a failure to comply with any applicable laws, regulations or supervisory requirements.

Risk policies and procedures (continued)

RISK CATEGORY	RISK COMPONENTS	DEFINITION
STRATEGIC AND BUSINESS RISKS	Includes strategic risk, business risk, volume and margin risk, reputational risk and environmental, social and governance (ESG) risks.	Strategic risk is the risk to current or prospective earnings arising from inappropriate business decisions or the improper implementation of such decisions.
		Business risk is the risk to earnings and capital from potential changes in the business environment, client behaviour and technological progress. Business risk is often associated with volume and margin risk and relates to the Group's ability to generate sufficient levels of revenue to offset its costs.
		Volume and margin risk is the risk that the earnings and capital base is negatively impacted by a downturn in revenue due to market factors (e.g. margin compression) combined with the risk that the cost base is inflexible.
		Reputational risk is the risk of reputational damage due to compliance failures, pending litigations or underperformance or negative media coverage.
		ESG risks focus on the environmental, social and governance issues which impact the Group's ability to successfully and sustainably implement business strategy.

RISK CATEGORY	RISK COMPONENTS	DEFINITION
FINANCIAL RISKS	Capital management	The Group manages capital by allocating resources effectively in terms of its risk appetite and in a manner that maximizes value for shareholders.
	Credit risk	Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default risk, pre-settlement risk, country risk, concentration risk and securitisation risk.
	Counterparty credit risk	Counterparty credit risk is the risk of a counterparty to a contract, transaction or agreement defaulting prior to the final settlement of the transaction's cash flows.
	Foreign exchange and translation risk in the banking book	Foreign exchange risk is the risk of losses occurring or a foreign investment's value changing from movements in foreign exchange rates. A bank is exposed to currency risk in its net open foreign currency positions and foreign investments. Translation risk is the risk associated with banks that transact in foreign currencies or hold foreign assets. The greater the proportion of asset, liability and equity classes denominated in a foreign currency, the greater the translation risk.
	Funding and liquidity risk	Funding liquidity risk is the risk that a bank will not be able to meet current and future cash flow and collateral requirements (expected and unexpected) without negatively affecting its reputation, daily operations and/or financial position. Market liquidity risk is the risk that market disruptions or lack of market liquidity will cause the bank to be unable (or able, but with difficulty) to trade in specific markets without affecting market prices significantly.
	Interest rate risk in the banking book (IRRBB)	IRRBB is the sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates.

Capital management

The adequacy of the regulatory capital of the group under variety of conditions is assessed and managed using stress testing. Stress testing is an integral part of the internal capital adequacy assessment process. Under this process, appropriate scenarios are defined and developed, the values of the risk factors are determined, which is then followed by the modelling process, which aims to assess the impacts changes in the risk factors would have on earnings and also capital. The outcomes of stress tests are first reported to the right stakeholders, reviewed and then appropriate remedial actions are decided upon.

The capital management information is set out in the CFO's report.

Internal control

Internal control comprises methods and procedures implemented by management to safeguard assets, prevent and detect error and fraud, and ensure the accuracy and completeness of accounting records and the timely preparation of reliable financial information.

The directors are responsible for maintaining an adequate system of internal control. Such a system reduces, but cannot eliminate, the possibility of fraud and error. Shareholders, depositors, policyholders and regulatory authorities have a vested interest in the accuracy and integrity of the financial statements and in knowing that accountability for assets is adequately safeguarded, verified and maintained. These controls are based on established written policies and procedures and are implemented by skilled personnel with an appropriate segregation of duties.

To ensure that the group's business practices are beyond reproach, all employees are required to maintain the highest ethical standards. Nothing has come to the attention of the directors to indicate that any material breakdown in controls, procedures and systems has occurred during the year under review.

Credit risk

Credit risk is the group's most material risk and as such, receives sufficient attention from all levels of management. This is evident in the credit risk information provided to the credit committees and the health of the provisions created.

Credit risk represents the risk of loss to the group as a result of a client or counterparty being unable or unwilling to meet its contractual obligations. In terms of the potential impact on earnings and related capital impact, this is the most significant risk for the group.

Credit risk arises from two types of transactions:

- Lending transactions, giving rise to counterparty risk (the risk that a counterparty to a transaction will be unable or unwilling to repay capital and interest on advances and loans granted to it);
- Trading transactions, giving rise to issuer and settlement risk. Issuer risk is the risk that payments due from the issuer of a financial instrument will not be received. Settlement risk is the risk that settlement of a transaction does not take place as expected, with one party effecting settlement as they fall due but not receiving settlements to which they are entitled.

Management and measurement of credit risk

The senior credit risk committee is responsible for managing credit risk. This committee operates under the bank board's approved discretionary limits, policies and procedures, and at least two bank board members in addition to the bank CEO participate in these meetings.

A centralised decision making structure with decentralised limits is the basis on which applications for credit are entertained. Decentralised limits tend to be relatively low to ensure a high degree of centralised involvement in all areas where material credit risk is incurred.

The group applies the following fundamental principles to manage credit risk:

- a clear definition of our target market;
- a quantitative and qualitative assessment of the credit worthiness of our counterparties;
- appropriate credit granting criteria;
- an analysis of all related risks, including concentration risks (concentration risk includes asset class, industry and counterparty concentration);
- prudential limits;
- regular monitoring of existing and potential exposures once facilities have been approved; and
- a high level of executive involvement and non-executive awareness of decision-making and review.

Credit risk classification and impairment policy

It is policy to make provision for specific impairments and to ensure that calculations for portfolio impairment are promptly made on a consistent basis. The external auditors review these impairments during the annual audit. Two types of impairments are in place: specific and portfolio.

Specific impairments

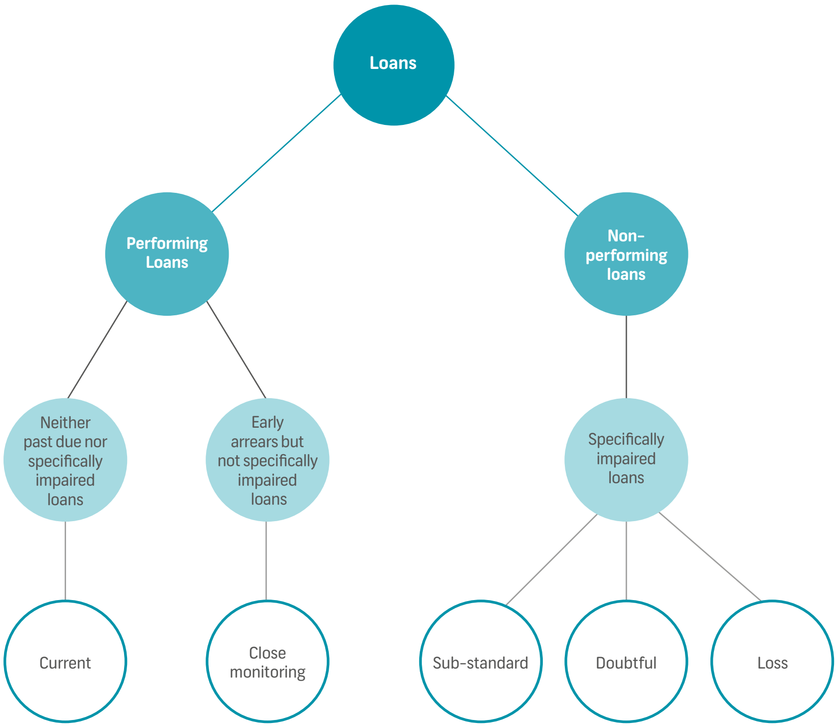
The specific impairment represents the quantification of actual and inherent losses from individually identified exposures. Specific impairments are evaluated on a case-by-case basis for all non-performing exposures. In determining specific impairments, the following factors are considered:

- our exposure to the customer;
- capability of the client to generate sufficient cash flow to service debt obligations;
- viability of the client's business;
- amount and timing of expected cash flows;
- realisable value of security held taking the time value of money into account; and
- deduction of any recovery related costs.

Portfolio impairments

The portfolio impairment supplements the specific impairment as outlined above and provides additional cover, based on prevailing market conditions and current default statistics.

The schematic presentation below outlines the classification process for advances:



Counterparty risk

This risk arises from a counterparty to a transaction defaulting or failing to meet punctually a financial commitment. The risk is managed in the dealing room, by allotting counterparty trading limits on foreign exchange, capital market and the money market transactions. The risk manager monitors these limits daily and reports deviations to relevant executive management.

Balance sheet risk management

This includes the financial risks relating to our asset and liability portfolios, comprising liquidity, funding concentration and interest rate risks on the balance sheet. The Treasury division manages the liquidity mismatch and interest rate risk arising from our asset and liability portfolios. It is required to exercise tight control on funding, liquidity, concentration and interest rate risk within defined parameters.

The asset and liability management committee (ALCO) manages the balance sheet risks on a consistent basis with pre-approved principles and policies. The balance sheet position is regularly reported to the executive committee as well as the board of directors through reporting to its Risk, Capital and Compliance Committee.

Solvency risk

Insolvency is the chronic condition of being unable to pay one's debts in full. An insolvent company cannot discharge its debts. It must either be liquidated or rescued. A group's solvency may be threatened if other risks have been mismanaged.

Capital adequacy is an exclusive concept which bankers, insurance companies, analysts and regulators attempt to measure in various ways. For further reference to capital adequacy, refer to the chief financial officer's report.

Market risk

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and covers the risk pertaining to interest related instruments and foreign exchange risk arising from the on and off-balance sheet activities through the bank. The bank operates within a risk management framework where principles of managing risks associated with trading positions are set.

Trading limits are approved by the board, with the day-to-day operations and utilisation thereof resting with the group treasurer. Accordingly, the risk of adverse movements arising from interest rates is managed in the dealing room within treasury, where operations take place within limits assigned to each dealer, based on his/her knowledge, expertise and experience. The group treasurer and independent risk manager monitor the trading portfolio daily and report weekly to relevant risk monitoring structures in the group and to the chief executive officer of the bank.

Interest rate risk

Interest rate risk is the impact on the net interest earnings and sensitivity to economic value, as a result of increases or decreases in the absolute levels of interest rates. It is managed by on-going measurement of the interest rate mismatch and basis risk, translated into sensitivity of interest income and economic value across varying interest rate scenarios. The objective of interest rate risk management is to protect the balance sheet and income statement from potential adverse effects arising from the exposure to the components of interest rate risk.

The group bases its interest rate risk management processes on the following fundamental steps:

- measurement and assessment of interest rate mismatch gaps detailing the sources of interest rate exposure at a point in time, which forms the basis for:
- translations into interest income sensitivity analysis; and
- daily management of interest rate risk by Treasury subject to independent ALCO review.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet all payment obligations as liabilities fall due and to replace funds when they are withdrawn. It is also the risk of not being able to realise assets when required to do so to meet repayment obligations in a stress scenario.

Liquidity risk is inherent in all banking operations and arises out of lapses in confidence which can be affected by a range of institution specific and market-wide events. These include, but are not limited to, market rumours, credit events, systemic shocks and even natural disasters.

Liquidity management is vital to preserving market confidence, safeguarding our reputation and ensuring sustainable growth, thereby fulfilling the economic role of maturity transformation (the process by which banks transform deposits from customers, which tend to be of a shorter-term nature, into loans, which tend to be of a longer-term nature).

Liquidity risk *(continued)*

The objective of liquidity management is to optimally fund the group under normal and stressed conditions. The following elements form part of the liquidity management process:

- establishing liquidity risk appetite;
- ensuring appropriate transfer of pricing of liquidity costs;
- short- and long-term cash flow management;
- maintaining a structurally sound balance sheet;
- ensuring the availability of sufficient contingency liquidity;
- limiting concentration risk with regards to single client, top 10 clients, particular industry, etc.;
- preserving a diversified funding base;
- lengthening the funding profile, aiming to reduce the mismatch between assets and liabilities in the different time buckets, and
- undertaking regular liquidity stress testing.

As part of the risk framework, management performs regular stress and scenario analysis for all market risk exposures.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is inherent in the group's operations.

The goal in managing operational risk is to increase the efficiency and effectiveness of the group's resources and minimising operational losses in its processes. There has been an increased focus on measuring and managing operational risk across the business.

Operational risk management forms part of the day-to-day duties of management at all levels. The operational risk management framework includes tools that aim to assist management in identifying, assessing and monitoring operational risks. These tools include risk and control self-assessments which analyses business activities together with the required set of controls and actions, to mitigate the risks. It also includes key risk indicators which enable monitoring of key controls instituted in processes that provide an early warning indicator of potential risk exposures/breakdown in controls.

7.1 Operational risk management

The management of operational risk covers many diverse dimensions such as process efficiency, systems capacity and availability, information security, legal risk, business continuation, prevention of criminal activities, key management processes and insurance. Comprehensive programmes are in place to identify and evaluate operational risks, implement process improvements and monitor the status of key risks. Operational risk in the Banking Group is managed in terms of the Operational Risk Management Framework, which is ancillary to the Business Success and Risk Management Framework.

The following table provides an overview of the operational risk categories, the specialist risk functions responsible for independent monitoring and the sub-frameworks of the BPRMF governing these.

All categories of operational risk are managed effectively and considered to be within acceptable risk levels.

OPERATIONAL RISK CATEGORY	SPECIAL RISK FUNCTIONS	FRAMEWORKS
Process Breakdowns and Issues	Operational Risk Governance	Operational Risk Management Framework
Project Risk	Project Risk Management	Operational Risk Management Framework
Outsourcing and Procurement	Operational Risk Governance	Operational Risk Management Framework
Financial Controls Breakdowns	Financial Accounting	Group Finance Risk Management Framework
Business Continuity Risk	Business Continuity Risk	Business Continuity Risk Policy
Legal Risk	Group Legal Services	Legal Risk Management Framework
Information Technology Risk Management	Information Risk Services	Information Risk Management Framework
Compliance Risk	Group Compliance	Compliance Management Framework
Fraud and Security Risk	Group Forensic	Security Policy
Human Resources Risk	Human Resource Functions	Human Resources Policy
Risk Insurance	Risk Insurance	Insurance Methodology

7.2 Operational risk management tools

The group uses well defined operational risk management tools to assist the business units with managing their risks. These include:

- self-assessment – an intranet based application to report on the effectiveness of risk management;
- loss database – a well-established system used to record losses and incidents;
- key risk indicators – a process whereby objective measures are used to assess the level of operational risk and provide early warning indications of potential breakdowns; and
- incident and issue reporting – a process of reporting and escalating operational risk incidents and issues through the risk committee structure.

These tools are used throughout the group and the BPRMF is used as the basis for consistent reporting.

7.3 Operational risk quantification

The group has an Operational Risk Measurement Framework which forms the basis of operational risk quantification for economic capital purposes. This framework incorporates operational risk elements including internal loss data, external loss data, scenario models, predictive models and various qualitative factors.

7.4 Operational risk categories

7.4.1 Business continuity management

Business continuity management in the group focuses on managing the potential impact associated with the ability to continue critical business processes due to unforeseen events.

Business continuity management is an important aspect of risk control and its value has been proven in creating a more resilient operational platform, through activities such as business impact assessments, business continuity planning and implementation, testing of business continuity and reporting of the status. Risks from the external environment (over which businesses have no control) or from within the organisation such as accidental damage to systems are planned for and monitored.

The banking industry initiatives to establish standards and synergies in continuity planning are being supported, whilst internally added efforts are directed to improve the management techniques around continuity management and move towards global best practice.

Business continuity management includes disaster recovery planning, which is predominantly an information technology component, and constitutes the advance planning and preparations that are required to:

- identify the impact of potential losses;
- formulate, implement and maintain viable recovery strategies;
- develop recovery plan(s) that ensure continuity of organisational services in the event of an emergency or disaster; and
- administer a comprehensive training, testing and maintenance programme

The group has a comprehensive programme to assess and enhance our capability to support the availability of systems, restore technology platforms, resume operations and deliver core business processes in the event of problems

7.4.2 Legal risk

The risk of loss due to defective contractual arrangements, legal liability, both criminal and civil, incurred during operations by the inability of the organisation to enforce its rights or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed (implemented changes are dealt with as part of compliance risk).

This risk is managed through activities such as awareness initiatives, monitoring of new legislation, identifying significant legal risks and by managing and monitoring the impact of these risks through appropriate processes and procedures. During 2012, we implemented our Legal risk framework and integrated this risk into all other processes i.e. any new product or system that is considered, will also be evaluated in terms of the legal risk exposure for the group.

7.4.3 Information risk management

Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of the group's information resources, which compromises its confidentiality, integrity or availability.

Information risk management within the group not only involves securing bank information and systems, but also entails the application of risk management principles to ensure efficient, reliable and timely delivery of information. This is achieved through awareness initiatives, implementation of the Information Technology Governance and Information Security Framework and appropriate status reporting.

7.4 Operational risk categories (continued)

7.4.3 Information risk management *(continued)*
Information Technology is an essential element in managing the transactions, information and knowledge in our environment. It is an integral part of the business, and is fundamental to sustained growth of the group. a dedicated IT risk team is in place to monitor all exposure to risk across the group.

A framework has been put in place that supports the effective and efficient management of information resources to enable the achievement of the group's objectives. Focus is applied to ensure that expenditure on IT is optimised, continuity of operations is assured and that IT assets are safeguarded.

Information security continues to receive attention so that the group can respond proactively to threats to data, systems and information. In line with our commitment to manage risk proactively, we have measured our policies and processes against the 2011 standard of Good Practice that was published by the Information Security Forum in the United Kingdom which is also aligned to ISO14001.

7.4.4 Compliance risk
The risk of legal or regulatory sanction, material financial loss or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its banking activities. Compliance risk is managed, not only to facilitate business success, but also to promote confidence with all stakeholders by meeting the expectations of customers, the markets and society as a whole. It further aligns the business with international best practices and enables global competitiveness.

7.4.5 Anti-fraud and security risks
The group is committed, through policies and actions, in striving towards an environment that safeguards its people, customers and assets. The group has a culture of zero tolerance to crime. This is achieved primarily through the implementation of awareness and investigative processes. The awareness initiatives, fully supported by executive management, allow for constant communication to all group staff via internal printed media and video broadcasts. In support of this, our investigative policies clearly indicate that we will not distinguish between people irrespective of their position or the value of the criminal/ unethical act. All cases are reported to the authorities and we ensure that each case gets criminal and civil action to enforce "Zero Tolerance".

All incidents are fully investigated to understand source and cause, achieve recovery and initiate legal action, and implement appropriate mitigating action. During the year a strong focus was maintained on minimising our losses experienced as a consequence of fraud.

7.4.6 Reputation risk
Reputational risk is the risk caused by damage to an organisation's reputation, name or brand, which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships, and can arise if other risks emerge and are not dealt with.

The group enforces policies and practices to manage reputational risk. Its strong values' statement is regularly and proactively reinforced, as is its commitment to sound corporate governance practices. All activities, processes and decisions are bound by carefully considered principles.

It fosters an acute awareness at all levels of the impact of practices that may result in the breakdown of trust and confidence in the organisation. Policies and practices are regularly enforced through transparent communication, accurate reporting, internal audit and regulatory compliance review and risk management practices. A Code of Ethics is in place to assist and guide staff on matters.

OUTsurance Namibia Risk Management

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

The risk management philosophy is to proactively undertake and direct actions to attain and preserve the group's objectives and values in a sustainable and profitable environment. At OUTsurance this is achieved through the active overseeing of business, insurance and technology risks as a central part of the group's strategic management. Risk Management is aligned with business strategy and embeds a risk management culture into business operations.

The key business objectives and values, and related material risks addressed within the Risk Management Strategy and Framework are to ensure sustainability, profitability and optimal return on capital, and to safeguard policyholders' interests. Risk and Governance oversight is provided by the OUTsurance Holdings Ltd Board and the FNB Namibia Holdings Ltd Board.

Insurance risks
The primary activity of OUTsurance relates to the assumption of possible loss arising from risks to which OUTsurance is

exposed through the sale of short-term insurance products. Insurance risks relate to property, personal accident, liability, motor, transportation and other miscellaneous perils that may result from a contract of insurance. The risk is based on the uncertainty regarding the timing, magnitude and frequency of such potential losses. The theory of probability forms the core base of the risk management model. Through the continuous sale of insurance products and subsequent growth in the pool of insured risks, OUTsurance can diversify its portfolio of risks and therefore minimise the impact of variability of insurance losses affecting that portfolio. Insurance perils are unpredictable in nature, timing and extent which expose the group to a risk that the effect of future insured losses could exceed the expected value of such losses.

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

Underwriting strategy

OUTsurance aims to diversify the pool of insured perils through writing a balanced portfolio of insurance risks over a large geographical area. Products are priced using statistical regression techniques which identify risk factors through correlations identified in past loss experiences. Risk factors would typically include factors such as age of the insured person, past loss experiences, past insurance history, type and value of asset covered, security measures taken to protect the asset, major use of the covered item, and so forth. Risks are priced and accepted on an individual basis and as such there is a minimal cross subsidy between risks. Insurance premiums charged for a certain pool of risks are adjusted frequently according to the normalised loss ratios experienced on that pool of risks.

Insurance risk is monitored within OUTsurance on a daily basis to ensure that risks accepted for its own account are within the limits set by the OUTsurance board. Exception reporting is used to identify areas of concentration of risk so that management are able to consider the levels adopted in the reinsurance programme covering that pool of risk.

Risks are rated individually by programmes loaded onto the computer system based on information captured by staff for each risk. Conditions and exclusions are also automatically set at an individual risk level. Individual risks are only automatically accepted up to predetermined thresholds which vary by risk type. Risks with larger exposure than the thresholds are automatically referred and underwritten individually by the actuarial department. These limits are set at a substantially lower level than the reinsurance retention limits. No risks which exceed the upper limits of the reinsurance can be accepted without the necessary facultative cover being arranged. No-claim bonuses, whereby clients are rewarded for not claiming, also form part of the underwriting strategy. Multi-claimants are also monitored and managed by increasing conditions of cover or ultimately cancelling cover.

Reinsurance strategy

OUTsurance reinsures a portion of the risk it assumes through its reinsurance programme in order to control the exposure of the group to losses arising from insurance contracts and in order to protect the profitability of the business and its capital. A suite of treaties are purchased in order to limit losses suffered from individual and collective insurance risks. Facultative reinsurance is purchased for certain individual risks that have been identified as being outside the limits set for these risks. The retention limits are modelled to optimise the balance between acceptable volatility and reinsurance cost. Acceptable volatility is as defined by the limits set by the board.

Concentrations of risk and mitigating policies

Risk concentrations are monitored by means of exception reporting. When large risks are underwritten individually, the impacts which they could have on risk concentrations are considered before they are accepted. Marketing efforts are also coordinated to attract business from a wide geographical spread. Risks which could lead to an accumulation of claims as a result of a single event are declined due to diversification and overall pool of risk covered. Focus is placed to attract large numbers of relatively small independent risks which would lead to very stable and predictable claims experience.

Exposure to catastrophes and policies mitigating this risk

Catastrophe modelling is performed to determine the impact of different types of catastrophe events (including natural disasters) in different geographical areas, at different levels of severity and at different times of the day. Catastrophe limits are set so as to render satisfactory results to these simulations. The catastrophe cover is also placed with reinsurers with a reputable credit rating and cognisance is taken of the geographical spread of the other risks underwritten by the reinsurers in order to reduce correlation of our exposure with the balance of their exposure. These reinsurance models are run at least annually to take account of changes in the portfolio and to take the latest potential loss information into account.

FNB NAMIBIA HOLDINGS GROUP ANNUAL FINANCIAL STATEMENTS

CONTENTS

Directors' responsibility statement

To the members of FNB Namibia Holdings Limited

These consolidated annual financial statements are the responsibility of the company's directors. We also acknowledge responsibility for establishing accounting procedures that provide for the maintenance of documentation sufficient to support the consolidated annual financial statements. These consolidated annual financial statements present fairly the financial position, results of operations and cash flows of the group and company in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of Namibia and have been prepared on bases consistent with those of the prior year, except where specifically disclosed in the consolidated annual financial statements. The consolidated annual financial statements incorporate full and responsible disclosure in line with the group's philosophy on corporate governance and as required by the Namibian Stock Exchange.

The directors' have reviewed the appropriateness of the accounting policies, and concluded that estimates and judgements are prudent.

The directors report that the group's internal controls are designed to provide reasonable assurance as to the integrity and reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets and to prevent and detect fraudulent financial reporting. Such controls are based on established written policies and procedures. They are implemented by trained, skilled personnel with an appropriate segregation of duties and are monitored throughout the group.

The board members and employees are required to maintain the highest ethical standards and the group's business practices are required to be conducted in a manner that is above reproach. The board has adopted and is committed to the principles in the King III report on Corporate Governance. The board is responsible for internal controls. The controls throughout the group are directed towards risk areas. These areas are identified by operational management, confirmed by group management and tested by the internal auditors. All controls relating to these critical risk areas are closely monitored and subject to audit.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these internal financial controls occurred during the year.

The directors have reviewed the group's budget for the year to 30 June 2014. On the basis of this review and in the light of the current financial position, the directors have no reason to believe that FNB Namibia Holdings Limited and its subsidiaries will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the financial statements.

The group's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 70. The consolidated annual financial statements of the group and company, which appear on pages 66 to 184 have been approved by the board of directors and are signed on its behalf by:

C J Hinrichsen
Chairman

I J M Leyenaar
Chief Executive Officer

Windhoek
14 August 2013

Report of the audit committee to shareholders

The audit committee comprises of a majority of independent non-executive directors and it meets no less than four times a year. The chairperson of the audit committee is an independent non-executive director and not the chairperson of the board.

The primary function of the audit committee is to assist the board in fulfilling its responsibilities by monitoring decisions and processes designed to ensure that the group's financial and computer systems provide reliable, accurate and up-to-date information to support the current financial position and that the published consolidated annual financial statements represent a fair reflection of its financial position.

It also ensures that appropriate accounting policies, control and compliance procedures are in place. The head of internal audit and the external auditors attend its meetings and have unrestricted access to the chairman of the committee.

In carrying out its responsibilities the committee has full authority to investigate all matters that fall within its terms of reference. Accordingly, the committee may:

- Obtain independent professional advice in the satisfaction of its duties at the cost of the group; and
- Have such direct access to the resources of the group as it may reasonably require including the external and internal auditors.

The primary objectives of the committee are:

1. To assist the board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in the day-to-day management of the business;
2. To review accounting principles, policies and practices adopted in preparation of public financial information;
3. To review with external auditors the scope and results of their audit, as well as the review and approval of audit fee's and nomination of auditors for appointment by shareholders;
4. To provide a forum for communication between the board of directors, management and the internal and external auditors; and
5. To introduce such measures as in the committee's opinion may serve to enhance the credibility and objectivity of the consolidated annual financial statements and affairs of the group.

The committee has met its objectives, has found no material weaknesses in controls, and is satisfied with the level of disclosure to it and to the stakeholders.

S H Moir
Chairman
Windhoek
13 August 2013

Independent auditor's report

To the members of FNB Namibia Holdings Limited

We have audited the group annual financial statements and the annual financial statements of FNB Namibia Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2013 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 71 to 184.

Directors' responsibility for the financial statements

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

Auditor's responsibility

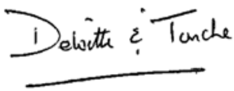
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of FNB Namibia Holdings Limited and its subsidiaries as at 30 June 2013 and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in Namibia.



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

Per RH Mc Donald
Partner

PO Box 47, Windhoek, Namibia
2 September 2013

Regional executives:
LL Bam (Chief Executive), A Swiegers (Chief Operating Officer), GM Pinnock

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

Director:
G Brand

Directors' report

Nature of business

FNB Namibia Holdings Limited is the holding company of the FNB Namibia group of companies. Its main investments remain unchanged from the prior year, except for the acquisition of RMB Namibia on 14 November 2012. The shareholdings are:

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

Share capital

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

The company's authorised share capital at year-end consists of 990 000 000 (2012: 990 000 000) ordinary shares of 0,5 cents each and 10 000 000 (2012: 10 000 000) cumulative convertible redeemable preference shares of 0,5 cents each.

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

At the annual general meeting to be held on 28 November 2013 members will be asked to consider an ordinary resolution placing the number of unissued ordinary and preference shares, exclusive of the number of shares reserved for purposes of the share incentive scheme as at that date, under the control of the directors as is currently the case, until the next annual general meeting.

Share analysis – ordinary shares

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

FirstRand EMA Holdings Limited	58.4% (2012: 58.4%)
Government Institutions Pension Fund	14.8% (2012: 14.8%)

A detailed analysis of shareholders is set out on page 188.

Share analysis – preference shares

RMB-SI Investments (Pty) Limited	100% (2012: 100%)

FNB Share Incentive Scheme (the trust)

No new shares were allocated during the year by the company to the trust (2012: nil). Staff exercised options on 3 075 000 (2012: 2 056 000) shares during the year. The total number of shares held by the trust at 30 June 2013 amounts to 9 044 759 (2012: 8 077 465). Also refer to notes 8.2 and 30 of the annual financial statements.

Dividends

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

N$'000	2013	2012
Ordinary dividends		
Final dividend of 54 cents (2012: 41 cents)	144 500	109 713
Interim dividend of 46 cents (2012: 41 cents)	123 093	109 713
Total distribution for the 12 months of 100 cents per ordinary share (2012: 82 cents per ordinary share)	267 593	219 426
Special dividends		
A special dividend of 180 cents per ordinary share was paid in 2012		481 668

Directors interest in FNB Namibia Holdings Limited

Details of the directors' holdings in the issued ordinary shares of FNB Namibia Holdings Limited are reflected in note 6.3 to the annual financial statements.

Interest of directors

At no time during the financial year were any contracts of significance entered into relative to the group's business in which a director had an interest.

Group results

The financial statements on pages 66 to 184 set out fully the financial position, results of operations and cash flows of the company and the group. Your attention is also drawn to the chairman's report, the chief executive officer's report and the chief financial officer's report on the financial results.

Directorate

At the group's annual general meeting held on 28 November 2012, directors C L R Haikali, C J Hinrichsen and J K Macaskill who retired by rotation in accordance with the provisions of the company's articles of association, made themselves available for re-election and were duly re-elected.

The composition of the board of FNB Namibia Holdings Limited is as follows:

C J Hinrichsen # (Chairman)
J J Comalie (Appointed 25 February 2013)
C J L Giddy (Appointed 25 February 2013)
C L R Haikali
L J Haynes * (Appointed 25 February 2013)
J R Khethe*
I J M Leyenaar* (Appointed CEO 25 February 2013)
J K Macaskill * (Alternate)
S H Moir *
M N Ndilula
P T Nevonga
Adv VR Rukoro (CEO) (Retired 28 February 2013)
I I Zaamwani-Kamwi

 # German ** South African*

All directors appointed since the last annual general meeting have to be confirmed at the next annual general meeting.

Directors' emoluments

Directors' emoluments are disclosed in note 6.1 to the annual financial statements.

Management by third parties

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

Insurance

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

Property and equipment

There was no material change in the nature of property and equipment or in the policy regarding its use during the year.

Holding company

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

Subsidiaries

Interest in and aggregate profits of subsidiaries are set out in note 35.6 to the annual financial statements.

Company secretary and registered offices

Company secretary

Y Katjirua

Registered office

209 Independence Avenue
Windhoek

Postal address

P O Box 195
Windhoek
Namibia

Events subsequent to the reporting date

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

ACCOUNTING POLICIES

1. Introduction

FNB Namibia Holdings group (the group) is an integrated financial services group consisting of banking, insurance, advisory services and unit trusts management operations.

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies are consistent in all material aspects with those adopted in the previous year, except for the adoption of:

- IAS 1 Presentation of Financial Statements was amended in June 2011 to require that items presented in other comprehensive income be classified based on whether the items will subsequently be reclassified to profit or loss or not. The amendment also requires that if an entity presents items of other comprehensive income before the related tax effects with the aggregated tax shown separately, the associated tax should also be presented separately for each type of other comprehensive item. This amendment is effective for annual periods beginning 1 July 2012. The group has adopted the amendments made. This amendment addresses presentation in the annual financial statements and does not affect recognition and measurement. Therefore this amendment does not have a significant impact on the group. The statement of other comprehensive income for the current year, including the comparative period, has been presented in accordance with the amended requirements.
- IAS 12 Deferred Tax: Recovery of Underlying Assets. This amendment to IAS 12 requires that deferred tax on investment property be measured at fair value and non-depreciable assets measured at revalued amounts be calculated based on the tax consequences that would arise on the sale of the property. As a result of the amendment, SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets has been withdrawn. It is not the group's policy to measure non-depreciable assets at revalued amounts. Therefore this amendment has had no impact on the group nor has it resulted in the restatement of prior year numbers.

2. Basis of preparation

The group's consolidated annual financial statements have been prepared in accordance with IFRS. The group prepares its audited consolidated financial statements in accordance with the going concern principle using the historical cost basis, except for certain financial assets and liabilities.

These financial assets and liabilities include:

- financial assets and liabilities held for trading;
- financial assets classified as available-for-sale;
- derivative financial instruments;
- financial instruments elected to be carried at fair value through profit and loss;
- investment properties valued at fair value;
- employee benefits liabilities, valued using projected unit credit methods; and
- policyholder liabilities under insurance contracts that are valued in terms of Financial Soundness Valuation (FSV) basis as outlined below.

The preparation of audited consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are outlined in note 38.

All monetary information and figures presented in these financial statements are stated in thousand of Namibia Dollar (N$ '000), unless otherwise indicated.

3. Consolidation

3.1 Subsidiaries

The consolidated annual financial statements include the assets, liabilities and results of the operations of the holding company and its subsidiaries. Subsidiaries are companies in which the group, directly or indirectly, has the power to exercise control over the operations for its own benefit. The group considers the existence and effect of potential voting rights that are presently exercisable or convertible in determining control. Subsidiaries are consolidated from the date on which the group acquires effective control. Consolidation is discontinued from the date that control over the subsidiary ceases.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

The group consolidates a special purpose entity ("SPE's") when the substance of the relationship between the group and the SPE indicates that the group controls the SPE.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

3.2 Business combinations

The consideration transferred for the acquisition is measured at the fair value of the assets transferred, equity instruments issued and the liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the acquisition date fair value of any existing equity interest held in the subsidiary. The contingent consideration is initially measured at fair value on the acquisition date. An obligation to pay contingent consideration is classified as either a financial liability or equity based on the respective definitions set out in IAS 32. The group classifies any rights to the return of consideration previously transferred as a financial asset. Any asset or liability arising from a contingent consideration arrangement is subsequently measured at fair value.

Any changes resulting from additional and new information about events and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date, are considered to be measurement period adjustments. The group retrospectively adjusts the amounts recognised for measurement period adjustments. The measurement period ends when the acquirer receives all the information it was seeking about facts and circumstances that existed at the acquisition date or learns that information is not obtainable. The measurement period shall, however, not exceed one year from the acquisition date. To the extent that changes in the fair value relate to post-acquisition events, these changes are recognised in accordance with the IFRS applicable to the specific asset or liability. Contingent consideration that is classified as equity is not remeasured after the acquisition date.

Transaction costs are expensed as incurred.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date.

Any difference between the sum of consideration transferred, the amount of any non-controlling interest in the subsidiary (also refer to accounting policy 3.3) and the acquisition date fair value of any previous equity interest in the subsidiary and the fair value of the group's share of the identifiable net assets acquired, is recorded as goodwill. If this amount is negative as in the case of a bargain purchase, the difference is recognised immediately in profit or loss.

When control is achieved in stages, each transaction is accounted for separately and the identifiable assets, liabilities and contingent liabilities are measured at fair value at acquisition date.

3.3 Non controlling interest

Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity therein. Non-controlling interests can initially be measured either at fair value or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets at the acquisition date. This is not an accounting policy election and the group will apply the choice of measurement basis on an acquisition by acquisition basis.

Subsequently the non-controlling interests consist of the amount attributed to such interest at initial recognition and the non-controlling interests' share of changes in equity since the acquisition date.

Non-controlling interests are treated as equity participants of the subsidiary company. The group treats all acquisitions and disposals of its non-controlling interests in subsidiary companies, which do not result in a loss of control, as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the group.

3.4 Associates and joint ventures

Associates are entities in which the group has significant influence but does not control or jointly control. The group is presumed to have significant influence where it holds an equity interest of between 20% and 50%. Joint ventures are entities in which the group has joint control over the economic activity of the joint venture through a contractual agreement.

Investments in associates and joint ventures acquired and held exclusively with the view to dispose of in the near future (within 12 months) are not accounted for using the equity accounting method, but are measured at fair value less cost to sell in terms of the requirements of IFRS 5.

The group includes the results of associates and joint ventures in its consolidated financial statements using the equity accounting method from the date of acquisition. The investment is initially recognised at cost. The group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss, and the carrying amount of loans to associates and joint ventures that are substantially part of the investment as settlement is neither planned nor likely to occur in the foreseeable future.

Earnings attributable to ordinary shareholders include the group's share of earnings of associates and joint ventures. Other comprehensive income includes the group's share of other comprehensive income of associates and joint ventures. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the associate or joint venture.

The group assesses at each reporting period whether there is objective evidence, in terms of IAS 39, that an investment in an associate or joint venture is impaired. If such evidence of impairment exists, the entire carrying amount, including the goodwill, is tested for impairment in terms of IAS 36.

Equity accounting is discontinued from the date that the group ceases to have significant influence over the associate or joint control over the joint venture. The group measures at fair value any investment it has retained in the entity when significant influence or joint control is lost and recognises the resulting gain or loss in profit or loss. The gain or loss is measured as the difference between the fair value of this retained investment and the carrying amount of the original investment at the date significant influence or joint control is lost.

After discontinuing equity accounting, the group accounts for any retained investment in the entity in accordance with the relevant IFRS as appropriate.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in associate, the entity continues to apply the equity method and does not remeasure the retained investment.

The group does not account for any further losses of the associate or joint venture when the carrying amount of the investment in an associate or joint venture reaches zero, unless it has incurred obligations or guaranteed obligations in favour of the entity.

The group resumes equity accounting only after its share of the profits equals the share of losses not recognised. The group increases the carrying amount of investments with its share of the associate or joint venture's income when equity accounting is resumed.

Unrealised gains on transactions between the group and its associates or joint ventures are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

3.5 Acquisitions of subsidiaries under common control

Common control is defined as a business combination in which all of the combining entities (subsidiaries) are ultimately controlled by the same party both before and after the business combination, and control is not transitory.

3.5 Acquisitions of subsidiaries under common control *(continued)*

The cost of an acquisition of a subsidiary under common control is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Any costs directly attributable to the acquisition are written off against reserves. On acquisition the carrying values of assets and liabilities are not restated to fair value. The acquirer incorporates assets and liabilities at their pre-combination carrying amounts. Any excess/deficit of the purchase price over the pre-combination recorded ultimate holding company's net asset value of the subsidiary is adjusted directly to equity. Any differences to values of the subsidiary's underlying assets and liabilities compared to those presented by the ultimate holding company and adjustments to achieve harmonisation of accounting policies will be adjusted on consolidation. Under this approach comparatives are not restated.

The principles of when control arises are the same as those for interests in subsidiaries where purchase price accounting is applied.

4. Interest income and interest expense

The group recognises interest income and interest expense in profit and loss for all interest-bearing instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the average expected life of the financial instruments or portfolios of financial instruments.

Interest income on instruments designated at fair value through profit or loss are included in fair value income except to the extent that the interest relates to:

- the group's insurance operations;
- funding liabilities that fund amortised cost assets:
- where hedge accounting is applied; and
- interest on intercompany balances.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

From an operational perspective, the group suspends the accrual of contractual interest on non-recoverable advances. However, in terms of IAS 39, interest income on impaired advances is thereafter recognised based on the original effective interest rate used to determine the discounted recoverable amount of the advance. This difference between the discounted and undiscounted recoverable amount is released to interest income over the expected collection period of the advance.

Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities. Dividends received or paid on these instruments are included and accrued in interest income and expense using the effective interest method.

5. Fair value income

The group includes profits, losses and fair value adjustments on trading financial instruments (including derivative instruments which do not qualify for hedge accounting in terms of IAS 39) as well as financial instruments at fair value through profit and loss in fair value income as it is earned. Trading related financial instruments designated at fair value through profit or loss exclude instruments relating to the group's insurance operations and the group's funding requirements.

6. Fee and commission income

The group generally recognises fee and commission income on an accrual basis when the service is rendered.

Certain fees and transaction costs that form an integral part of the effective interest rate of available-for-sale and amortised cost financial instruments are capitalised and recognised as part of the effective interest rate of the financial instrument over the expected life of the financial instruments. These fees and transaction costs are recognised as part of the net interest income and not as non interest income.

Fees and transaction costs that do not form an integral part of the effective interest rate are recognised as income when the outcome of the transaction involving the rendering of services can be reliably estimated. Fees related to services rendered are recognised as fee and commission income on an accrual basis when the service is rendered, for example banking fee and commission income and asset management and related fees The group recognises fees that are earned on the execution of a significant act, for example knowledge-based fee and commission income and non-banking fee and commission income when the significant act has been completed.

Commission income on acceptances, bills and promissory notes endorsed is credited to income over the lives of the relevant instruments on a time apportionment basis.

7. Fee and commission expenses

Fee and commission expenses are expenses that are incremental or directly attributable to the generation of fee and commission income. Fee and commission expenses include transaction and service fees, which are expensed as the services are received. Fee and commission expenses that form an integral part of the effective interest rate of a financial instrument are recognised as part of net interest income.

8. Dividend income

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

9. Foreign currency translation

9.1 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated annual financial statements are presented in Namibia Dollar ("N$"), which is the functional and presentation currency of the holding company of the group.

9.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Translation differences on both monetary and non-monetary items that are recognised at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss for the year. Translation differences on non-monetary items, such as equities, classified as available-for-sale, are reported as part of the fair value adjustment and are included in other comprehensive income

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost and other changes in the fair value of the security. Translation differences relating to changes in the amortised cost are recognised in profit or loss and other changes in the fair value are recognised in other comprehensive income.

Foreign exchange gains or losses on monetary items measured at amortised cost are included in a separate line item, foreign exchange differences, within non-interest income in profit or loss for the year.

10. Borrowing costs

The group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to the date on which construction or installation of the assets is substantially completed. Other borrowing costs are expensed when incurred.

11. Direct and indirect taxes

The tax expense represents the sum of the tax currently payable and deferred tax. Direct taxes comprise Namibian corporate tax.

Indirect taxes include various other taxes paid to central and local governments, including value added tax and stamp duties. Indirect taxes are disclosed separately from direct tax in the statement of comprehensive income.

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The group recognises deferred tax assets if the directors of the group consider it probable that future taxable income will be available against which the unused tax losses can be utilised.

11. Direct and indirect taxes *(continued)*

Temporary differences arise primarily from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post-retirement benefits and tax losses carried forward.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly in other comprehensive income, is also credited or charged directly to other comprehensive income and is subsequently recognised in profit and loss together with the deferred gain or loss.

12. Recognition of assets

12.1 Assets

The group recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the entity.

12.2 Contingent assets

The group discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to it, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

12.3 Managed funds and trust activities

Certain companies within the group engage in trust or other fiduciary activities that result in the managing of assets on behalf of clients. The group excludes these assets and liabilities from the statement of financial position as these are not assets and liabilities of the group but of the client.

However fee income earned and fee expenses incurred by the group relating to these activities are recognised in fee and commission income in the period that the service relates to.

13. Liabilities, provisions and contingent liabilities

13.1 Liabilities and provisions

The group recognises liabilities, including provisions, when:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Present obligations arising under onerous contracts are recognised and measured as provisions.

13.2 Contingent liabilities

The group discloses a contingent liability when:

- it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- it is not probable that an outflow of resources would be required to settle an obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

14. Acceptances

Acceptances comprise undertakings by the group to pay bills of exchange drawn on customers. The group discloses acceptances as a contingent liability.

15. Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise:

- coins and bank notes:

- money at call and short notice;
- balances with central banks; and
- balances with other banks.

All balances from date of acquisition included in cash and cash equivalents have a maturity date of less than three months.

16. Financial instruments

16.1 General

Financial instruments carried on the statement of financial position include all assets and liabilities, including derivative instruments, but exclude investments in associates and joint ventures, commodities, property and equipment, assets and liabilities of insurance operations, deferred tax, tax payable, intangible assets, inventory and post retirement liabilities. The group recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial liabilities are classified in the following categories:
- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

Management determines the classification of its financial instruments at initial recognition.

Financial instruments are initially recognised at fair value plus transaction costs for all financial instruments not carried at fair value through profit or loss.

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique, the variables of which include only data from observable markets, the group defers such differences (day-one gains or losses). Day-one gains or losses are amortised on a straight-line basis over the life of the financial instrument. To the extent that the inputs determining the fair value of the instrument become observable, or on derecognition of the instrument, day-one gains or losses are recognised immediately in profit or loss.

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss as gains less losses from investment activities. However, interest calculated on available- for-sale financial assets using the effective interest method is recognised in profit or loss as part of interest income. Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established and are included in investment income.

The group recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received.

The fair values of financial assets quoted in active markets are based on current bid prices. The fair values of financial liabilities quoted in active markets are based on current ask/offer prices. Alternatively, the group derives fair value from cash flow models or other appropriate valuation models where an active market does not exist. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

16.2 Financial instruments at fair value through profit or loss

This category has two subcategories: financial instruments held for trading and those designated at fair value through profit or loss on initial recognition.

A financial instrument is classified as a trading instrument if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking. Derivatives are also categorised as held for trading unless they are designated hedging instruments in an effective hedging relationship.

Financial assets and liabilities are designated on initial recognition as at fair value through profit and loss to the extent that it produces more relevant information because it either:

- results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or

16.2 Financial instruments at fair value through profit or loss *(continued)*

- is a group of financial assets and/or financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
- is a financial asset or liability containing significant embedded derivatives that clearly require bifurcation.

The main financial assets and liabilities designated at fair value through profit and loss under criteria (i) are various advances to customers, structured notes and other investments that form part of the investment banking division. These financial instruments have been designated to eliminate the accounting mismatch between these assets and the underlying derivatives and funding instruments. If the assets were not designated at fair value through profit or loss, the mismatch would be as a result of the assets being recognised at amortised cost and the derivatives and funding instruments being recognised at fair value.

Financial instruments designated under criteria (ii), include certain private equity and other investment securities.

The current and cumulative change in the fair value of designated loans and receivables and designated financial liabilities that is attributable to changes in credit risk, is determined as the change in fair value that is not attributable to changes in market conditions that gives rise to market risk, i.e. currency, interest rate and other price risk.

Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in profit or loss in the period in which they arise.

16.3 Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the group intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the group upon initial recognition designates as at fair value through profit or loss;
- those that the group upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

This category also includes purchased loans and receivables, where the group has not designated such loans and receivables in any of the other financial asset categories.

16.4 Held-to-maturity investments

Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. Were the group to sell other than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale.

The group measures held-to-maturity investments at amortised cost using the effective interest method, less any impairment.

16.5 Available-for-sale financial assets

Available-for-sale financial assets are non derivative financial assets that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The group recognises gains and losses arising from changes in the fair value of available-for-sale financial assets in other comprehensive income. It recognises interest income on these assets as part of interest income, based on the instrument's original effective interest rate using the effective interest method. Interest income is excluded from the fair value gains and losses reported in other comprehensive income. When the available-for-sale financial assets are disposed of or impaired, the related accumulated fair value adjustments are included in profit or loss as gains less losses from investment activities. Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established and are included in investment income.

Treasury bills, debt securities and equity shares intended to be held on a continuing basis, other than those designated at fair value through profit and loss are classified as available-for-sale.

16.6 Financial liabilities

The group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. If a financial instrument includes a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities on potentially unfavourable terms, such as redeemable preference shares, the financial instrument is classified as a financial liability. An instrument is classified as equity if it evidences a residual interest in the assets of the group after the deduction of liabilities.

Financial liabilities are measured at amortised cost, except for certain liabilities that are designated as at fair value through profit or loss. Interest expense on is recognised in profit or loss over the period of the borrowing using the effective interest method.

16.7 Offsetting financial instruments

The group offsets financial assets and liabilities and reports the net balance in the statement of financial position where:

- there is a legally enforceable right to set off; and
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

16.8 Embedded derivatives

The group treats derivatives embedded in other financial or non financial instruments, such as the conversion option in a convertible bond, as separate derivatives when:

- their risks and characteristics are not closely related to those of the host contract;
- they meet the definition of a derivative; and
- the host contract is not carried at fair value, with gains and losses reported in profit or loss.

Where embedded derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.

16.9 Derecognition

The group derecognises a financial asset when:

- the contractual rights to the asset expire; or
- where there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or
- the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and rewards associated with the asset.

Where the group retains substantially all the risks and rewards of ownership of the financial asset, the group continues to recognise the financial asset in its entirety and recognises a financial liability for the consideration received. These financial assets and the related financial liabilities may not be offset.

Where the group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the group determines whether it has retained control of the financial asset. In this case:

- if the group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; or
- if the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. A substantial modification of the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

Where the group purchases its own debt, the debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value income.

16.10 Sale and repurchase agreements

The consolidated financial statements reflect securities sold subject to a linked repurchase agreement ("repos") as trading or investment securities. These instruments are recognised at fair value through profit or loss. The counterparty liability is included in deposits held under repurchase agreements. These financial liabilities are either carried at fair value or amortised cost in line with the requirements of IAS 39.

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances relating the repurchase transactions and recognised in line with the requirements of IAS 39 The difference between purchase and resale price is treated as interest and accrued over the life of the reverse repos using the effective interest method. Securities lent to counterparties are retained in the consolidated financial statements of the group. Any deposits arising from collateral provided by the counterparties are recognised as deposits under securities lending arrangements and are measured at either fair value or amortised cost in accordance with the requirements of IAS 39.

The group does not recognise securities borrowed in the consolidated financial statements, unless sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in fair value income. The obligation to return these securities is recorded as a liability at fair value.

17. Impairment of financial assets

17.1 General

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

17.2 Assets carried at amortised cost

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the group about the following events:

- significant financial difficulty of the issuer or counterparty;
- a breach of contract, such as a default or delinquency in payments of principal or interest;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties or adverse changes in the market, economic or legal environment in which the entity operates; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be allocated to the individual financial assets in the group, including:

  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit and loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss.

17.2.1 Past due advances

Advances are considered past due in the following circumstances:

- Loans with a specific expiry date (e.g. term loans etc) are treated as overdue where the principal or interest is overdue and remains unpaid as at the reporting date.
- Consumer loans repayable by regular instalments (e.g. mortgage loans, personal loans) are treated as overdue when an instalment payment is overdue and remains unpaid as at the reporting date.
- A loan payable on demand is treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction.

In these instances, the full outstanding amount is considered overdue even if part of it is not yet due.

The past due analysis is only performed for advances with specific expiry dates or instalment repayment dates or demand loans that have been demanded. The analysis is not applicable to overdraft products or products where no specific due date are be determined. The level of riskiness on these types of products is done with reference to the counterparty ratings of the exposures and reported as such.

17.2.2 Renegotiated advances

Financial assets that would otherwise be past due that have been renegotiated, are separately classified as neither past due nor impaired assets. Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, the group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance.

Advances are only classified as renegotiated if the terms of the renegotiated contract have not yet expired and remain classified as such until the terms of the renegotiated contract expire. Where the advances are reclassified as neither past due nor impaired the adherence to the new terms and conditions is closely monitored.

Renegotiated advances exclude advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original. Non-performing advances cannot be reclassified as renegotiated unless the arrears balance has been repaid. Renegotiated but current financial assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

17.2.3 Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost or net realisable value. The group recognises repossessed assets as part of accounts receivable in the statement of financial position.

17.3 Available-for-sale financial assets

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss, is removed from other comprehensive income and recognised in profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through profit and loss.

Impairment losses recognised in profit and loss on equity instruments are not reversed through profit and loss.

In the case of a debt instrument classified as available-for-sale, the same objective evidence of impairment as for financial assets measured at amortised cost is considered in determining if an impairment exists. The difference between the acquisition cost and the current fair value less any previous impairment losses recognised in profit or loss is removed from other comprehensive income and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

18. Derivative financial instruments and hedging

The group initially recognises derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments, in the statement of financial position at fair value. Derivatives are subsequently re-measured at their fair value with all movements in fair value recognised in profit and loss, unless it is a designated and effective hedging instrument.

Where fair value is determined using valuation techniques whose variables include non-observable market data, the difference between the fair value and the transaction price ("the day one profit or loss") is deferred in equity and released over the life of the instrument. However, where observable market factors that market participants would consider in setting a price subsequently become available, the balance of the deferred day one profit or loss is released to income.

The method of recognising the resulting fair value gains or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedge of the fair value of recognised assets or liabilities or firm commitments ("fair value hedge"); or
- hedge of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction ("cash flow hedge").

The hedge of a foreign currency firm commitment can either be accounted for as a fair value or a cash flow hedge.

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as, its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

18.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps are reflected in interest income or interest expense. Effective changes in fair value of currency futures are reflected in non interest income. The gains or losses relating to the ineffective portion is recorded as fair value income in non interest income.

If the hedge of an instrument carried at amortised cost no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortised to profit or loss based on a recalculated effective interest rate over the residual period to maturity, unless the hedge item has been derecognised, in which case it is released to profit or loss immediately. However, if the hedge of an equity instrument carried at fair value no longer meets the criteria for hedge accounting, the cumulative adjustment of the carrying amount of a hedged equity instrument remains in retained earnings until disposal.

18.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated as hedging instruments in effective cash flow hedges is recognised in the cash flow hedge reserve in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as part of fair value income in non-interest income in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in the cash flow hedge reserve at that time remains in other comprehensive income and is recognised when the forecast transaction is recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods in which the hedged item affects profit or loss. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in other comprehensive income are reclassified from other comprehensive income and included in the initial measurement of the cost of the non-financial asset or liability.

For financial assets and liabilities, if the risk being hedged is interest rate risk the amounts are included in interest income or interest expense when reclassified to profit or loss. The amount recognised in profit or loss for other risks relating to financial assets and liabilities is recognised in non-interest income as fair value income.

19. Property and equipment

The group carries property and equipment at historical cost less depreciation and impairment, except for land which is carried at cost less impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognised. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Property and equipment are depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. Freehold properties and properties held under finance lease are broken down into significant components that are depreciated to their respective residual values over the economic lives of these components.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in profit and loss on disposal.

20. Investment properties

The group classifies investment properties as properties held to earn rental income and/or capital appreciation that are not occupied by the companies in the group.

Investment properties comprise of freehold land and buildings and are measured at fair value. Fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available the group uses valuation methods such as discounted cash flow projections or recent prices on less active markets. These valuations are reviewed annually by a combination of independent and internal valuation experts. Investment properties that are being redeveloped for continuing use as investment property, or for which that market has become less active, continues to be measured at fair value.

Property located on land that is held under operating lease is classified as investment property as long as it is held for long-term rental yields and is not occupied by the group. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments. Subsequent to initial recognition the property is carried at fair value.

When investment properties become owner occupied, the group reclassifies it to property and equipment, using the fair value at the date of reclassification as the cost, and depreciates it on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over the expected useful lives.

If this information is not available the group uses valuation methods such as discounted cash flow projections, recent prices on less active markets, or current offers to purchase the particular property.

Fair value adjustments on investment properties are included in profit and loss within non interest income. These fair value gains or losses are adjusted for any double counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination.

The group carries properties under development at cost, less adjustments to reduce the cost to open market value, if appropriate.

21. Leases

21.1 A group company is the lessee

21.1.1 Finance leases

The group classifies leases as property and equipment where it assumes substantially all the benefits and risks of ownership as finance leases.

Finance leases are capitalised as assets at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the underlying lease payments. The group allocates each lease payment between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest component of the finance charge is recognised in the profit and loss over the lease period. The property and equipment acquired are depreciated over the useful life of the assets, unless it is not probable that the group will take ownership of the assets, in which case the assets are depreciated over the shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned property and equipment.

21.1 A group company is the lessee *(continued)*

21.1.2 Operating leases

The group classifies leases as operating leases where the lessor effectively retains the risks and benefits of ownership. It recognises operating lease payments in profit and loss on a straight-line basis over the period of the lease. Contingent rentals are expensed in the period incurred. Minimum rentals due after year-end are reflected under commitments.

The group recognises as an expense any penalty payment to the lessor for early termination of an operating lease, in the period in which termination takes place.

21.2 A group company is the lessor

21.2.1 Finance leases

The group recognises as advances assets sold under a finance lease at the present value of the lease payments. The difference between the gross receivable and the present value of the receivable represents unearned finance income. Unearned finance income is recognised as interest income over the term of the lease using the effective interest rate method, which reflects a constant periodic rate of return.

21.2.2 Operating leases

The group includes in a separate category as "assets held under operating lease" property and equipment assets leased out under operating leases. It depreciates these assets over their expected useful lives on a basis consistent with similar owned property and equipment. Contingent rentals are expensed in the period incurred. Rental income is recognised on a straight-line basis over the lease term.

21.2.3 Instalment credit agreements

The group regards instalment credit agreements as financing transactions and includes the total rentals and instalments receivable hereunder, less unearned finance charges, in advances.

The group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to income in proportion to capital balances outstanding.

22. Intangible assets

22.1 Goodwill

Goodwill represents the excess of the consideration transferred, the fair value of the previous equity interests held and the non-controlling interest of an acquisition over the attributable fair value of the group's share of the fair value of the identifiable net assets of the acquired subsidiary, or associate at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in the carrying amount of the investment.

22.2 Computer software development costs

The group generally expenses computer software development costs in the financial period incurred. However, where computer software development costs can be clearly associated with a strategic and unique system which will result in a benefit for the group exceeding the costs incurred for more than one financial period, the group capitalises such costs and recognises it as an intangible asset.

The group carries capitalised software assets at cost less amortisation and any impairment losses. It amortises these assets on a straight-line basis at a rate applicable to the expected useful life of the asset.

22.3 Other intangible assets

The group expenses the costs incurred on internally generated intangible assets such as trademarks, patents and similar rights and assets, in profit or loss in the period in which the costs are incurred. The costs incurred on the development of separately identifiable internally generated intangible assets, are capitalised by the group if:

- the group is able to demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- it is the group's intention to complete the intangible asset and use or sell it;
- the group will be able to use or sell the intangible asset;
- it is probable that the intangible asset will generate future economic benefits;
- adequate technical, financial and other resources are available to complete the development and to use or
- sell the intangible asset; and
- the expenditure attributable to the intangible asset can be reliably measured.

The group capitalises material acquired trademarks, patents and similar rights where it will receive a benefit from these intangible assets in more than one financial period.

The group carries capitalised trademarks, patents and similar assets at cost less accumulated amortisation and any impairment. It amortises these assets at a rate applicable to the expected useful life of the asset.

22.4 Value of in-force business

As a result of certain acquisitions of insurance contracts and the application of purchase accounting, the group carries a customer contract intangible asset representing the present value of in-force ("PVIF") business acquired. PVIF is determined by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. The group amortises PVIF on the expected life of the contract as a constant percentage of expected gross margins over the estimated life of the acquired contracts. The estimated life is evaluated regularly. The PVIF is carried in the statement of financial position at fair value less any accumulated amortisation and impairment losses.

22.5 Impairment of intangible assets

Management reviews the carrying value of intangible assets wherever objective evidence of impairment exists. An impairment loss is recognised immediately in profit or loss as operating expenses when the carrying value is more than the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use.

Goodwill is tested annually for impairment or more frequently if an impairment indicator exists at the reporting date and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not subsequently reversed.

For impairment purposes goodwill is allocated to the smallest component of the business that is expected to benefit from synergies of the combination and at which management monitors goodwill (cash generating unit). Each cash generating unit represents a grouping of assets no higher than an operating segment. The recoverable amount of a cash generating unit is the higher of fair value less costs to sell and value in use.

23. Employee benefits

23.1 Post-employment benefits

The group operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee administered funds. The pension plans are generally funded by payments from employees and the relevant group companies, taking account of the recommendations of independent qualified actuaries. For defined benefit plans the expenses are measured using the projected unit credit method.

The amount recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs, if applicable.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds or in the absence of a deep and liquid corporate bond market, the yield on government bonds, that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The group recognises current service costs immediately, while it expenses past service costs, experience adjustments, changes in actuarial assumptions and plan amendments over the expected remaining working lives of employees. The costs are expensed immediately in the case of retired employees.
These funds are registered in terms of the Pension Funds Act, 1956, and membership is compulsory for all group employees.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

23.2 Post-retirement medical benefits

In terms of certain employment contracts, the group provides for post retirement healthcare benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid contributions. IAS 19 requires that the assets and liabilities in respect thereof be reflected on the statement of financial position.

The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and completing a minimum service period. Qualified actuaries perform annual valuations.

23.3 Termination benefits

The group recognises termination benefits as a liability in the statement of financial position and as an expense in profit or loss when it has a present obligation relating to termination. The group has a present obligation when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan, without the possibility of withdrawal or providing termination benefits as a result of an offer to encourage voluntary redundancy.

23.4 Severance pay

The group recognises severance pay as a liability in the statement of financial position and as an expense in profit and loss. The group is required to pay employees a severance benefit in terms of the Labour Act of 2007, when:

23.4 Severance pay *(continued)*

- the employee is dismissed under certain circumstances; or
- dies while employed.

The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plan. Qualified actuaries perform annual valuations.

23.5 Leave pay accruals

The group recognises in full employees rights to annual leave entitlement in respect of past service.

23.6 Bonuses

Management and staff bonuses are recognised as an expense in staff costs as incurred when it is probable that the economic benefits will be paid and the amount can be reliably measured.

23.7 Recognition of actuarial gains and losses

Recognition of actuarial gains and losses occurs as a result of:

- increases or decreases in the present value of defined benefit plan liabilities;
- increases or decreases in the fair value of plan assets; or
- a combination of the above.

Increases or decreases in the fair value of plan liabilities can be caused by changes in the discount rate used, expected salaries or number of employees, plan benefits and expected inflation rates.

Increases or decreases in the fair value of plan assets occur as a result of the difference between the actual and expected return on the plan assets.

The group does not recognise actuarial gains or losses below the corridor limit of 10% in the period under review, but defers such gains or losses to future periods.

24. Borrowings

The group initially recognises borrowings, including debentures, at the fair value of the consideration received. Borrowings are subsequently measured at amortised cost except for financial liabilities designated at fair value. Discounts or premiums on debentures issued are amortised on a basis that reflects the effective interest rate on the debentures over their life span. Interest paid is recognised in profit and loss on an effective interest rate basis.

The group separately measures and recognises the fair value of the debt component of an issued convertible bond in liabilities, with the residual value separately allocated to equity. It calculates interest on the debt portion of the instrument based on the market rate for a non-convertible instrument at the inception thereof.

Instruments with characteristics of debt, such as redeemable preference shares, are included in liabilities. Dividends paid on such instruments are included in interest expense.

Where the group purchases its own debt, the debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value income.

25. Share Capital

25.1 Share issue costs

Instruments issued by the group are classified as equity when there is no obligation to transfer cash or assets. Incremental costs directly related to the issue of new shares or options are shown as a deduction from equity.

25.2 Dividends paid

Dividends on ordinary shares and non-cumulative non-redeemable preference shares are recognised against equity and a corresponding liability recognised when they have been appropriately approved by the company's shareholders and are no longer at the discretion of the entity. Dividends declared after the reporting date are not recognised but disclosed as a post reporting date event.

25.3 Shares held by employee share trusts

Where the employee share trusts which form part of the consolidated group purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity until they are sold. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental costs, and is included in shareholders' equity.

26. Segment reporting

An operating segment is a component of the group that engages in business activities from which the group may earn revenues and incurs expenses and whose operating results are regularly reviewed by chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance. The chief operating decision maker has been identified as the chief executive officer of the group. The group's identification and measurement of operating segments is consistent with the internal reporting provided to the chief executive officer. The operating segments have been identified and classified in a manner that reflects the risks and rewards related to the segments' specific products and services offered in their specific markets. Additional information relating to each segments' specific products and services and major customers is also provided in the notes to the financial statements.

Operating segments whose total revenue, absolute profit or loss for the period or total assets are 10% or more of all the segments, are reported separately.

Assets, liabilities, revenue or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The group accounts for intersegment revenues and transfer as if the transactions were with third parties at current market prices. Tax is allocated to a particular segment on a pro-rata basis.

Funding is provided to business units and segments based at internally derived transfer pricing rates taking into account the funding structures of the group.

27. Share based payment transactions

The group operates equity settled and cash settled share based compensation plans for employees and historically disadvantaged individuals and organisations. All compensation plans are recognised in accordance with the accounting policy depending on whether it meets the equity-settled or cash-settled definition.

27.1 Equity-settled share based compensation plans

The group expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to a share based payment reserve in the statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the group revises its estimate of the number of options expected to vest. The group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to the share based payment reserve.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through the statement of comprehensive income. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share based payment reserve and credited against equity.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

27.2 Cash-settled share based payment compensation plans

The group measures the services received and liability incurred in respect of cash-settled share based payment plans at the current fair value of the liability. The group re-measures the fair value of the liability at each reporting date until settled. The liability is recognised over the vesting period and any changes in the fair value of the liability are recognised in profit or loss.

28. Non-current assets disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only used if the sale is highly probable and the assets or disposal groups are available for immediate sale.

In light of the group's primary business being the provision of banking, insurance and investment products, non-current assets held as investments are not classified as held for sale as the ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the carrying amount of non-current assets and liabilities in relation to a disposal group is recognised based upon the appropriate IFRS. On initial recognition as held for sale, the non-current assets and liabilities are in the measurement scope of IFRS 5 are recognised at the lower of carrying amount and fair value less costs to sell.

Any impairment losses on initial classification as held for sale are recognised in profit or loss. If a disposal group contains assets that are outside of the measurement scope of IFRS 5 any impairment loss is allocated to those non-current assets within the disposal group that are within the measurement scope of IFRS 5.

After initial recognition as held for sale the non-current assets are measured at fair value less costs to sell. Where the fair value less costs to sell is less than the carrying value, any additional impairment losses are recognised in profit or loss. Any increases in fair value less costs to sell are only recognised when they are realised.

The non-current assets and disposal groups held for sale will be derecognised immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date, will be the lower of:

28. Non-current assets disposal groups held for sale *(continued)*

- its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale and;
- its recoverable amount at the date of the subsequent decision not to sell.

29. Discontinued operations

The group classifies a component as a discontinued operation when that component has been disposed of, or is classified as held for sale, and:

- it represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of a group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the group.

30. Insurance

30.1 Classification of contracts

An insurance contact is a contract that transfers significant insurance risk to the group. Significant insurance risk exists when it is expected that the present value of the benefits payable in terms of the policy on the occurrence of an insured event will materially differ from the amount payable had the insured event not occurred. Financial penalties levied on early termination of policy contracts are not taken into account when classifying the contracts.

Contracts that transfer only financial risk and not insurance risk are classified as financial instruments. Financial risk refers to the risk of a possible change in the value of a financial instrument due to a change in interest rates, commodity prices, an index of prices, foreign exchange or other measureable variable.

The classification of contracts is performed at the initial recognition of each contract. The classification of the contract at initial recognition remains the classification of the contract for the remainder of its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

The group consolidates cell captives when the substance of the arrangement is such that the group controls the cell captive. Through its subsidiaries and controlled cell captives the group issues insurance contracts that are classified into two main categories, long and short term insurance contracts, based on the duration of the risk.

Short term insurance contracts

30.2 Recognition and measurement of short-term insurance contracts

Short-term insurance provides benefits under short-term policies, typically one year or less, under which the group accepts significant insurance risks from the policyholder if the policyholder incurs losses relating to uncertain future events such as mechanical breakdown of equipment, theft, fire, weather-related events, fraud, third party claims etc.

30.3 Premiums

Gross premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business assumed. The earned portion of premiums received is recognised as revenue. Premiums relating to a future accounting period are included in unearned premium provision. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

Gross premium includes insurance related fee income which relates to policy fees, collection fees and take-on fees charged in the ordinary course of the underwriting of short-term insurance policies.

30.4 Unearned premium provision

The provision for unearned premiums represents the proportion of the current year's premiums written that relate to risk periods extending into the following year, computed separately for each insurance contract using the 365th method.

30.5 Insurance contract claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not. Estimates are calculated based on the most recent cost experience of similar claims and includes an appropriate risk margin for unexpected variances between the actual cost and the estimate. Where applicable, deductions

are made for salvage and other recoveries. Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately.

30.6 Reinsurance

The group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the group from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are presented in the statement of comprehensive income and statement of financial positions separately from the gross amounts. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such reinsurance contracts are recognised in the same year as the related claim. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the group may not recover all amounts due and that the impact of the event on the amounts that the group will receive from the reinsurer can be measured.

Reinsurance assets are held on the statement of financial position in connection with outstanding claims provisions in the amount of the expected recovery that will be made once the outstanding claim is finalised.

30.7 Deferred acquisition costs

Acquisition costs comprise all costs paid to third parties or intermediaries relating to the conclusion of insurance contracts and these are expensed as and when incurred. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds with the unearned premium provision. Deferred acquisition costs are therefore recognised using the same methodologies applied to unearned premiums so as to achieve matching of deferred acquisition costs and unearned premiums to which these acquisition costs relate. Deferred acquisition costs comprise commission paid for the acquisition of broker sourced business.

30.8 Outstanding insurance contract claims

Provision is made on a prudent basis for the estimated final costs of:

- claims notified but not settled at year end, using the best information available at that time. The estimate includes an amount of the direct claims expenses and assessment charges arising from the settlement of claims; and
- claims incurred at year end but not reported until after that date (IBNR), using historical experience and the best information available at the time. Estimates provide for inflation as well as claim handling and assessing costs. Estimates are adjusted for management's expectations of trends relating to the development of such claims.

30.9 Cash bonuses on insurance contracts

The group provides for its contractual obligation per the contract of insurance to pay a non-claims bonus to a client in the event that the client remains claim free for a specified period of time. To derive the best estimate of the expected future cash flows, the non-claims bonus percentage per the contract of insurance is adjusted for the following factors:

- the bonus percentage is reduced to allow for the probability that the client may claim (and hence forfeit eligibility for the OUTbonus) over the OUTbonus cycle;
- the bonus percentage is reduced to allow for the probability that the client will cancel during the OUTbonus cycle;
- a risk margin is added to allow for the uncertainty relating to the above claims and lapse assumptions; and
- where the impact of discounting is considered to be material, the expected future obligation is discounted to the present value using an appropriate discount rate reflecting the time value of money.

30.10 Contingency reserve

A reserve in equity is made for the full amount of the contingency reserve as required by the regulatory authorities in Namibia. Transfers to and from this reserve are treated as appropriations of retained income.

Consolidated statement of comprehensive income

for the year ended 30 June

N$'000	Note	2013	2012
Continuing operations			
Interest and similar income	2	1 634 997	1 524 990
Interest expense and similar charges	2	(650 033)	(635 111)
Net interest income before impairment of advances		984 964	889 879
(Impairment losses) / reversal of impairments of advances	13	(23 366)	41 913
Net interest income after impairment of advances		961 598	931 792
Non-interest income	3	868 549	739 585
Net insurance premium income	4	99 725	84 468
Net claims and benefits paid	5	(50 915)	(40 968)
Fair value adjustment to financial liabilities	26		4 391
Income from operations		1 878 957	1 719 268
Operating expenses	6	(940 391)	(884 105)
Net income from operations		938 566	835 163
Share of profit from associates after tax	16.4	1 971	3 045
Income before tax		940 537	838 208
Indirect tax	7.1	(19 757)	(17 381)
Profit before tax		920 780	820 827
Direct tax	7.2	(310 563)	(282 248)
Profit for the year from continuing operations		610 217	538 579
Discontinued operation			
Profit attributable to discontinued operations	29		1 858
Profit after tax on sale of discontinued operation	29		231 598
Profit for the year		610 217	772 035
Other comprehensive income			
(Loss) / gain on available-for-sale financial assets		(7 427)	7 102
Deferred income tax relating to other comprehensive income	19	474	(1 634)
Other comprehensive income for the year		(6 953)	5 468
Total comprehensive income for the year		603 264	777 503
Profit for the year attributable to:			
Equity holders of the parent		599 247	762 103
Non-controlling interests		10 970	9 932
Profit for the year		610 217	772 035
Total comprehensive income for the year attributable to:			
Equity holders of the parent		592 294	766 266
Non-controlling interests		10 970	11 237
Total comprehensive income for the year		603 264	777 503
Total comprehensive income for the year attributable to:			
Continuing operations		603 264	541 383
Discontinued operation			236 120
Total comprehensive income for the year		603 264	777 503
Earnings per share (cents)			
Basic and diluted earnings per share (cents)			
From continuing operations	8.2	231.2	204.5
From discontinued operation	8.2		89.8
		231.2	294.3

Consolidated statement of financial position

as at 30 June

N$'000	Note	2013	2012
Assets			
Cash and cash equivalents	10.1	690 340	1 002 052
Due from banks and other financial institutions	10.2	1 888 968	1 925 741
Derivative financial instruments	11	94 987	27 125
Advances	12	16 964 679	14 076 753
Investment securities	14	2 272 753	2 144 424
Accounts receivable	15	187 764	215 636
Tax asset			606
Investments in associates	16	3 994	3 903
Property and equipment	17	376 737	286 848
Intangible assets	18	15 825	10 709
Deferred income tax asset	19	3 173	2 828
Reisurance assets	20	221	927
Total assets		22 499 441	19 697 552
Equity and liabilities			
Liabilities			
Deposits	21.1	18 835 676	16 238 472
Due to banks and other financial institutions	21.2	319 084	48 429
Derivative financial instruments	11	128 612	60 227
Creditors and accruals	22	159 410	229 600
Tax liability		143 117	151 894
Employee liabilities	23	122 336	128 212
Deferred income tax liability	19	48 582	19 337
Policyholder liabilities under insurance contracts	24	50 490	45 125
Other liabilities	25	9 806	
Tier two liabilities	26	392 620	392 627
Total liabilities		20 209 733	17 313 923
Equity			
Capital and reserves attributable to equity holders			
Ordinary shares	27	1 297	1 295
Share premium	27	174 167	181 477
Reserves		2 086 581	2 179 264
Capital and reserves attributable to the equity holders of the group		2 262 045	2 362 036
Non-controlling interests		27 663	21 593
Total equity		2 289 708	2 383 629
Total equity and liabilities		22 499 441	19 697 552

Consolidated statement of changes in equity

for the year ended 30 June

N$'000	Share capital	Share premium	Share capital and share premium
Balance at 1 July 2011	1 294	187 898	189 192
Total comprehensive income for the year			
Staff share option transactions			
Ordinary dividends			
Transfer to / (from) reserves			
Effective change of shareholding in subsidiaries			
Consolidation of shares held by share trusts	1	(6 421)	(6 420)
Balance at 30 June 2012	1 295	181 477	182 772
Total comprehensive income for the year			
Staff share option transactions			
Ordinary dividends			
Transfer to / (from) reserves			
Transfer of vested equity options			
Consolidation of shares held by share trusts	2	(7 310)	(7 308)
Balance at 30 June 2013	1 297	174 167	175 464

General risk reserve	Share-based payment reserve	Available-for-sale reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity holders	Non-controlling interests	Total equity
	8 028	11 815	5 529	1 605 558	1 630 930	165 726	1 985 848
		4 163		762 103	766 266	11 237	777 503
	4 203				4 203		4 203
				(212 360)	(212 360)	(26 778)	(239 138)
42 232			1 218	(43 450)			
		(1 229)		(8 546)	(9 775)	(128 592)	(138 367)
							(6 420)
42 232	12 231	14 749	6 747	2 103 305	2 179 264	21 593	2 383 629
		(6 953)		599 247	592 294	10 970	603 264
	7 027				7 027		7 027
				(692 004)	(692 004)	(4 900)	(696 904)
33 135			1 648	(34 783)			
	(1 818)			1 818			
							(7 308)
75 367	17 440	7 796	8 395	1 977 583	2 086 581	27 663	2 289 708

Consolidated statement of cash flows

for the year ended 30 June

N$'000	Note	2013	2012
Cash flows from operating activities			
Cash receipts from customers	31.2	2 583 058	2 354 932
Cash paid to customers, suppliers and employees	31.3	(1 584 227)	(1 477 924)
Cash flows from operating activities	31.1	998 831	877 008
Increase in income earning assets	31.4	(2 957 481)	(3 280 678)
Increase in deposits and other liabilities	31.5	2 800 109	2 962 947
Net cash generated from operations		841 459	559 277
Income taxes paid	31.6	(318 300)	(153 129)
Net cash inflow from operating activities		523 159	406 148
Cash flows from investing activities			
Acquisition of property and equipment	31.7	(133 707)	(51 581)
Proceeds from the disposal of property and equipment		3 268	1 247
Acquisition of a controlling interest in FNBIB	31.8		(10 202)
Dividends from associate company		1 880	1 540
Proceeds from the sale of Momentum Namibia	31.9		342 403
Net cash flows from investing activities		(128 559)	283 407
Cash flows from financing activities			
Redemption of tier two liabilities			(260 000)
Proceeds from tier two liabilities			390 000
Acquisition of shares for share trusts		(7 308)	(6 419)
Dividends paid	31.10	(692 004)	(212 360)
Payment of finance lease liabilities		(2 100)	
Dividends paid non-controlling interests		(4 900)	(26 778)
Net cash outflow from financing activities		(706 312)	(115 557)
Net increase in cash and cash equivalents		(311 712)	573 998
Cash and cash equivalents at the beginning of the year*		1 002 052	428 054
Cash and cash equivalents at the end of the year*	10.1	690 340	1 002 052

Includes mandatory reserve deposits with central bank.

Notes to the consolidated annual financial statements

for the year ended 30 June

1. Accounting policies

The accounting policies of the group are set out on pages 73 to 91.

2. Analysis of interest income and interest expenditure

N$'000	2013 Fair value	2013 Amortised cost	2013 Non-financial assets and liabilities	2013 Total
Interest and similar income				
- Advances		1 419 679		1 419 679
- Cash and cash equivalents		66 083		66 083
- Investment securities	128 189	1 956		130 145
- Unwinding of discounted present value on non performing loans		4 716		4 716
- Unwinding of discounted present value on off-market advances		4 933		4 933
- On impaired advances		(2 685)		(2 685)
- Net release of deferred fee and expenses		11 277		11 277
- Other		849		849
	128 189	1 506 808		1 634 997
Interest expense and similar charges				
- Deposits from banks and other financial institutions		1 274		1 274
- Current accounts		73 977		73 977
- Savings deposits		6 177		6 177
- Call deposits		189 906		189 906
- Term deposits		119 652		119 652
- Negotiable certificates of deposit		229 457		229 457
- Tier two liabilities		29 022		29 022
- Other			568	568
		649 465	568	650 033

N$'000	2012 Fair value	2012 Amortised cost	2012 Non-financial assets and liabilities	2012 Total
Interest and similar income				
- Advances		1 293 132		1 293 132
- Cash and cash equivalents		91 246		91 246
- Investment securities	110 494	2 655		113 149
- Unwinding of discounted present value on non performing loans		6 718		6 718
- Unwinding of discounted present value on off-market advances		4 844		4 844
- On impaired advances		5 092		5 092
- Net release of deferred fee and expenses		10 123		10 123
- Other		686		686
	110 494	1 414 496		1 524 990
Interest expense and similar charges				
- Deposits from banks and other financial institutions		549		549
- Current accounts		67 369		67 369
- Savings deposits		5 668		5 668
- Call deposits		214 266		214 266
- Term deposits		123 515		123 515
- Negotiable certificates of deposit		198 090		198 090
- Tier two liabilities	17 548	7 743		25 291
- Other			363	363
	17 548	617 200	363	635 111

3. Non-interest income

N$'000	2013	2012
Fee and commission income:		
- Card commissions	50 770	52 918
- Cash deposit fees	119 195	102 574
- Commissions: bills, drafts and cheques	25 939	22 815
- Service fees	289 137	251 922
- Fiduciary service fees	8 131	8 053
- Other commissions	234 753	191 750
- Banking fee and commission income	727 925	630 032
- Brokerage income	53 447	53 333
- Unit trust and related fees	18 026	13 195
- Reinsurance commission received by insurance companies	3 170	2 711
Fee and commission income	802 568	699 271
Fee and commission expenses:		
- Transaction processing fees	(31 237)	(34 061)
- Cash sorting handling and transportation charges	(5 631)	(5 963)
- Card and cheque book related	(851)	(1 860)
- Insurance operations	(3 714)	(3 258)
- ATM commissions paid	(2 596)	(2 264)
- Other	(11 456)	(11 158)
Fee and commission expenses	(55 485)	(58 564)
Fee and commission income, by category		
- Instruments at amortised cost	719 794	621 979
- Non financial assets and liabilities	82 774	77 292
Fee and commission income	802 568	699 271
Fee and commission expenses	(55 485)	(58 564)
Net fee and commission income	747 083	640 707

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

N$'000	2013	2012
Fair value income:		
- Foreign exchange trading	68 346	67 624
- Treasury trading operations	(321)	(28 095)
- debt instruments trading	3 287	5 458
- derivatives revaluation	(7 908)	(33 553)
- other	4 300	
- Designated at fair value through profit or loss	34 138	40 634
Fair value income	102 163	80 163

3. Non-interest income *(continued)*

N$'000	2013	2012
Portfolio analysis for fair value income		
Held for trading	68 025	39 529
Designated at fair value through profit or loss	34 138	40 634
Fair value income	102 163	80 163
Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, and translated foreign currency assets and liabilities.		
Interest rate instruments includes the gains and losses from government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives.		
Gains less losses from investing activities		
- Gains on investment securities designated at fair value through profit or loss	5 900	668
- Gains on realisation of available-for-sale financial assets		9 475
- Dividends received	2 968	3 613
- Listed shares		147
- Unit trusts	2 968	3 466
- Share of profit from associates after tax (note 16.4)	1 971	3 045
Gross gains less losses from investing activities	10 839	16 801
Less: Share of profit from associates after tax (disclosed separately on face of the statement of comprehensive income)	(1 971)	(3 045)
Gains less losses from investing activities	8 868	13 756
Other non-interest income		
- Gain on sale of property and equipment	2 139	5
- Rental income	2 063	1 625
- Other income	6 233	3 329
Other non-interest income	10 435	4 959
Other non-interest income, by category		
- Non-financial assets and liabilities	10 435	4 959
	10 435	4 959
Total non-interest income	868 549	739 585

Notes to the consolidated annual financial statements
for the year ended 30 June *(continued)*

4. Net insurance premium income

N$'000	2013	2012
Short term insurance contracts		
Gross written premiums	118 595	100 150
Insurance premiums ceded to reinsurers	(16 542)	(14 149)
Change in unearned premium provision	(2 328)	(1 533)
Net insurance premium income	99 725	84 468

5. Net claims and benefits paid

N$'000	2013	2012
Short term insurance contracts		
Gross insurance contracts claims	54 267	43 494
Transfer to provision for unintimated claims	1 072	836
Gross claims and benefits paid on insurance contracts	55 339	44 330
Insurance benefits recovered from reinsurers	(4 424)	(3 362)
Net claims and benefits paid	50 915	40 968

6. Operating expenses

N$'000	2013	2012
Auditors' remuneration		
- Audit fees	4 913	4 644
- Fees for other services	64	26
- Prior year over provision	(23)	
Auditors' remuneration	4 954	4 670
Operating lease charges		
- Property	21 779	16 362
- Equipment	6 521	5 411
Operating lease charges	28 300	21 773
Staff costs		
- Salaries, wages and allowances	380 535	352 843
- Off-market staff loans amortisation	4 933	4 844
- Contributions to employee benefit funds	87 306	79 319
- Defined contribution schemes: pension	40 687	38 433
- Defined contribution schemes: medical	46 619	40 886
- Post retirement medical expense	(2 585)	2 802
- Severance pay: death in service	(396)	(32)
- Social security levies	1 399	1 167
- Share-based payments (note 30)	9 976	9 974
- Other staff related costs	6 286	16 350
Total staff costs	487 454	467 267
Other operating costs		
- Amortisation of intangible assets (note 18)	7 384	14 326
- Depreciation (note 17)	37 409	38 611
- Impairments incurred (note 18)		5 000
- Insurance	8 482	10 576
- Advertising and marketing	53 684	48 181
- Property and maintenance related expenses	47 639	38 506
- Legal and other related expenses	5 144	4 382
- Postage	3 812	4 677
- Stationery and printing	16 274	13 076
- Telecommunications	16 792	11 849
- Travel and accommodation	11 425	8 869
- Computer and processing related costs	126 507	113 481
- Other operating expenditure	68 786	56 540
- Total directors' remuneration (note 6.1.3)	10 059	5 507
- Professional fees	6 286	16 814
Other operating costs	419 683	390 395
Total operating expenses	940 391	884 105

Notes to the consolidated annual financial statements
for the year ended 30 June *(continued)*

6. Operating expenses *(continued)*

6.1 Directors emoluments

Emoluments paid to directors are set out below:

N$'000	Salary	Bonus	Pension and medical aid contributions	Other allowance	Total
6.1.1 Executive director:					
2013:					
IJM Leyenaar (appointed 25 February 2013)	492		80		572
VR Rukoro (retired 28 February 2013)	1 608	1 850	205	4 000	7 663
	2 100	1 850	285	4 000	8 235
2012:					
VR Rukoro	1 557	1 676	291	319	3 843
	1 557	1 676	291	319	3 843

6.1.2 Non-executive directors:

	Fees as directors 2013	Fees as directors 2012
Non-executive independent directors:		
CJ Hinrichsen (Chairman)	408	367
JJ Comalie (appointed 25 February 2013)	188	
CLR Haikali	263	283
SH Moir	448	532
MN Ndilula	136	151
PT Nevonga	96	69
II Zaamwani-Kamwi	285	262
	1 824	1 664

Other non-executive directors :
CJ Giddy (appointed 25 February 2013)
LJ Haynes (appointed 25 February 2013)
JR Khethe
JK Macaskill

Non-executive directors and directors appointed by the main shareholder do not receive directors fees for services.

6.1.3 Total directors' remuneration and fees:

	2013	2012
- Executive director	8 235	3 843
- Non-executive directors	1 824	1 664
	10 059	5 507

Directors are not subject to service contracts which determine a fixed service period.

6.2 Share options

Share options allocated to directors and movements of share options are summarised below: Refer to note 30 for the description of terms of the share trusts.

	Opening balance	Granted during the year	Strike price	Expiry date	Taken up/ forfeited this year (number of shares)	Closing balance (number of shares)	Benefit derived (N$'000)
Executive director:							
VR Rukoro							
FNB Namibia Holdings Ltd shares	361 333		5.17 - 12.26	Jun 2013 - Feb 2016	(361 333)		1 307
FirstRand Ltd shares	369 901		15.80 - 18.70	Nov 2013 - Nov 2014	(369 901)		4 211
IJM Leyenaar (appointed 25 February 2013)							
FirstRand Ltd shares		146 347	10.48	Oct 2013 - Oct 2015		146 347	

6.3 Directors' holdings in shares:

	2013		2012	
	Number of ordinary shares held	Percentage holding	Number of ordinary shares held	Percentage holding
Names:				
Directly:				
SH Moir	6 000	0.002%	6 000	0.002%
PT Nevonga	61 665	0.023%	61 665	0.023%
VR Rukoro (retired 28 February 2013)	49 744	0.019%		0.000%
II Zaamwani-Kamwi	54 463	0.020%	54 463	0.020%
Indirectly:				
CLR Haikali	3 011 899	1.126%	3 011 899	1.126%
SH Moir	3 800	0.001%	3 800	0.001%
MN Ndilula	5 749 989	2.149%	5 749 989	2.149%

7. Tax

N$'000	2013	2012
7.1 Indirect tax		
Value-added tax (net)	14 236	12 849
Stamp duties	5 521	4 532
Total indirect tax	19 757	17 381
7.2 Direct tax		
Normal tax		
- Current	281 189	268 468
Current year	281 189	268 468
- Deferred	29 374	13 780
Current year	30 623	13 780
Tax rate change	(1 249)	
Total direct tax	310 563	282 248
Tax rate reconciliation – normal tax	%	%
Effective rate of tax	33.73	34.4
Total tax has been affected by:		
Non-taxable income	0.37	0.6
Non-deductible expenses	(0.24)	(1.0)
Tax rate change	0.14	
Standard rate of tax	34.0	34.0

8. Earnings and dividends per share

8.1 Headline earnings per share

Headline earnings per share is calculated by dividing the group's attributable earnings to ordinary equity holders after excluding identifiable remeasurements, net of tax and non-controlling interest, by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Headline earnings (N$'000)	597 294	526 025
Weighted average number of ordinary shares in issue	259 221 095	258 991 805
Headline earnings per share (cents)	230.4	203.1

N$'000	2013 Gross	2013 Net*	2012 Gross	2012 Net*
Earnings attributable to ordinary equity holders of the group	601 016	599 247	762 103	762 103
Profit on sale of property and equipment	(2 139)	(1 954)	(6)	(5)
Realised gains from available-for-sale financial assets			(9 475)	(9 475)
Profit on disposal of subsidiary			(231 598)	(231 598)
Impairment of intangible asset			5 000	5 000
Headline earnings	598 877	597 294	526 024	526 025

* Net of tax and non-controlling interests

8.2 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of the group, obtained from profit and loss, by the weighted average number of ordinary shares in issue during the year.

	2013	2012
From continuing operations (N$'000)	599 247	529 557
From discontinued operations (N$'000)		232 546
Earnings attributable to ordinary shareholders (N$'000)	599 247	762 103
Weighted average number of ordinary shares in issue	259 221 095	258 991 805
From continuing operations (cents)	231.2	204.5
From discontinued operations (cents)		89.8
Basic earnings per share (cents)	231.2	294.3
Basic earning per share equals diluted earnings per share as there are no potential dilutive ordinary shares in issue.		
Actual number of shares:		
Opening balance shares in issue as at 1 July	267 593 250	267 593 250
Closing balance shares in issue as at 30 June	267 593 250	267 593 250
Less shares held in FNB Namibia share trusts	(8 203 357)	(8 577 465)
Number of shares in issue (after elimination of shares in FNB Namibia share trusts)	259 389 893	259 015 785
Weighted number of shares:		
Actual number of shares in issue as at 1 July	267 593 250	267 593 250
Less weighted shares held in FNB Namibia share trusts	(8 372 155)	(8 601 445)
Weighted average number of shares in issue	259 221 095	258 991 805

8. Earnings and dividends per share *(continued)*

8.3 Dividend information

	2013		2012	
	Cents	N$'000	Cents	N$'000
A final dividend (dividend no. 35) of 41 cents per share was declared on 17 August 2011 in respect of the six months ended 30 June 2011 and paid on 27 October 2011.			41	106 180
An interim dividend (dividend no. 36) of 41 cents per share was declared on 2 February 2012 for the six months ended 31 December 2011 and paid on 12 April 2012.			41	106 180
A special dividend (dividend no.37) of 180 cents per share was declared on 16 August 2012 and paid on 30 October 2012.	180	466 582		
A final dividend (dividend no. 38) of 41 cents per share was declared on 16 August 2012 in respect of the six months ended 30 June 2012 and paid on 30 October 2012.	41	106 180		
An interim dividend (dividend no. 39) of 46 cents per share was declared on 13 February 2013 for the six months ended 31 December 2012 and paid on 27 March 2013.	46	119 242		
	267	692 004	82	212 360

A final dividend of 54 cents (2012: 41 cents) was declared subsequent to year-end (Refer to the Directors' report).

The dividend in the current year and the prior year takes into account the elimination of the dividends to the share trusts, which are consolidated on a group level.

Notes to the consolidated annual financial statements

for the year ended 30 June *(continued)*

9. Analysis of assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on page 73 to page 91 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore by measurement basis:

		2013						
N$'000	Note	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
Assets								
Cash and cash equivalents	10.1			690 340				690 340
Due from banks and other financial institutions	10.2			1 888 968				1 888 968
Derivative financial instruments	11	94 987						94 987
Advances	12		564 111	16 400 568				16 964 679
Investment securities	14	11 596	139 306		2 121 851			2 272 753
Accounts receivable	15			150 692			37 072	187 764
Investments in associates	16						3 994	3 994
Property and equipment	17						376 737	376 737
Intangible assets	18						15 825	15 825
Deferred income tax asset	19						3 173	3 173
Reinsurance assets	20						221	221
Total assets		106 583	703 417	19 130 568	2 121 851		437 022	22 499 441
Liabilities								
Deposits	21.1					18 835 676		18 835 676
Due to banks and other financial institutions	21.2					319 084		319 084
Derivative financial instruments	11	128 612						128 612
Creditors and accruals	22					52 657	106 753	159 410
Tax liability							143 117	143 117
Employee liabilities	23						122 336	122 336
Deferred income tax liability	19						48 582	48 582
Policyholder liabilities under insurance contracts	24						50 490	50 490
Other liabilities	25					9 806		9 806
Tier two liabilities	26					392 620		392 620
Total liabilities		128 612				19 609 843	471 728	20 209 733

Notes to the consolidated annual financial statements

for the year ended 30 June *(continued)*

9. Analysis of assets and liabilities *(continued)*

		2012						
N$'000	Note	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
Assets								
Cash and cash equivalents	10.1			1 002 052				1 002 052
Due from banks and other financial institutions	10.2			1 925 741				1 925 741
Derivative financial instruments	11	27 125						27 125
Advances	12		484 537	13 592 216				14 076 753
Investment securities	14	48 967	36 727	102 607	1 956 123			2 144 424
Accounts receivable	15			173 048			42 588	215 636
Investments in associates	16						3 903	3 903
Tax asset							606	606
Property and equipment	17						286 848	286 848
Intangible assets	18						10 709	10 709
Deferred income tax asset	19						2 828	2 828
Reinsurance assets	20						927	927
Total assets		76 092	521 264	16 795 664	1 956 123		348 409	19 697 552
Liabilities								
Deposits	21.1					16 238 472		16 238 472
Due to banks and other financial institutions	21.2					48 429		48 429
Derivative financial instruments	11	60 227						60 227
Creditors and accruals	22					75 843	153 757	229 600
Tax liability							151 894	151 894
Employee liabilities	23						128 212	128 212
Deferred income tax liability	19						19 337	19 337
Policyholder liabilities under insurance contracts	24						45 125	45 125
Tier two liabilities	26					392 627		392 627
Total liabilities		60 227				16 755 371	498 325	17 313 923

10. Short term funds

10.1 Cash and cash equivalents

N$'000	2013	2012
Coins and bank notes	332 117	226 961
Balances with central bank	317 817	740 804
Balances with other banks	40 406	34 287
Cash and cash equivalents	690 340	1 002 052
The carrying value approximates the fair value.		
Mandatory reserve balances included in above:	214 794	166 371

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

10.2 Due by banks and other financial institutions

N$'000	2013	2012
Due by banks and financial institutions		
– In the normal course of business	1 888 968	1 925 741
	1 888 968	1 925 741
The carrying value approximates the fair value.		
Geographical split:		
Namibia	180 102	95 433
South Africa	1 110 864	1 206 512
North America	514 848	557 772
Europe	77 817	64 806
Other	5 337	1 218
	1 888 968	1 925 741

11. Derivative financial instruments

Use of derivatives

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

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

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

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

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

The group uses the following financial instruments for hedging purposes:

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

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

The group's detailed risk management strategy, including the use of hedging instruments in risk management, is set out in the Risk Report on pages 52 to 65 of the Annual Report.

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

11. Derivative financial instruments *(continued)*

N$'000	2013 Assets Notional	2013 Fair value	2013 Liabilities Notional	2013 Fair value
Held for trading				
Currency derivatives	1 350 801	92 747	1 332 153	92 741
- Forward rate agreements	258 274	49 173	239 626	49 167
- Options	1 092 527	43 574	1 092 527	43 574
Interest rate derivatives				
- Swaps	305 973	2 240	909 397	35 871
Total held for trading	1 656 774	94 987	2 241 550	128 612

N$'000	2012 Assets Notional	2012 Fair value	2012 Liabilities Notional	2012 Fair value
Held for trading				
Currency derivatives	781 306	24 013	697 485	21 623
- Forward rate agreements	229 601	7 066	145 780	4 676
- Options	551 705	16 947	551 705	16 947
Interest rate derivatives				
- Swaps	45 000	3 112	477 288	38 604
Total held for trading	826 306	27 125	1 174 773	60 227

12. Advances

N$'000	2013	2012
Notional value of advances	17 138 183	14 269 968
Contractual interest suspended	(25 955)	(35 674)
Gross advances	17 112 228	14 234 294
Sector analysis		
Agriculture	797 276	626 610
Banks and financial services	179 479	106 328
Building and property development	2 399 600	2 047 934
Government and public authorities	575 793	231 177
Individuals	9 120 824	8 069 555
Manufacturing and commerce	2 524 071	2 110 361
Mining	425 342	154 057
Transport and communication	315 462	247 856
Other services	774 381	640 416
Gross advances	17 112 228	14 234 294
Impairment of advances (note 13)	(147 549)	(157 541)
Net advances	16 964 679	14 076 753
Geographic analysis (based on credit risk)		
Namibia	16 964 679	14 076 753
Category analysis		
Overdrafts and cash management accounts	1 883 557	1 455 374
Loans to other financial institutions	179 479	106 328
Card loans	131 962	99 794
Instalment sales and hire purchase agreements	2 466 792	2 190 276
Lease payments receivable	171 490	127 983
Home loans	8 442 123	7 221 825
Term loans	3 123 339	2 409 435
Investment bank term loans	564 111	484 537
Other	149 375	138 742
Gross advances	17 112 228	14 234 294
Impairment of advances (note 13)	(147 549)	(157 541)
Net advances	16 964 679	14 076 753
Portfolio analysis		
Designated at fair value through profit and loss	564 111	484 537
Loans and receivables	16 400 568	13 592 216
	16 964 679	14 076 753

Fair value of advances is disclosed in note 36.

"Other" advances comparative figures have been restated to reflect the changes in presentation in the current year.

12. Advances *(continued)*

N$'000	Within 1 year	Between 1 and 5 years	Total
Analysis of instalment sales and lease payments receivable			
2013			
Lease payments receivable	97 562	97 089	194 651
Suspensive sale instalments receivable	1 188 946	1 660 980	2 849 926
Sub total	1 286 508	1 758 069	3 044 577
Less: Unearned finance charges	(244 144)	(159 388)	(403 532)
Total	1 042 364	1 598 681	2 641 045
2012			
Lease payments receivable	74 406	72 171	146 577
Suspensive sale instalments receivable	1 067 711	1 473 643	2 541 354
Sub total	1 142 117	1 545 814	2 687 931
Less: Unearned finance charges	(222 830)	(143 978)	(366 808)
Total	919 287	1 401 836	2 321 123

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

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

Credit risk mitigation

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

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

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

The valuation at inception is based on physical inspection.

12. Advances *(continued)*

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

N$'000	2013 Performing	2013 Non performing	2012 Performing	2012 Non performing
Instalment sales and lease payments receivables	4 988	13 196	4 743	2 294
Home loans	18 607	148 291	23 254	58 309
Total	23 595	161 487	27 997	60 603

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

13. Impairment of advances

N$'000	Overdrafts and cash managed accounts	Card loans	Instalment sales and lease payments receivables	Home loans	Term loans	Total impair-ment	Specific impair-ment	Portfolio impairment
	2013							
Analysis of movement in impairment of advances per class of advance								
Opening balance	18 318	2 208	35 783	41 163	60 069	157 541	55 556	101 985
Amounts written off	(14 389)	(1 403)	(2 368)	(1 431)	(2 782)	(22 373)	(22 373)	
Unwinding of discounted present value on non-performing loans	(1 364)			(3 126)	(226)	(4 716)	(4 716)	
Net new impairments created / (released)	43 945	473	11 094	(18 668)	(19 747)	17 097	22 907	(5 810)
Closing balance	46 510	1 278	44 509	17 938	37 314	147 549	51 374	96 175
Increase / (decrease) in provision	43 945	473	11 094	(18 668)	(19 747)	17 097	22 907	(5 810)
(Recoveries) / write-offs of bad debts	(1 001)	11 164	(2 781)	(562)	(551)	6 269	6 269	
Impairment loss / (release) recognised in the statement of comprehensive income	42 944	11 637	8 313	(19 230)	(20 298)	23 366	29 176	(5 810)

N$'000	Overdrafts and managed accounts	Card loans	Instalment sales and lease payments receivables	Home loans	Term loans	Total impair-ment	Specific impair-ment	Portfolio impairment
	2012							
Opening balance	63 271	2 550	32 803	45 705	67 299	211 628	64 643	146 985
Amounts written off	(3 397)	(431)	(3 373)	(2 119)	(2 289)	(11 609)	(11 609)	
Unwinding of discounted present value on non-performing loans	(1 011)			(5 029)	(678)	(6 718)	(6 718)	
Net new impairments created / (released)	(40 545)	89	6 353	2 606	(4 263)	(35 760)	9 240	(45 000)
Closing balance	18 318	2 208	35 783	41 163	60 069	157 541	55 556	101 985
Increase / (decrease) in provision	(40 545)	89	6 353	2 606	(4 263)	(35 760)	9 240	(45 000)
Recoveries of bad debts previously written off	(1 010)	(34)	(3 505)	(675)	(929)	(6 153)	(6 153)	
Impairment loss / (release) recognised in the statement of comprehensive income	(41 555)	55	2 848	1 931	(5 192)	(41 913)	3 087	(45 000)

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

13. Impairment of advances *(continued)*

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

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

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

	2013		
N$'000	Total value net of interest in suspense	Security held and other recoveries	Specific impairments
Non-performing loans by sector			
Agriculture	5 348	3 941	1 407
Banks and financial services	90		90
Building and property development	16 454	10 001	6 453
Individuals	98 478	67 068	31 410
Manufacturing and commerce	21 157	14 934	6 223
Mining	30		30
Transport and communication	1 244	394	850
Other	15 626	10 715	4 911
Total non-performing loans	158 427	107 053	51 374
Non-performing loans by category			
Card loans	1 067		1 067
Overdrafts and cash managed accounts	20 999	11 465	9 534
Instalment sales and hire purchase agreements	15 425	827	14 598
Lease payments receivable	6 875	522	6 353
Home loans	99 439	84 444	14 995
Term loans	14 622	9 795	4 827
Total non-performing loans	158 427	107 053	51 374
Non-performing loans by geographical area			
Namibia	158 427	107 053	51 374

13. Impairment of advances *(continued)*

	2012		
N$'000	Total value net of interest in suspense	Security held and other recoveries	Specific impairments
Non-performing loans by sector			
Agriculture	6 236	4 173	2 365
Banks and financial services	186		186
Building and property development	18 336	8 726	11 195
Individuals	85 685	69 386	30 246
Manufacturing and commerce	19 850	16 495	5 947
Mining	217		217
Transport and communication	531	33	517
Other	10 902	5 213	4 883
Total non-performing loans	141 943	104 026	55 556
Non-performing loans by category			
Card loans	1 643		1 643
Overdrafts and cash managed accounts	16 114	15 834	10 893
Instalment sales and hire purchase agreements	11 963	2 385	8 493
Lease payments receivable	1 474	150	1 324
Home loans	96 079	73 097	26 811
Term loans	9 799	9 210	4 632
Other	4 871	3 350	1 760
Total non-performing loans	141 943	104 026	55 556
Non-performing loans by geographical area			
Namibia	141 943	104 026	55 556

14. Investment securities

N$'000	2013 Held for trading	2013 Designated at fair value through profit or loss	2013 Available-for-sale	2013 Loans and receivables	2013 Total
Total					
Treasury bills	4 218		1 727 487		1 731 705
Other government and government guaranteed stock	7 378		324 352		331 730
Unit trust investments		139 306	70 012		209 318
Total	11 596	139 306	2 121 851		2 272 753

N$'000	2012 Held for trading	2012 Designated at fair value through profit or loss	2012 Available-for-sale	2012 Loans and receivables	2012 Total
Total					
Negotiable certificates of deposit				102 607	102 607
Treasury bills	7 028		1 559 962		1 566 990
Other government and government guaranteed stock	41 939		336 144		378 083
Other dated securities			7 921		7 921
Unit trust investments		36 727	52 096		88 823
Total	48 967	36 727	1 956 123	102 607	2 144 424

Analysis of investment securities

N$'000	2013	2012
Listed		
Debt	331 730	386 004
	331 730	386 004
Unlisted		
Debt	1 941 023	1 758 420
	2 272 753	2 144 424
Valuation of investments		
Market value of listed investments	331 730	386 004
Directors valuation of unlisted investments	1 941 023	1 758 535
Total valuation	2 272 753	2 144 539

The directors' valuation of unlisted investments is considered to approximate fair value.

Refer to note 36 on fair value of financial instruments for the methodologies used to determine the fair value of investment securities.

Information regarding other investments as required in terms of Schedule 4 of the Companies Act, 2004 is kept at the company's registered offices. This information is open for inspection in terms of the provisions of Section 120 of the Companies Act.

No financial instruments held for trading form part of the group's liquid asset portfolio in terms of the Banking Institutions Act, (No 2 of 1998) as amended and other foreign banking regulators requirements. The total liquid asset portfolio is N$ 2 697million (2012: N$2 324 million).

15. Accounts receivable

N$'000	2013	2012
Accounts receivable		
- Items in transit	39 328	50 457
- Deferred staff cost	39 840	40 057
- Premium debtors	4 697	1 400
- Other accounts receivable	103 899	123 722
Accounts receivable	187 764	215 636

Information about the credit quality of the above balances is set out in the risk management note 40.
The carrying value of accounts receivable approximates the fair value.

16. Investments in associates

16.1 Details of investments in associates

All associate companies are unlisted.	Nature of business	Issued ordinary share capital N$	Number of ordinary shares held **2013**	Number of ordinary shares held **2012**	Year end
Namclear (Pty) Ltd	Interbank clearing house	4	1	1	31 Dec
Avril Payment Solutions (Pty) Ltd	Payroll administrators	10 000	1 000	1 000	28 Feb

16.2 Effective holdings and carrying amounts in associates

	Effective holding %		Group carrying amount		Group cost less amounts written off	
N$'000	2013	2012	2013	2012	2013	2012
Namclear (Pty) Ltd	25	25	2 611	2 769	1 154	1 154
Avril Payment Solutions (Pty) Ltd	10	10	1 383	1 134	1	1
Total			3 994	3 903	1 155	1 155

16. Investments in associates *(continued)*

16.3 Movement in carrying value of associates

N$'000	2013	2012
Carrying value at beginning of the year	3 903	24 696
Transfer to investments in subsidiaries		(22 298)
Share of associate earnings	1 971	3 045
Dividends received	(1 880)	(1 540)
Carrying value at end of the year	3 994	3 903
Valuation		
Unlisted investments at directors' valuation	3 994	3 903

16.4 Summarised financial information of associates

	Total		Avril Payment Solutions (Pty) Ltd		Namclear (Pty) Ltd	
N$'000	2013	2012	Audited February 2013	Audited February 2012	Unaudited June 2013	Unaudited June 2012
Statement of financial position						
Non-current assets	44 321	201	6	26	44 315	1 370
Current assets	15 533	5 066	9 582	7 729	5 951	15 540
Non-current liabilities	(35 828)	(63)	(2)	(9)	(35 826)	(92)
Current liabilities	(4 804)	(1 232)	(670)	(574)	(4 134)	(4 900)
Equity	19 222	3 972	8 916	7 172	10 306	11 918
Share of profits from associates						
After tax profit / (loss) attributable to the group	1 971	3 045	2 129	2 096	(158)	949

Refer note 35.3 for details on loans to / (from) related parties.

The most recent audited annual financial statements of associates are used by the group in applying the equity method of accounting for associates. These are not always drawn up to the same date as the financial statements of the group. In instances where significant events occurred between the last financial statement date of an associate and the financial statement date of the group, the effect of such events are adjusted for, where material. Where the last financial statement date of an associate was more than three months before the financial statement date of the group, the group uses the unaudited management accounts of the associate. The group has applied this principle consistently since adopting the equity accounting method for associates.

17. Property and equipment

N$'000	Cost 2013	Accumulated depreciation and impairments 2013	Carrying amount 2013	Cost 2012	Accumulated depreciation and impairments 2012	Carrying amount 2012
Property						
Freehold land and buildings	260 581	(31 948)	228 633	211 295	(32 551)	178 744
Leasehold property	40 633	(30 849)	9 784	34 184	(27 547)	6 637
	301 214	(62 797)	238 417	245 479	(60 098)	185 381
Equipment						
Computer equipment	113 358	(73 128)	40 230	89 809	(64 946)	24 863
Furniture and fittings	109 568	(54 048)	55 520	96 010	(45 132)	50 878
Motor vehicles	6 826	(3 049)	3 777	6 555	(2 819)	3 736
Office equipment	66 816	(38 947)	27 869	55 500	(33 510)	21 990
Capitalised leased assets	12 289	(1 365)	10 924			
	308 857	(170 537)	138 320	247 874	(146 407)	101 467
Total	610 071	(233 334)	376 737	493 353	(206 505)	286 848

Movement in property and equipment – carrying amount

N$'000	Freehold land and buildings	Leasehold property	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Capitalised leased assets	Total
Carrying amount at 1 July 2011	157 269	9 441	31 865	53 974	3 505	23 281		279 335
Additions	40 300	68	4 911	1 587	761	3 954		51 581
Acquisition of a subsidiary			400	423	219			1 042
Depreciation charge	(66)	(6 177)	(12 655)	(11 774)	(421)	(7 518)		(38 611)
Transfer between classes	(13 475)	3 340	765	7 058		2 312		
Transfer to repairs and maintenance	(5 257)							(5 257)
Disposals	(27)	(35)	(423)	(390)	(328)	(39)		(1 242)
Carrying amount at 30 June 2012	178 744	6 637	24 863	50 878	3 736	21 990		286 848
Additions	76 419	187	28 358	7 704	796	7 743	12 289	133 496
Depreciation charge		(3 966)	(13 406)	(9 676)	(565)	(8 431)	(1 365)	(37 409)
Transfer between classes	(20 979)	6 926	660	6 696		6 697		
Transfer to repairs and maintenance	(1 454)							(1 454)
Disposals	(4 097)		(245)	(82)	(190)	(130)		(4 744)
Carrying amount at 30 June 2013	228 633	9 784	40 230	55 520	3 777	27 869	10 924	376 737

17. Property and equipment *(continued)*

The useful life of each asset is assessed individually. The table below provides information on the benchmarks used when assessing the useful life of the individual assets:

Leasehold premises	Shorter of estimated life or period of lease
Freehold property	
- Buildings and structures	50 years
- Mechanical and electrical	20 years
- Components	20 years
- Sundries	20 years
Computer equipment (including atm's)	3 - 5 years
Furniture and fittings	3 - 10 years
Motor vehicles	5 years
Office equipment	3 - 6 years

During the prior reporting period the group re-assessed the useful lives of small item fixed assets. Small item fixed assets are those items of property and equipment with a cost of less than N$7,000. The group has determined that from the 2012 financial year all small item fixed assets will be capitalised and be written off through the statement of comprehensive income inline with the wear and tear allowance period of three years. This change in estimate has been applied prospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The change in estimate resulted in accelerated depreciation of N$4.5 million in the prior period relating to small item fixed assets that had been capitalised in prior periods and written off in full in 2012.

Information regarding land and buildings as required in terms of Schedule 4 of the Companies Act is kept at the company's registered offices. This information will be open for inspection in terms of the provisions of section 120 of the Companies Act, 2004.

Equipment leased serves as security for the finance lease liabilities. Refer to note 25 for liabilities that are related to the finance lease assets. No assets were encumbered at 30 June 2012.

18. Intangible assets

N$ '000	Cost **2013**	Accumulated amortisation and impairments **2013**	Carrying amount **2013**	Cost **2012**	Accumulated amortisation and impairments **2012**	Carrying amount **2012**
Trademarks	83 375	(82 309)	1 066	83 375	(81 342)	2 033
Goodwill	100		100	100		100
Software	46 515	(35 408)	11 107	34 016	(31 176)	2 840
Value of insurance broker business acquired	12 920	(9 368)	3 552	12 920	(7 184)	5 736
Total	142 910	(127 085)	15 825	130 411	(119 702)	10 709

18. Intangible assets *(continued)*

Movement in intangibles – carrying amount

	Trademarks	Goodwill	Software	Value of insurance broker business acquired	Total
Carrying amount at 1 July 2011	4 019	100	12 996		17 115
Acquisition of subsidiary				12 920	12 920
Amortisation charge	(1 986)		(10 156)	(2 184)	(14 326)
Impairment recognised				(5 000)	(5 000)
Carrying amount at 30 June 2012	2 033	100	2 840	5 736	10 709
Additions			12 500		12 500
Amortisation charge	(967)		(4 233)	(2 184)	(7 384)
Carrying amount at 30 June 2013	1 066	100	11 107	3 552	15 825

The useful life of each intangible asset is assessed individually. The table below provides information on the benchmarks used when assessing the useful lives of the individual intangible assets

Software	3 years
Trademarks	10 - 20 years
Other	3 - 10 years

Impairment of goodwill:

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

The CGU's to which the goodwill balance as at 30 June 2013 and 30 June 2012 relates to is FNB Namibia Unit Trust Company Ltd.

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

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

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

	Discount rate		Growth rate	
	2013	**2012**	**2013**	**2012**
FNB Namibia Unit Trusts Limited	14.30%	15.00%	6%	8%

19 Deferred income tax

N$'000	2013	2012
19.1 The movement on the deferred tax account is as follows:		
Deferred income tax liability		
Opening balance	(19 337)	(3 473)
– Charge to profit and loss	(29 719)	(14 230)
– Deferred tax on amounts charged directly to other comprehensive income	474	(1 634)
Net balance for the year for entities with deferred income tax liabilities	(48 582)	(19 337)
Deferred income tax asset		
Opening balance	2 828	2 378
– Acquisition of subsidiary		247
– Charge to profit and loss	345	203
Net balance for the year for entities with deferred income tax assets	3 173	2 828
Total net deferred income tax balance	(45 409)	(16 509)

Deferred income tax assets and liabilities are offset when the income taxes relate to the same fiscal authority, same legal entity and there is a legal right to set-off.

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

N$'000	2013 Opening balance	2013 Tax (charge) / release	2013 Closing balance	2012 Opening balance	2012 Tax (charge) / release	2012 Closing balance
Deferred income tax (liabilities) / assets						
Instalment credit agreements	(53 183)	(11 846)	(65 029)	(51 741)	(1 442)	(53 183)
Accruals	(25 848)	(9 008)	(34 856)	(22 450)	(3 398)	(25 848)
Deferred staff costs	(13 619)	472	(13 147)	(13 304)	(315)	(13 619)
Property and equipment	(32 686)	257	(32 429)	(33 354)	668	(32 686)
Fair value adjustments of financial instruments	(4 314)	474	(3 840)	(2 680)	(1 634)	(4 314)
Provision for loan impairment	26 006	(2 203)	23 803	37 481	(11 475)	26 006
Post-employment benefit liabilities	12 075	(1 910)	10 165	11 778	297	12 075
Other	72 232	(5 481)	66 751	70 797	1 435	72 232
Net deferred income tax (liabilities) / assets	(19 337)	(29 245)	(48 582)	(3 473)	(15 864)	(19 337)
Deferred income tax assets						
Property and equipment	(95)	(72)	(167)	(73)	(22)	(95)
Other	2 923	417	3 340	2 451	472	2 923
Total net deferred income tax assets	2 828	345	3 173	2 378	450	2 828
Charge to profit and loss		29 374			13 780	
Deferred income tax on other comprehensive income		(474)			1 634	
		28 900			15 414	

20. Reinsurance assets

N$'000	2013	2012
Short-term reinsurance contracts	221	927
Total reinsurance contracts	221	927

Information about the credit quality of the above balances is provided in the risk management note 40.

21. Deposits and current accounts

21.1 Deposits

N$'000	2013 At amortised cost	2012 At amortised cost
Category analysis		
- Current accounts	6 341 677	5 619 343
- Call deposits	5 090 980	4 378 298
- Savings accounts	466 533	415 000
- Fixed and notice deposits	2 575 835	2 335 471
- Negotiable certificates of deposit	4 360 651	3 490 360
Total deposits and current accounts	18 835 676	16 238 472
The fair values of deposits and current accounts are disclosed in note 36.		
Geographical split: Namibia	18 835 676	16 238 472

21.2 Due to banks and other financial institutions

N$'000	2013 At amortised cost	2012 At amortised cost
To banks and other financial institutions		
- In the normal course of business	319 084	48 429
Fair value of balance disclosed	319 084	48 429
Geographical split:		
Namibia	319 084	48 429

22. Creditors and accruals

N$'000	2013	2012
Accounts payable and accrued liabilities	124 193	203 337
Items in transit	35 217	26 263
Creditors and accruals	159 410	229 600

The carrying value of creditors and accruals approximates fair value.

23. Employee liabilities

N$'000	Note	2013	2012
Staff related accruals	23.1	86 566	83 139
Cash settled share-based payment liability*		4 861	9 374
Post-employment benefit liabilities	23.2	30 909	35 699
Closing balance		122 336	128 212

* Refer to note 30 (remuneration schemes) for more detail on the cash settled share-based payment schemes.

23.1 Staff related accruals

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

N$'000	2013	2012
Opening balance	83 139	72 014
- Acquisitions of subsidiary		2 337
- Charge to profit or loss	24 960	32 633
- Utilised	(21 533)	(23 845)
Closing balance	86 566	83 139

23.2 Post-employment benefit liabilities

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

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

23.2 *Post-employment benefit liabilities (continued)*

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

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

The independent actuarial valuations are done on an annual basis.

N$ '000	2013 Medical	2013 Severance	2013 Total	2012 Medical	2012 Severance	2012 Total
Present value of unfunded liabilities	27 542	3 367	30 909	29 105	4 111	33 216
Unrecognised actuarial (losses) / gains				2 483		2 483
Post-employment benefit liabilities	27 542	3 367	30 909	31 588	4 111	35 699
The amounts recognised in the statement of comprehensive income are as follows:						
Current service cost	255	380	635	165	363	528
Past service cost					128	128
Interest cost	2 162	357	2 519	2 553	344	2 897
Net actuarial gains recognised	(5 002)	(1 133)	(6 135)	84	(867)	(783)
Total included in staff costs (including discontinued operations)	(2 585)	(396)	(2 981)	2 802	(32)	2 770
Movement in post-employment liabilities						
Present value at the beginning of the year	31 588	4 111	35 699	30 383	4 200	34 583
Amounts recognised in the profit and loss as above	(2 585)	(396)	(2 981)	2 802	(32)	2 770
Benefits paid	(1 461)	(348)	(1 809)	(1 597)	(57)	(1 654)
Present value at the end of the year	27 542	3 367	30 909	31 588	4 111	35 699

23. Employee liabilities *(continued)*

23.2 *Post-employment benefit liabilities (continued)*

The principal actuarial assumptions used for accounting purposes were:

	2013		2012	
N$'000	Medical	Severance Pay	Medical	Severance Pay
Discount rate (%)	8.00%	8.00%	8.38%	8.38%
Medical aid inflation (%)	7.00%		7.38%	
Salary inflation (%)		6.50%		6.88%

The effects of a 1% movement in the assumed costs were as follows

	Health costs	Salary cost	Health costs	Salary cost
Increase of 1%				
Effect on the aggregate of the current service cost and interest cost	369	58	447	77
Effect on the defined benefit obligation	3 807	298	4 399	409
Decrease of 1%				
Effect on the aggregate of the current service cost and interest cost	303	49	359	68
Effect on the defined benefit obligation	3 145	262	3 593	361
Mortality rate				
The average life expectancy in years of a pensioner retiring at age 60 on the reporting date is as follows:				
Male	13	n/a	15	n/a
Female	25	n/a	17	n/a
Employees covered	115	1 825	122	1 789

Three year analysis on post-retirement medical plans (projected)

	N$'000
As at 30 June 2013	28 470
As at 30 June 2014	29 418
As at 30 June 2015	30 401

23. Employee liabilities *(continued)*

23.3 Defined contribution pension fund

N$'000	2013	2012
Employer contribution to pension fund	40 687	38 433
Employer contribution to pension fund - executive director	285	291
Total employer contributions to pension fund (including discontinued operations)	40 972	38 724
Employees contribution to pension fund	17 933	17 588
Total contributions	58 905	56 312
Number of employees covered	1 891	1 887

The group provides for retirement benefits by making payments to a pension fund, which is independent of the group and was registered in Namibia in 1995 in accordance with the requirements of the Pension Funds' Act. The fund is a defined contribution fund and is subject to the Pension Funds' Act (No 24 of 1956). The last valuation was performed for the year ended 30 June 2012 and indicated that the fund was in a sound financial position.

24. Policyholder liabilities under insurance contracts

N$'000	2013	2012
Short-term insurance contracts		
Claims outstanding		
Claims reported and loss adjustment expenses	8 851	7 985
Claims incurred but not reported	6 826	5 754
Insurance contract cash bonuses	9 590	8 267
Unearned premiums	25 625	23 484
Gross	50 892	45 490
Claims reported and loss adjustment expenses	(402)	(365)
Recoverable from reinsurance	(402)	(365)
Claims outstanding		
Claims reported and loss adjustment expenses	8 449	7 620
Claims incurred but not reported	6 826	5 754
Insurance contract cash bonuses	9 590	8 267
Unearned premiums	25 625	23 484
Net	50 490	45 125

25. Other liabilities

N$'000	Note	2013	2012
Finance lease liability	25.1	9 806	
Total other liabilities		9 806	

25.1 Finance lease liabilities

N$'000	2013
Finance lease liabilities	
Not later than 1 year	4 198
Later than 1 year and not later than 5 years	6 297
Total finance lease liabilities	10 495
Future finance charges on finance leases	(689)
Present value of finance lease liability	9 806
Not later than 1 year	4 057
Later than 1 year and not later than 5 years	5 749
Total finance lease liabilities	9 806

Refer to note 17 for assets that secure the finance lease liabilities.

25.2 Leasing arrangements

The group leased various information technology equipment under a finance lease. The lease term is 3 years with no escalation clauses. The group has the option to pay a reduced secondary term charge or purchase the equipment at its market value. The lease terms do not contain restrictions on the group's activities concerning dividends or additional funding.

26. Tier two liabilities

N$'000				2013	2012
Subordinated debt instruments	Interest rate	Final maturity date	Note		
FNB X22 fixed rate notes	8.88%	29 March 2022	i	110 000	110 000
FNB J22 floating rate notes	Three-month JIBAR + 1.65%	29 March 2022	ii	280 000	280 000
Accrued interest				2 620	2 627
Total				392 620	392 627
Fair value adjustment for the year					4 391

(i) The 8,88% fixed rate notes may be redeemed in full at the option of the group on 29 March 2017. Interest is paid semi-annually in arrear on 29 March and 29 September of each year.

(ii) The three-month JIBAR plus 1,65% floating rate notes may be redeemed in full at the option of the group on 29 March 2017. Interest is paid quarterly on 29 March, 29 June, 29 September and 29 December of each year.

These notes are listed on the Namibian Stock Exchange (NSX).

The notes listed above qualify as Tier two capital for First National Bank of Namibia Limited.

Refer to note 36, fair value of financial instruments for the methodologies used to determine the fair value of tier two liabilities.

27. Share capital and share premium

N$'000	2013	2012
Authorised		
990 000 000 (2012: 990 000 000) ordinary shares with a par value of N$0.005 per share	4 950	4 950
10 000 000 (2012: 10 000 000) cumulative convertible redeemable preference shares with a par value of N$0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2012: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
2 (2012: 2) cumulative convertible redeemable preference shares with a par value of N$0.005 per share		
Elimination		
- shares held by FNB Namibia share trusts	(41)	(43)
	1 297	1 295
Term of preference shares: redeemable at 31 days notice by either party. The dividend rights in terms of the agreement with the shareholder are based on the actual profits made, per agreed adjustments, of a portion of the short-term insurance business.		
Share premium	174 167	181 477

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

All issued shares are fully paid up.

28. Other reserves

N$'000	2013	2012
OUTsurance Insurance Company of Namibia Ltd - Contingency reserve	8 395	6 747
	8 395	6 747

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

29 Disposal group held for sale and discontinued operations

29.1 Disposal group held for sale and discontinued operations relating to the sale of Momentum Namibia

During the prior year, following the unbundling of Momentum Group Limited out of the FirstRand Group in South Africa, FNB Namibia took a strategic decision to disinvest its stake in Momentum Namibia.

The transaction resulted in FNB Namibia classifying Momentum Namibia as a disposal group held for sale in line with the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). The assets and liabilities attributable to Momentum Namibia was classified as held for sale and separately disclosed on the statement of financial position. In addition, Momentum Namibia qualified as a discontinued operation as it was a component of FNB Namibia that had been classified as held for sale and represents a separate major line of business. In line with the requirements of IFRS 5, the income and expenses relating to Momentum Namibia were presented in the statement of comprehensive income as a single amount relating to the after tax profit and other comprehensive income relating to discontinued operations.

The transaction was approved by the relevant authorities and effective from 29 June 2012. The transaction was not subject to any suspensive conditions.

Discontinued operations

Income and expenses recognised in the statement of comprehensive income relating to the discontinued operation of Momentum Namibia:

N$'000	**2012***
Interest and similar income	62 626
Net interest income	62 626
Non-interest income	56 254
Net insurance premium income	289 268
Net claims and benefits paid	(152 099)
Increase in value of policyholder liabilities: insurance contracts	(156 830)
Fair value adjustment of policyholder liabilities: investment contracts	(5 014)
Income from operations	94 205
Operating expenses	(79 852)
Income before tax	14 353
Indirect tax	(4 017)
Profit before tax	10 336
Direct tax	(8 478)
Profit after tax	1 858
Other comprehensive income	
Gain / (loss) on available-for-sale financial assets	2 664
Total other comprehensive income for the year	2 664
Total comprehensive income for the year	4 522

* This includes the profits up to the date that the discontinued operation was disposed of which is 30 June 2012

At the date that the Momentum Namibia was classified as held for sale, its fair value less cost to sell exceeded its consolidated carrying value and no gain or loss was recognised on the classification date.

29. Disposal group held for sale and discontinued operations *(continued)*

29.1 Disposal group held for sale and discontinued operations relating to the sale of Momentum Namibia (continued)

N$'000	2012**
Cash flow information	
Net cash flow from operating activities	94 953
Net cash flow from investing activities	(1 732)
Net cash flow from financing activities	(24 328)
Total cash flow	68 893
Profit from discontinued operation	
Profit after tax from discontinued operation	1 858
Gain on disposal of discontinued operation	231 598
Total profit for the year from discontinued operation	233 456
Gain on disposal of discontinued operation	
Consideration received	366 387
Attributable profit after tax from discontinued operation	948
Net assets disposed of	133 841
Gain on disposal	231 598
Analysis of the assets and liabilities of Momentum Namibia disposal group held for sale	
Assets	
Cash and cash equivalents	28 216
Investment securities	1 429 091
Accounts receivable	30 949
Property and equipment	3 691
Intangible assets	22 733
Policy loans on investments contracts	23 354
Reinsurance assets	34 338
Total assets classified as disposal group held for sale	1 572 412
Liabilities	
Creditors and accruals	45 036
Gross outstanding claims	3 478
Tax liability	695
Post-employment benefit liabilities	344
Policyholder liabilities under insurance contracts	1 087 558
Policyholder liabilities under investment contracts	172 867
Total liabilities classified as disposal group held for sale	1 309 978
Net assets of disposal group held for sale	262 434

** The amounts in the 2012 column represents the carrying value of the assets and liabilities on the date of the disposal.

Momentum Namibia group was previously disclosed as the Long term insurance segment in the segment report.

Notes to the consolidated annual financial statements
for the year ended 30 June *(continued)*

30. Remuneration schemes

	2013	2012
The statement of comprehensive income charge for share-based payments is as follows:		
FNB Share Incentive Trust	7 027	4 203
Total of share trusts	7 027	4 203
Employees with FirstRand share options and share appreciation rights	2 949	5 771
Charge against staff costs (note 6)	9 976	9 974

Share option schemes

FNB Namibia Holdings Ltd options are equity settled, except for the FirstRand Limited share appreciation scheme which is cash settled. The following is a summary of the share incentive schemes:

FNB and FirstRand Share Incentive Scheme
The purpose of this scheme is to provide a facility to employees of the FNB Namibia Holdings Group to acquire shares in FNB Namibia Holdings Limited. The primary purpose of this scheme is to appropriately attract, incentivise and retain employees within the FNB Namibia Holdings Group.

For options allocated, delivery may only be taken by the participant 3, 4 and 5 years after the option is exercised at a rate of 33.3% per annum.

The group does not have a exposure to market movement on its own shares as all options are hedged through a share incentive trust that houses the shares until the options are exercised or expires.

BEE Share Incentive Scheme
The group is firmly committed to the process of achieving transformation in Namibia. The group specifically wishes to ensure that the long-term benefits of the BEE transaction reach the widest possible community of black Namibians.

FirstRand Bank Holdings Ltd made available 13 379 663 shares, representing 5% of its investment in FNB Namibia Holdings Ltd at the time, to a BEE transaction. Of this total number, 4% was allocated to BEE partners and 1% was allocated to black employees and black non-executive directors. The 1% allocation to staff includes a number of shares to be put separately into a trust of which the dividend income is to support educational needs of such staff members and their family members. The rest of the 1% allocation is used, through a trust, to allocate options to staff members.

Vesting conditions as follows:
- Black staff and black non-executive directors:
  50% after year 3 and 25% per year in years 4 and 5 respectively.
- BEE Partners:
  Upon meeting certain performance criteria, share options will vest 1/5th every year over a minimum period of 5 years. The fourth and fifth tranche vested and was exercised during the year.

Valuation methodology

Share incentive scheme
Fair values for the share incentive schemes, are calculated at the date of grant using a modification of the Cox-Rubenstein binomial model. For valuation purposes, each call option granted has been valued as a Bermudan call option with a number of exercise dates.

The days on which the options can be exercised has been assumed to be the last day that the share trade cum-dividend.

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

30. Remuneration schemes *(continued)*

Dividend data of the following:
- The last dividend paid is the N$ amount of the last dividend before the options were granted;
- The last dividend date is the ex-date of the last dividend; and
- The annual expected dividend growth, which is based on publicly available information.

Employee statistic assumptions:
- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested.

The number of iterations is the number to be used in the binomial model, which is limited to 500.

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

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

	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2013	2012	2013	2012
Weighted average share price (N$)	517 - 1457	517 - 1226	700	700
Expected volatility (%)	4 - 17	4 - 17	7	7
Expected option life (years)	5	5	5	5
Expected risk free rate (%)	7.05 - 9.47	7.05 - 9.47	9	9

	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2013	2012	2013	2012
Share option schemes				
Number of options in force at the beginning of the year ('000)	10 615	10 204	62	62
Granted at prices ranging between (cents)	517 - 1457	517 - 1155	517	517
Number of options granted during the year ('000)	2 536	2 807		
Granted at prices (cents)	1457	1236		
Number of options exercised/released during the year ('000)	(3 075)	(2 056)	(27)	
Market value range at the date of exercise/release (cents)	517-1226	517-1226	517	
Number of options cancelled/lapse during the year ('000)	(1 031)	(340)		
Granted at prices ranging between (cents)	517 - 1457	517 - 1226		
Number of options in force at the end of the year ('000)	9 045	10 615	35	62
Granted at prices ranging between (cents)	517 - 1457	517 - 1226	517	517
Options are exercisable over the following periods: (first date able to release)				
Financial year 2013		4 089		62
Financial year 2014	2 909	2 224	35	
Financial year 2015	1 726	2 431		
Financial year 2016	2 028	936		
Financial year 2017	1 620	935		
Financial year 2018	762			
Total	9 045	10 615	35	62

31. Cash flow information

N$'000	2013	2012
31.1 Reconciliation of operating profit before tax to cash flow from operating activities		
Profit before tax	920 780	820 827
Adjusted for:		
- Share of earnings of associate companies after impairment losses	(1 971)	(3 045)
- Amortisation and impairment of intangibles	7 384	19 326
- Depreciation of property and equipment	37 409	38 611
- Transfer from revaluation reserve: available-for-sale financial assets		(9 475)
- Transfer of work in progress to repairs and maintenance	1 454	5 257
- Share-based payment expenses	9 976	9 974
- (Impairment losses) / reversal of impairment of advances	23 366	(41 913)
- Provision for post-employment benefit obligations	(4 442)	1 174
- Other employment accruals	1 947	4 866
- Creation and revaluation of derivative financial instruments	523	35 521
- Policyholders fund and insurance fund transfers	2 328	1 532
- Transfer to provision for unintimated claims	1 072	836
- Fair value adjustment to financial liabilities		(4 391)
- Non cash flow movements in interest accrual on financial liabilities	(2 620)	(2 627)
- Unwinding of discounted present value on non-performing loans	(4 716)	(6 718)
- Unwinding of discounted present value on off-market loans	(4 933)	(4 844)
- Net release of deferred fee and expenses	(11 277)	(10 123)
- Off-market staff loans amortisation	4 933	4 844
- Profit on sale of property and equipment	(2 139)	(5)
- Indirect tax	19 757	17 381
Cash flows from operating activities	998 831	877 008
31.2 Cash receipts from customers		
Interest and similar income	1 614 071	1 503 305
Other non-interest income	866 933	765 626
Net insurance premium received	102 054	86 001
	2 583 058	2 354 932
31.3 Cash paid to customers, suppliers and employees		
Interest expense and similar charges	(652 653)	(637 738)
Net claims and benefits paid	(49 843)	(40 131)
Total other operating expenses	(881 731)	(800 055)
	(1 584 227)	(1 477 924)
31.4 Increase in income earning assets		
Due from banks and other financial institutions	36 774	(1162 690)
Advances	(2 890 367)	(1 548 812)
Investment securities	(128 329)	(510 373)
Accounts receivable and similar accounts	23 735	(58 300)
Reinsurance assets	706	(503)
	(2 957 481)	(3 280 678)

31. Cash flow information *(continued)*

N$'000	2013	2012
31.5 Increase in deposits and other liabilities		
Deposits	2 597 203	2 978 541
Due to banks and other financial institutions	270 655	4 519
Short trading positions		(51 889)
Accounts payable and similar accounts	(67 749)	31 776
	2 800 109	2 962 947
31.6 Income tax paid		
Amounts payable at beginning of the year	(164 768)	(32 048)
Indirect tax	(19 757)	(17 381)
Current tax charge	(281 189)	(268 468)
Amounts payable at end of the year	147 414	164 768
Total income tax paid	(318 300)	(153 129)
31.7 Capital expenses		
Purchase of property and equipment, settled in cash	(133 707)	(51 581)
31.8 Acquisition of subsidiary		
FNB Insurance Brokers (Namibia) (Pty) Ltd ("FNBIBN")		
The group acquired the remaining 60% in FNBIBN.		(10 202)
31.9 Proceeds on disposal of subsidiary		
Momentum Life Assurance Namibia Limited		
The group sold its interest in Momentum Life Assurance Namibia Limited to Momentum Group Limited on 29 June 2012.		342 403
31.10 Dividends paid		
Dividends approved and recognised in the group statement of changes in equity.	(692 004)	(212 360)
Total dividends paid	(692 004)	(212 360)

32. Contingent liabilities and capital commitments

N$'000	2013	2012
Contingencies		
Guarantees *	780 063	655 385
Letters of credit	40 950	54 028
Total contingencies	821 013	709 413
Irrevocable unutilised facilities **	3 557 298	2 793 253
Total contingencies and commitments	4 378 311	3 502 666

* Guarantees consist predominantly of endorsements and performance guarantees.
** Irrevocable unutilised facilities were restated for 2012 as the internal definition was refined.
The fair value of guarantees approximates the face value as disclosed.

Legal proceedings
There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis.

Provision is made for all liabilities which are expected to materialise.

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

	2013	2012
- Contracted for	390 396	8 464
- Not contracted for	918	408 150

Comprising of:

	2013	2012
- Capital commitments contracted for at the reporting date but not yet incurred are as follows:		
- Property and equipment	390 396	8 464
- Capital commitments not yet contracted for at the reporting date but have been approved by the directors:		
- Property and equipment	918	408 150

Funds to meet these commitments will be provided from group resources.

Group leasing arrangements:

	2013			2012		
	Next year	2nd to 5th year	After 5th year	Next year	2nd to 5th year	After 5th year
Office premises	15 820	25 605	460	14 021	21 663	821
	15 820	25 605	460	14 021	21 663	821

Notice periods on operating lease contracts are between 3-6 months, no operating lease contract is fixed and escalation clauses range between 7% and 10% (2012: 7% and 10%).

The group has various operating lease agreements, which may or may not contain renewal options. The lease terms do not contain restrictions on the group's activities concerning dividends, additional funding or further leasing.

33. Collateral held

N$'000	2013	2012
Collateral taken possession of and recognised on the statement of financial position in accounts receivable note 15:		
Property	1 706	2 693
Total	1 706	2 693

34. Loans and receivables designated as fair value through profit or loss

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

N$'000	2013	2012
	Carrying value	
Included in advances	564 111	484 537

The change in credit risk is the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

The was no change in credit risk due to the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

35. Related parties

The group defines related parties as :

(i) The parent company;
(ii) Subsidiaries and fellow subsidiaries;
(iii) Associate companies;
(iv) Associates and joint ventures of the parent company and fellow subsidiaries;
(v) Entities that have significant influence over the group. If an investor has significant influence over the group that investor and its subsidiaries are related parties of the group. The group is FNB Namibia Holdings Limited and its subsidiaries;
(vi) Post-retirement benefit funds (pension fund);
(vii) Key management personnel being the FNB Namibia Holdings Limited board of directors and the group executive committee; and
(viii) Close family members of key management personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and
(ix) Entities controlled, jointly controlled or significantly influenced by any individual referred to in (vii) and (viii).

FNB Namibia Holdings Limited is listed on the Namibian Stock Exchange and is 58.4% (2012: 58.4%) owned by FirstRand Bank Holdings Limited, with its ultimate holding company FirstRand Limited, which is incorporated in South Africa, listed on the JSE Limited and on the NSX.

Notes to the consolidated annual financial statements

for the year ended 30 June *(continued)*

35.1 Subsidiaries

Details of interest in subsidiaries are disclosed in note 35.6.

35.2 Associates

Details of investments in associate companies are disclosed in note 16.

35.3 Details of transactions with relevant related parties appear below:

	Groups that have significant influence over the group and their subsidiaries		Associates	
N$'000	**2013**	**2012**	**2013**	**2012**
Loans and advances				
Balance 1 July	1 254 317	84 148		
Advanced during year		1 170 169	32 600	
Repayments during year	(137 109)		(3 682)	
Balance 30 June	1 117 208	1 254 317	28 918	
Derivative instrument: assets	32 441	17 534		
Deposits				
Balance 1 July	(29 976)	(32 090)	(7 873)	(50 499)
Received during year	(285 391)			
Repaid during year		2 114	7 873	42 626
Balance 30 June	(315 367)	(29 976)		(7 873)
Derivative instrument: liabilities	(105 415)	(44 392)		
Accounts receivable				
Balance 1 July	50 000			
Advanced during the year		50 000		
Balance 30 June	50 000	50 000		
Accounts payable				
Balance 1 July	(13 889)			
Received during the year		(13 889)		
Repaid during year	13 889			
Balance 30 June		(13 889)		
Interest received	46 891	63 592	507	
Interest paid	1 045		(41)	(115)
Dividends paid	417 245	128 143		

35. Related parties *(continued)*

35.3 Details of transactions with relevant related parties appear below (continued):

N$'000	Groups that have significant influence over the group and their subsidiaries 2013	Groups that have significant influence over the group and their subsidiaries 2012	Associates 2013	Associates 2012
Non-interest income				
Commission	4 034	3 628		
Fair value income	7 523			
Rental income			282	967
	11 557	3 628	282	967
Non-interest expenditure				
Computer and processing related costs	95 494	70 615		
Internal audit and compliance	1 500	1 390		
Insurance	7 181	4 910		
ATM processing costs	2 596	2 264		
Payroll processing	4 661	3 937		
Management fees	14 906	10 959		
Administration fee: OUTsurance SA	19 649	18 736		
Other sundry	13 189	13 399		
Clearing cost			5 466	5 638
	159 176	126 210	5 466	5 638

35.4 Transactions with key management personnel:

N$'000	2013	2012
Advances		
Balance 1 July	30 292	36 809
Advanced during year	15 040	1 992
Repayments during year	(20 694)	(11 245)
Interest earned	2 410	2 736
Balance 30 June	27 048	30 292
No impairment has been recognised for loans granted to key management (2012: nil). Mortgage loans are repayable monthly over 20 years.		
Current and credit card accounts		
Credit balance 1 July	(12 531)	(14 001)
Net deposits and withdrawals	637	1 413
Net service fees and bank charges	204	224
Interest income	81	85
Interest expense	(235)	(252)
Balance 30 June	(11 844)	(12 531)
Instalment finance		
Balance 1 July	4 202	4 297
Issued during year	7 031	3 441
Repayments during year	(4 910)	(3 916)
Interest earned	579	380
Balance 30 June	6 902	4 202
Life and disability insurance		
Aggregate insured cover		14 989
Premiums received		113
Investment products		
Opening balance	16 749	22 021
Deposits and withdrawals	(9 095)	(6 154)
Net investment return	811	975
Commission and other transaction fees	(4)	(93)
Fund closing balance	8 461	16 749
Shares and share options held		
Directors holding in shares is disclosed in note 6.		
Aggregate details		
Share options held	2 034	2 806
Key management compensation		
Salaries and other short-term benefits	31 694	22 281
Contribution to defined contribution schemes	2 513	2 093
Share based payments	4 845	2 637
Total compensation	39 052	27 011

A listing of the board of directors of the group is detailed on pages 4 to 6 of the annual report.

35. Related parties *(continued)*

35.5 Post-employment benefit plans

Refer to note 23.2 on detailed disclosure of the movement on the post-employment benefit liability.

35.6 Details of subsidiaries

Significant subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding % 2013	Effective holding % 2012
All subsidiaries are unlisted. The year end of all the subsidiaries is 30 June.						
Banking operations:						
First National Bank of Namibia Ltd	Commercial bank	1 Jun 2003	Namibia	1,200 of N$1 each	100	100
Swabou Investments (Pty) Ltd	Home loan investment company	1 Jul 2003	Namibia	2 of N$0.05 each	100	100
Insurance operations:						
OUTsurance Insurance Company of Namibia Ltd	Short-term insurance	1 Jul 2003	Namibia	4,000,000 of N$1 each	51	51
Other:						
FNB Trust Services Namibia (Pty) Ltd	Estate and trust services	1 Oct 1996	Namibia	200 of N$1 each	100	100
FNB Insurance Brokers (Namibia) (Pty) Ltd	Short term insurance broker	1 Jul 2011	Namibia	100 of N$1 each	100	100
FNB Namibia Unit Trusts Ltd	Unit trusts management company	1 Jan 2006	Namibia	4,000,000 of N$1 each	100	100
Talas Properties (Windhoek) (Pty) Ltd	Property company	31 Mar 1988	Namibia	100 of N$1 each	100	100
RMB Namibia (Pty) Ltd	Financial advisory services	14 Nov2012	Namibia	100 of N$1 each	100	n/a

35.6 Details of subsidiaries *(continued)*

*Momentum Life Assurance Namibia Limited was sold during the prior year.

N$ '000	Aggregate income of subsidiaries (before tax)		Total investment	
	2013	2012	2013	2012
First National Bank of Namibia Ltd	801 052	723 846	1 142 792	1 142 792
Swabou Investments (Pty) Ltd	44 208	46 795		
Momentum Life Assurance Namibia Ltd*		4 611		
OUTsurance Insurance Company of Namibia Ltd	32 386	27 001	6 511	6 511
FNB Trust Services Namibia (Pty) Ltd	2 412	1 495		
FNB Insurance Brokers (Namibia) (Pty) Ltd	6 837	1 943	27 904	27 904
FNB Namibia Unit Trusts Ltd	2 690	2 362	5 475	5 475
Momentum Asset Management Namibia (Pty) Ltd*		5 349		
Talas Properties (Windhoek) (Pty) Ltd	10 543	9 844	2 967	2 967
RMB Namibia (Pty) Ltd	1 503			
	901 631	823 246	1 185 649	1 185 649

36. Fair value of financial instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a market transaction between knowledgeable willing parties. When determining fair value it is presumed that the entity is a going concern and is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

When determining the fair value of a financial instrument, preference is given to prices quoted in an active market. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the group recognises profits or losses on day one. Where fair value is determined using valuation techniques whose variables include non-observable market data, the difference between the fair value and the transaction price (the day one profit or loss) is not recognised in the statement of financial position. These differences are however monitored for disclosure purposes. If observable market factors that market participants would consider in setting a price subsequently become available, the balance of the deferred day one profit or loss is released to profit or loss.

Subsequently the fair values of financial assets quoted in active markets are based on current bid prices. The fair values of financial liabilities quoted in active markets are based on current ask/offer prices. When the group has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the ask/offer price to the net open position as appropriate. An active market is a market where willing buyers and willing sellers regularly exchange financial instruments and where the market price is representative of fair value.

If a particular instrument is not traded in an active market the group uses a valuation technique to determine the fair value of the financial instrument. The valuation techniques employed by the group include, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques.

36. Fair value of financial instruments *(continued)*

The objective of using a valuation technique is to determine what the transaction price would have been at the measurement date. Therefore maximum use is made of inputs that are observable in the market and entity-specific inputs are only used when there is no market information available. All valuation techniques take into account the relevant factors that other market participants would have considered in setting a price for the financial instrument and are consistent with accepted methodologies for pricing financial instruments.

The group classifies instruments measured at fair value using a fair value hierarchy that reflects the significance of the inputs used. The group's fair value hierarchy has the following levels:

Level 1 - Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - Fair value is determined using a valuation technique and inputs that are not based on observable market data (i.e. unobservable inputs).

The following principle methods and assumptions are used to determine the fair value of financial instruments:

Investments securities
Unlisted equities
The fair value of unlisted equities is determined using a price earnings (P/E) model.

The earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued and the relevance and reliability of the available information.

The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions which have taken place.

Negotiable certificates of deposit
Where market prices are not available for a specific instrument, fair value is determined using discounted cash flow techniques. Inputs to these models include information that is consistent with similar market quoted instruments, where available.

Treasury Bills
Treasury bills are valued by means of the Bond Exchange of South Africa ("BESA") bond pricing model using Namibian money market dealers closing mark to market bond yield.

Government, public and utility stocks
Where market prices are not available the fair value is estimated using quoted market prices of securities with similar credit, maturity and yield characteristics.

Negotiable certificates of deposit
Where market prices are not available for a specific instrument, fair value is determined using discounted cash flow techniques. Inputs to these models include information that is consistent with similar market quoted instruments, where available.

Treasury Bills
Treasury bills are valued by means of the Bond Exchange of South Africa ("BESA") bond pricing model using Namibian money market dealers closing mark to market bond yield.

Government, public and utility stocks
Where market prices are not available the fair value is estimated using quoted market prices of securities with similar credit, maturity and yield characteristics.

36. Fair value of financial instruments *(continued)*

Other dated securities
Fair value of other dated securities is determined by using a discounted cash flow model. The discount curve is derived from similar market quoted instruments.

Derivatives
Market prices are obtained from trading exchanges, when the derivatives are traded. If the derivatives are not traded the following techniques are used:

Option contracts are valued using the Black-Scholes model. Inputs are obtained from market observable data. Where prices are obtainable from trading exchanges the value per the exchange is used.

Forward contracts are valued by discounting the projected cash flows to obtain the present value of the forward contract. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.

Forward rate agreements are valued by means of the discounted cash flow model. The discount rate is determined using a yield curve of similar market traded instruments. The reset rate is determined in terms of the legal agreement.

Swaps are valued by discounting the expected cash flows using discount and forward rates determined from similar market traded instruments. The reset rate of each swaplet is determined in terms of legal documents pertaining to the swap.

Deposits
Fair value of deposits is determined by discounting future cash flows using a swap curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioral aspects into account.

Call deposits are valued at the undiscounted amount of the cash balance. This is considered appropriate because of the short term nature of these instruments.

The fair value of deposits will only be determined for deposits that have a maturity profile of longer than 30 days. For all non term products it is assumed that fair value equals amortised cost.

Short trading positions
The fair value of listed short trading positions is their market quoted prices. The fair value of unlisted short trading positions is based on the directors' valuation using suitable valuation methods.

Loans and advances to customers
The group has elected to designate the term loan book in the investment banking division at fair value through profit or loss. The fair value is determined using a valuation technique that uses both inputs that are based on observable market data and unobservable data. The group also determines the fair value of the amortised cost book for disclosure purposes.

The interest rate component of the valuation uses observable inputs from market interest rate curves. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria.

Other and tier two liabilities
Fair value of debentures, unsecured debt securities and finance lease liabilities are determined by discounting the future cash flows at market related interest rates.

The fair value of subordinated notes and fixed and floating rate bonds are determined by discounting the future cash flows at market related interest rates.

36. Fair value of financial instruments *(continued)*

The following table presents the financial instruments recognised at fair value in the statement of financial position of the group.

N$'000	2013 Level 1	Level 2	Level 3	Total carrying amount
Assets				
Available-for-sale financial assets				
Investment securities (note 14)		2 121 851		2 121 851
Financial assets designated at fair value through profit or loss				
Advances (note 12)			564 111	564 111
Investment securities (note 14)		139 305		139 305
Financial assets held for trading				
Derivative financial instruments (note 11)		94 987		94 987
Investment securities (note 14)		11 596		11 596
Total financial assets		2 367 739	564 111	2 931 850
Liabilities				
Financial liabilities held for trading				
Derivative financial instruments (note 11)		128 612		128 612
Total financial liabilities		128 612		128 612

N$'000	2012 Level 1	Level 2	Level 3	Total carrying amount
Assets				
Available-for-sale financial assets				
Investment securities (note 14)		1 956 123		1 956 123
Financial assets designated at fair value through profit or loss				
Advances (note 12)			484 537	484 537
Investment securities (note 14)		36 727		36 727
Financial assets held for trading				
Derivative financial instruments (note 11)		27 125		27 125
Investment securities (note 14)		48 967		48 967
Total financial assets		2 068 942	484 537	2 553 479
Liabilities				
Financial liabilities held for trading				
Derivative financial instruments (note 11)		60 227		60 227
Total financial liabilities		60 227		60 227

During the reporting period ending 30 June 2013 (30 June 2012), there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

36. Fair value of financial instruments *(continued)*

Changes in level 3 fair value instruments

The group classifies financial instruments in Level 3 of the fair value hierarchy when significant inputs into the valuation model are not observable. In addition to the valuation model for Level 3, financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

N$'000	Fair value on June 2012	Gains or losses recognised in profit and loss	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2013
Assets				
Advances (note 12)	484 537	(10 497)	90 071	564 111
Total financial assets at fair value	484 537	(10 497)	90 071	564 111

N$'000	Fair value on June 2011	Gains or losses recognised in profit and loss	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2012
Assets				
Advances (note 12)		15 785	468 752	484 537
Total financial assets at fair value		15 785	468 752	484 537

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$620,522 (2012: N$532,992) and using more negative reasonable possible assumptions to N$507,700 (2012: N$436,084). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

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

36. Fair value of financial instruments *(continued)*

N$'000	2013 Gains or losses recognised in profit and loss	2013 Gains or losses recognised in other comprehensive income	2013 Total gains or loss	2012 Gains or losses recognised in profit and loss	2012 Gains or losses recognised in other comprehensive income	2012 Total gains or loss
Assets						
Advances	32 891		32 891	40 635		40 635
Total	32 891		32 891	40 635		40 635

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position.

For all other instruments the carrying value is equal to or a reasonable approximation of the fair value.

N$'000	2013 Carrying value	2013 Fair value	2012 Carrying value	2012 Fair value
Assets				
Total advances at amortised cost (note 12)	16 400 567	16 797 850	13 592 216	13 870 508
Total investments at amortised cost (note 14)			102 607	102 722
Total financial assets at amortised cost	16 400 567	16 797 850	13 694 823	13 973 230
Liabilities				
Total deposits at amortised cost (note 21)	18 835 676	18 805 304	16 238 472	16 301 485
Total financial liabilities at amortised cost	18 835 676	18 805 304	16 238 472	16 301 485

Day one profit or loss

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

The table below sets out the aggregate day one profits yet to be recognised in profit or loss at the beginning and end of the year with a reconciliation of changes in the balance during the year:

36. Fair value of financial instruments *(continued)*

N$'000	2013	2012
Unrecognised profit at the beginning of the year	15 973	
Additional profit on new transactions		18 344
Recognised in profit or loss during the year	(3 692)	(2 371)
Unrecognised profit at the end of the year	12 281	15 973

37. Segment information

37.1 Reportable segments

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

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

Major customers

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

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

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

Geographical segments

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

37. Segment information *(continued)*

37.2 Reportable segments (continued)

Statement of comprehensive income
for the year ended 30 June

N$'000	Group 2013	Group 2012
Continuing operations		
Net interest income	984 964	889 879
Net interest income - external	984 964	889 879
Net interest income - internal		
(Impairment losses) / reversal of impairment of advances	(23 366)	41 913
Net interest income after impairment of advances	961 598	931 792
Non-interest income	868 549	739 585
Net insurance premium income	99 725	84 468
Net claims and benefits paid	(50 915)	(40 968)
Fair value adjustment to financial liabilities		4 391
Income from operations	1 878 957	1 719 268
Operating expenses	(940 391)	(884 105)
Net income from operations	938 566	835 163
Share of (loss)/profit from associates after tax	1 971	3 045
Income before tax	940 537	838 208
Indirect tax	(19 757)	(17 381)
Profit before tax	920 780	820 827
Direct tax	(310 563)	(282 248)
Profit for the year from continuing operations	610 217	538 579
Discontinued operation		
Profit attributable to discontinued operation		1 858
Profit after tax on discontinued operation		231 598
Profit for the year	610 217	772 035
Attributable to:		
Equity holders of the parent	599 247	762 103
Non-controlling interests	10 970	9 932
Profit for the year	610 217	772 035
Headline earnings (note 8)	597 294	526 025
Other information		
Depreciation and amortisation	(44 793)	(57 935)
Rental income		
Rental expense		
Capital expenditure	145 996	53 014

Banking operations		Long term insurance		Short-term insurance		Other	
2013	2012	2013	2012	2013	2012	2013	2012
977 345	888 733			1 682	2 294	5 937	(1 148)
984 964	889 879						
(7 619)	(1 146)			1 682	2 294	5 937	(1 148)
(23 366)	41 913						
953 979	930 646			1 682	2 294	5 937	(1 148)
802 190	681 831			5 568	3 872	60 791	53 882
				99 725	84 468		
				(50 915)	(40 968)		
	4 391						
1 756 169	1 616 868			56 060	49 666	66 728	52 734
(892 899)	(830 917)			(23 674)	(22 667)	(23 818)	(30 521)
863 270	785 951			32 386	26 999	42 910	22 213
(159)	949					2 130	2 096
863 111	786 900			32 386	26 999	45 040	24 309
(19 104)	(16 304)					(653)	(1 077)
844 007	770 596			32 386	26 999	44 387	23 232
(285 133)	(262 080)			(10 110)	(8 590)	(15 320)	(11 578)
558 874	508 516			22 276	18 409	29 067	11 654
			1 858				
							231 598
558 874	508 516		1 858	22 276	18 409	29 067	243 252
558 874	508 516		948	11 306	9 387	29 067	243 252
			910	10 970	9 022		
558 874	508 516		1 858	22 276	18 409	29 067	243 252
556 921	500 568		948	11 306	9 387	29 067	15 122
(56 944)	(65 558)		(10 106)	(24)	(22)	12 175	7 645
	772					10 053	9 505
(10 053)	(9 505)		(772)	(68)	(63)		
142 945	44 232		1 433			3 051	7 349

37 Segment information *(continued)*

37.2 Reportable segments (continued)

Statement of financial position
as at 30 June

N$'000	Group 2013	Group 2012
Assets		
Cash and cash equivalents	690 340	1 002 052
Due from banks and other financial institutions	1 888 968	1 925 741
Derivative financial instruments	94 987	27 125
Advances	16 964 679	14 076 753
Investment securities	2 272 753	2 144 424
Investments in associates	3 994	3 903
Other assets	583 720	517 554
Total assets	22 499 441	19 697 552
Equity and liabilities		
Liabilities		
Deposits	18 835 676	16 238 472
Due to banks and other financial institutions	319 084	48 429
Derivative financial instruments	128 612	60 227
Other liabilities	533 741	574 168
Tier two liabilities	392 620	392 627
Total liabilities	20 209 733	17 313 923
Equity		
Capital and reserves attributable to ordinary equity holders		
Ordinary shares	1 297	1 295
Share premium	174 167	181 477
Reserves	2 086 581	2 179 264
Capital and reserves attributable to ordinary equity holders	2 262 045	2 362 036
Non-controlling interests	27 663	21 593
Total equity	2 289 708	2 383 629
Total equity and liabilities	22 499 441	19 697 552

Banking operations		Short-term insurance		Other	
2013	2012	2013	2012	2013	2012
664 060	968 800	34 408	40 936	(8 128)	(7 684)
1 888 968	1 927 620				(1 879)
94 987	27 125				
17 033 405	14 153 604			(68 726)	(76 851)
2 162 618	2 055 602	70 012	52 096	40 123	36 727
2 610	2 769			1 384	1 134
670 106	616 901	8 421	5 727	(94 807)	(105 075)
22 516 754	19 752 421	112 841	98 759	(130 154)	(153 628)
18 921 791	16 679 315			(86 115)	(440 843)
319 084	32 924				15 505
128 612	60 227				
455 330	479 990	64 810	61 234	13 601	32 944
392 620	392 627				
20 217 437	17 645 083	64 810	61 234	(72 514)	(392 394)
1	1	4 000	4 000	(2 704)	(2 706)
1 142 791	1 142 791			(968 624)	(961 314)
1 156 525	964 546	44 031	33 525	886 025	1 181 193
2 299 317	2 107 338	48 031	37 525	(85 303)	217 173
				27 663	21 593
2 299 317	2 107 338	48 031	37 525	(57 640)	238 766
22 516 754	19 752 421	112 841	98 759	(130 154)	(153 628)

38. Critical accounting estimates and judgements in applying accounting policies

In preparing the financial statements, the group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

38.1 Credit impairment losses on loans and advances

The group assesses its credit portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

(a) Performing loans

The performing portfolio is split into two parts:

(i) The first part consists of the portion of the performing portfolio where there is objective evidence of the occurrence of an impairment event. In the Retail and WesBank portfolios the account status, namely arrears versus non arrears status, is taken as a primary indicator of an impairment event. In the Commercial portfolios other indicators such as the existence of high risk accounts, based on internally assigned risk ratings and management judgement, are used, while the Wholesale portfolio assessment includes a judgmental review of individual industries for objective signs of distress.

A portfolio specific impairment ("PSI") calculation to reflect the decrease in estimated future cash flows is performed for this sub segment of the performing portfolio. The decrease in future cash flows is primarily estimated based on analysis of historical loss and recovery rates for comparable sub segments of the portfolio.

(ii) The second part consists of the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified. A so called incurred but not reported ("IBNR") provision is calculated on this sub segment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non performing status and similar risk indicators over an estimated loss emergence period.

Estimates of roll rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate, external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from 1 - 12 months.

(b) Non-performing loans

Retail loans are individually impaired if three or more instalments are due and unpaid, or if there is evidence before this that the customer is unlikely to repay its obligations in full. WesBank's loans are impaired upon its classification status, i.e. following an event driven approach and specific assessment of the likelihood to repay. Commercial and Wholesale loans are analysed on a case by case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for Commercial and Wholesale loans) for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Refer to note 13 for a detailed analysis of the impairment of advances and the carrying amounts of the specific and portfolio provisions.

38. Critical accounting estimates and judgements in applying accounting policies *(continued)*

38.2 Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by independent qualified senior personnel. All models are certified before they are used, and models are calibrated and back tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect the reported fair value of financial instruments. Note 36 provides additional details on the calculation of fair value of financial instruments not quoted in active markets and an analysis of the effect of changes in managements' estimates on the fair value of financial instruments.

38.3 Impairment of available-for-sale equity instruments

The group determines that available-for-sale equity instruments are impaired and recognised as such in profit or loss, when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates factors such as, inter alia, the normal volatility in share prices, evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

38.4 Income taxes

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

Refer to note 7 and 19 for more information regarding the direct and deferred tax charges, assets and liabilities.

38.5 Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash generating units ("CGU") has been determined based on value-in-use calculations, being the net present value of the discounted cash flows of the CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in note 18.

38.6 Employee benefit liabilities

The cost of the benefits and the present value of the severance pay (death in service) and post-retirement medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge to profit or loss arising from these obligations include the expected long term rate of return on the relevant plan assets, the discount rate and the expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.

Additional information is provided in the note 23.

38. Critical accounting estimates and judgements in applying accounting policies *(continued)*

38.7 Share-based payments

Share based payment transactions of the group are classified as either cash settled or equity settled. The amounts recognised in respect of these share based payment transactions are determined by applying valuation techniques that are based on various assumptions and estimates that require judgment in their application. These assumptions and estimates include expected volatility, expected dividend yield, the discount rate and the expected forfeit or lapse rate.

The expected volatility assumption is determined based on a ruling historical volatility over the expected life of the options and comparable financial information. The expected dividend yield is determined based on historical dividend yields and management's estimates. The discount rate is based on zero coupon government bonds and have terms to maturity consistent with the assumed life of the share option. The expected forfeit rate has been based on historical experience and management estimates.

Refer to note 30 for the detailed information regarding the share based payment expense and the assumptions used in determining the expense, liability and reserve.

38.8 Valuation of policyholders liabilities under insurance contracts

The actuarial value of policyholder liabilities arising from long term insurance contracts is determined using the Financial Soundness Valuation method as described in the actuarial guidance note PGN 104 of the Actuarial Society of South Africa. The method requires the following assumptions:

- The best estimate for a particular assumption is determined;
- Prescribed margins are then applied, as required by the Long term Insurance Act; and
- Discretionary margins may be applied, as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risk inherent in the contracts.

Best estimate assumptions as to mortality and morbidity, expenses, investment income and tax are used that may vary at each end of reporting date. A margin for adverse deviations is included in the assumptions. Improvements in estimates have a positive impact on the value of the liabilities and related assets, while deteriorations in estimates have a negative impact.

39. Standards and interpretations issued but not yet effective

The group will comply with the following new standards and interpretations from the stated effective date.

		Effective date
IAS 19 (revised)	**Employee Benefits** The accounting requirements relating to defined benefit post-employment plans were amended. The main changes include the removal of the corridor approach, which allowed entities the option to defer the recognition of actuarial gains and losses on these plans. The revised standard requires that all remeasurements arising from defined benefit plans be recognised in other comprehensive income. The standard also contains revisions to the calculation of the amount included in profit or loss should in respect of the return on plan assets. It also includes enhanced disclosure requirements for defined benefits plans. Based on our assessment of the effect of the amendments on the financial statements for the year ended 30 June 2013 the changes would have resulted in an increase in employee liabilities and a decrease in reserves of an amount equal to the unrecognised actuarial gains or losses. The impact on the staff costs relating to a decrease on return on plan assets included in profit or loss is not expected to be material.	Annual periods commencing on or after 1 January 2013
IAS 27 (amended)	**Separate Financial Statements** The accounting and disclosure requirements for consolidated financial statements have been removed from IAS 27 as a result of the issue of IFRS 10 and IFRS 12, which establish new consolidation and disclosure standards. IAS 27 (as amended in 2011) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	Annual periods commencing on or after 1 January 2013
Other amendments	These amendments are only applicable to separate financial statements and therefore do not have an impact on the group's consolidated results. Amendments issued in October 2012 provide investment entities an exemption from the consolidation of particular subsidiaries. If this exemption is applied, the amendments require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated). The group does not meet the definition of an investment entity and as such the exemption is not available to the group and will have no impact on the results.	Annual periods commencing on or after 1 January 2014
IAS 28 (amended)	**Investments in Associates and Joint ventures** IAS 28 Investments in Associates and Joint Ventures (amended) supersedes IAS 28 Investments in Associates as a result of the issue of IFRS 11 and IFRS 12. The new IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The disclosure requirements relating to these investments are now contained in IFRS 12. The group has always applied the equity accounting principles in IAS 28 to both investments in associates and joint ventures. The amendments are therefore not expected to impact the group.	Annual periods commencing on or after 1 January 2013

39. Standards and interpretations issued but not yet effective *(continued)*

IAS 32	**Financial Instruments: Presentation** The amendments issued to IAS 32 clarifies the existing requirements related to offsetting of financial assets and financial liabilities. The application guidance to the standard has been amended to clarify the practical application of the offsetting requirements. The amendments relate to presentation and as such will not have an impact on the net asset value or results of the group. The group has performed a preliminary assessment of the potential impact of the amendments and the results of this indicate that the effect is unlikely to result in significant changes in presentation for the group.	**Effective date** Annual periods commencing on or after 1 January 2014
IFRS 1 (amended)	**First-time Adoption of International Financial Reporting Standards** On 13 March 2012 the IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. It provides the same relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The group is not a first-time adopter and this amended standard will therefore have no impact.	Annual periods commencing on or after 1 January 2013
IFRS 7	**Financial Instruments: Disclosures** The amendment requires information about all recognised financial instruments that are set-off in accordance with paragraph 42 of IAS 32. Information includes the gross amounts subject to rights of set-off, amounts set-off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set-off in its statement of financial position and the effects of set-off on the entity's rights and obligations. This amendment addresses disclosure in the annual financial statements not recognition and measurement. The amendment will therefore have no impact on the group's results but will result in significant additional disclosure for financial instruments where set-off is applied or where there is a master netting arrangement in place with the counterparty.	Annual periods commencing on or after 1 January 2013
IFRS 9	**Financial Instruments** IFRS 9 is the first phase in the IASB's three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. This phase deals with the classification and measurement of financial assets and financial liabilities. Financial assets can be classified as financial assets at amortised cost or fair value. The classification is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial liabilities can also be classified as financial liabilities at amortised cost or fair value in line with the existing requirements of IAS 39. If an entity elects to measure its financial liabilities at fair value, it should present the portion of the change in fair value due to changes in its own credit risk in other comprehensive income. A decision was reached by the IASB on 7 November 2011, to change the effective date to annual reporting periods beginning on or after 1 January 2015. The requirement to restate comparatives and disclosures required on transition have also been modified.	Annual periods beginning on or after 1 January 2015

39. Standards and interpretations issued but not yet effective *(continued)*

IFRS 9	**Financial Instruments**	**Effective date**
	Subsequent to issuing IFRS 9 the IASB has issued exposure drafts to amend the classification and measurement guidance, expected credit losses and hedge accounting. Given the uncertainty around the final classification and measurement rules that will be applied and the date at which the entire IFRS 9 will be completed it is impracticable for the group to quantify the expected impact of the standard on the group.	Annual periods beginning on or after 1 January 2015

IFRS 10	**Consolidated Financial Statements**	
	IFRS 10 establishes a new control model for determining which entities should be consolidated. The standard also provides guidance on how to apply the principle of control to specific situations in order to identify whether an investor controls an investee. IFRS 10 supersedes a portion of IAS 27 Separate and Consolidated Financial Statements and SIC 12 Consolidation – Special Purpose Entities. Transitional guidance issued in June 2012 amends IFRS 10 to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The group is in the process of assessing the overall impact that IFRS 10 would have on the financial statements. Until the process is completed, the group is unable to determine the significance of the impact of IFRS 10.	Annual periods commencing on or after 1 January 2013
Amendments	Amendments issued in October 2012 provide investment entities an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. The group is not an investment entity as defined in the amendment. The amendment will therefore have no impact on the group`s results. The group does not meet the definition of an investment entity and as such the exemption is not available to the group and will have no impact on the results.	Annual periods commencing on or after 1 January 2014

IFRS 11	**Joint Arrangements**	
	The standard supersedes IAS 31 Joint Ventures and aims to improve on IAS 31 by establishing accounting principles that are applicable to all joint arrangements. The standard distinguishes between two types of joint arrangements, joint operations and joint ventures. The accounting for joint operations remains unchanged from IAS 31 and all joint ventures should be equity accounted in the financial statements of the venturer. Transitional guidance issued in June 2012 amends IFRS 11 to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Amendments to IFRS 11 also eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The group has performed a preliminary assessment of the impact of the standard. From a measurement perspective it is the group's accounting policy to apply equity accounting to investments in joint ventures and therefore the standard is not expected to have a material impact on the net asset value or results of the group. From a presentation perspective preliminary investigations indicate that there will be changes in the classification of certain investments.	Annual periods commencing on or after 1 January 2013

39. Standards and interpretations issued but not yet effective *(continued)*

IFRS 12 Amendments	**Disclosure of Interests in Other Entities**	**Effective date**
	The standard aims to provide consistent disclosure requirements for subsidiaries, joint arrangements, associates and structured entities. IFRS 12 requires disclosure of information that will enable users to evaluate the nature of the risks associated with the interest and the effect of the interest on the financial position, performance and cash flows of the reporting entity.	Annual periods commencing on or after 1 January 2013
	Transitional guidance issued in June 2012 amends IFRS 12 to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Amendments to IFRS 12 also eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.	
	This standard addresses disclosure in the annual financial statements and will not affect recognition and measurement. There will therefore be no impact on the group's results.	
	Amendments issued in October 2012 provide investment entities an exemption from the consolidation of particular subsidiaries. If this exemption is applied, the amendments require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries.	Annual periods commencing on or after 1 January 2014
	The group is not an investment entity as defined in the amendment. The amendment will therefore have no impact on the group`s results.	
	The group does not meet the definition of an investment entity and as such the exemption is not available to the group and will have no impact on the results.	

IFRS 13	**Fair Value Measurement**	
	IIFRS 13 was issued in order to eliminate inconsistencies in the guidance on how to measure fair value and disclosure requirements that currently exist under the different IFRSs' that require or permit fair value measurement. It provides a single source of guidance to prescribe how fair value should be measured. It provides a fair value hierarchy, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The standard requires entities to make various disclosures depending on the nature and level of the fair value measurement.	Annual periods commencing on or after 1 January 2013
	The measurement requirements are not expected to have a significant impact on the net asset value of the group. The standard is however likely to have an impact on the disclosures provided by the group in respect of fair value measurements, particularly for non financial assets and in the interim financial statements.	

IFRIC 20	**Stripping Costs in the Production Phase of a Surface Mine**	
	This Interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs').	Annual periods commencing on or after 1 January 2013
	The Interpretation falls outside the scope of the group's operations and will have no impact on the group.	

39. Standards and interpretations issued but not yet effective *(continued)*

Annual Improvements	Improvements to IFRS	Effective date
	The IASB issued Annual Improvements 2009-2011 Cycle in May 2012, as its latest set of annual improvements to various Standards. The collection of amendments to IFRS is in response to six issues addressed during the 2009-2011 cycle. The annual improvement project's aim is to clarify and improve accounting standards. The improvements include terminology or editorial changes with minimal effect on recognition and measurement. The amendments have been assessed and are not expected to have a significant impact on the group.	Annual periods commencing on or after 1 January 2013

40. Risk management

The risk report of the group appears on page 52 to 65 of this annual report. The report describes the various risks the group is exposed to, as well as the methodology and instruments to mitigate these risks. Risk control policies and exposures limits for key risk areas of the group are approved by the board, while operational policies and control procedures are approved by the relevant risk committees. The main financial risk that the business is exposed to are detailed in this note.

40.1 Maximum exposure to credit risk

Total exposure (items where credit risk exposure exist)

N$'000	2013	2012
Cash and cash equivalents	358 223	775 091
- Balances with other banks	40 406	34 287
- Balances with central bank	317 817	740 804
Due from banks and other financial institutions	1 888 968	1 925 741
Advances	16 964 679	14 076 753
- Overdraft and cash managed accounts	2 016 526	1 543 384
- Card loans	130 684	97 586
- Instalment sales and hire purchase agreements	2 422 283	2 154 493
- Lease payments receivables	171 490	127 983
- Home loans	8 424 185	7 180 662
- Term loans	3 086 025	2 028 266
- Investment bank term loans	564 111	484 537
- Other	149 375	459 842
Derivative financial instruments	94 987	27 125
Debt investment securities	2 272 753	2 144 425
- Listed investment securities	331 730	386 004
- Unlisted investment securities	1 941 023	1 758 420
Accounts receivable	147 924	175 579
Reinsurance assets	221	927
Amounts not recognised (on the statement of financial position)	4 378 311	3 502 666
Guarantees	780 063	655 385
Letters of credit	40 950	54 028
Irrevocable commitments	3 557 298	2 793 253
Total	26 106 066	22 628 307

40. Risk management *(continued)*

40.2 FR rating mapping to international and national rating scales

The group categorises current exposures according to an internal rating scale, the FR ratings, ranging from FR 28 to FR 100, with the FR 28 being the best rating with the lowest probability of default. The FR ratings have been mapped to default probabilities as well as external rating agency international rating scales.

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

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

FR Rating	Mid point PD	International scale mapping*
FR 28 - 91	3.73%	AAA to B-
Above FR 92		Below B-

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

40.3 Credit quality

The table below presents an analysis of the credit quality of neither past due nor impaired (i.e. performing) advances. (refer to note 40.2 for the FR rating mapping to international and national rating scales):

	2013							
N$'000	Total neither past due nor impaired	Card loans	Overdraft and cash managed accounts	Instalment sales	Home loans	Term loans	Investment bank term loans	Other
FR 28 - 91	16 482 940	125 399	1 980 535	2 557 337	8 035 839	3 070 344	564 111	149 375
Above FR 92	250 300	5 496	60 648	21 999	142 856	19 301		
Total	16 733 240	130 895	2 041 183	2 579 336	8 178 695	3 089 645	564 111	149 375

	2012							
N$'000	Total neither past due nor impaired	Card loans	Overdraft and cash managed accounts	Instalment sales	Home loans	Term loans	Investment bank term loans	Other
FR 28 - 91	13 890 745	96 382	1 531 154	2 292 696	6 974 273	2 056 733	484537	454 970
Above FR 92	66 692	1 257	14 434	8 372	42 629			
Total	13 957 437	97 639	1 545 588	2 301 068	7 016 902	2 056 733	484 537	454 970

40.3 *Credit quality (continued)*

Credit quality of financial assets other than advances neither past due nor impaired

International scale mapping (National equivalent):

N$'000	2013 Investment securities	2013 Derivative financial instruments	2013 Cash and cash equivalents	2013 Due from banks and other financial institutions	2013 Total
AAA to BB- (A to BBB)	2 063 436	94 987	358 223	1 888 968	4 405 614
Unrated	209 317				209 317
Total	2 272 753	94 987	358 223	1 888 968	4 614 931

N$'000	2012 Investment securities	2012 Derivative financial instruments	2012 Cash and cash equivalents	2012 Due from banks and other financial institutions	2012 Total
AAA to BB- (A to BBB)	2 055 602	27 125	775 091	1 925 741	4 783 559
Unrated	88 822				88 822
Total	2 144 424	27 125	775 091	1 925 741	4 872 381

40 Risk management *(continued)*

40.3 Credit quality (continued)

N$'000	2013				
		Past due but not impaired#			
Age analysis	Neither past due nor impaired	One instalment	Two instalments	Impaired	Total
Advances					
- Card loans	130 895			1 067	131 962
- Home loans	8 178 695	136 885	31 439	95 104	8 442 123
- Instalment sales and lease payments receivables	2 579 336	29 103	7 543	22 300	2 638 282
- Investment bank term loans	564 111				564 111
- Overdraft and cash managed accounts	2 041 183			21 853	2 063 036
- Term loans	3 089 645	12 170	3 421	18 103	3 123 339
- Other	149 375				149 375
	16 733 240	178 158	42 403	158 427	17 112 228
Accounts receivable					
- Items in transit	39 328				39 328
- Deferred staff cost	39 840				39 840
- Other accounts receivable	108 596				108 596
	187 764				187 764
Reinsurance assets	221				221
Total	16 921 225	178 158	42 403	158 427	17 300 213

40.3 Credit quality (continued)

N$'000	2012				
		Past due but not impaired#			
Age analysis	Neither past due nor impaired	One instalment	Two instalments	Impaired	Total
Advances					
- Card loans	97 639	32	480	1 643	99 794
- Overdraft and cash managed accounts	1 545 588			16 114	1 561 702
- Instalment sales and lease payments receivables	2 301 068	3 750	4	13 437	2 318 259
- Home loans	7 016 902	36 458	72 386	96 079	7 221 825
- Term loans	2 056 733	5 895	15 908	9 799	2 088 335
- Investment bank term loans	484 537				484 537
- Other	454 970	1		4 871	459 842
	13 957 437	46 136	88 778	141 943	14 234 294
Accounts receivable					
- Items in transit	50 457				50 457
- Deferred staff cost	40 057				40 057
- Other accounts receivable	125 122				125 122
	215 636				215 636
Reinsurance assets	927				927
Total	14 174 000	46 136	88 778	141 943	14 450 857

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

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

Past due but not impaired ageing analysis has changed from a day count to an instalment count classification in line with the provisioning methodology.

40. Risk management *(continued)*

40.4 *Liquidity cash flow analysis (undiscounted cash flow)*

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

	2013			
	Term to maturity			
N$'000	Total	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	19 394 587	14 218 096	3 108 014	2 068 477
Due to banks and other financial institutions	332 450	79 758	49 119	203 573
Derivative financial instruments	128 612	128 612		
Creditors and accruals	52 657	46 699	1 946	4 012
Other liabilities	10 495	1 050	4 198	5 247
Tier two liabilities	646 465	9 644	19 164	617 657
Financial liabilities	20 565 266	14 483 859	3 182 441	2 898 966
Off statement of financial position				
Financial and other guarantees	821 014	514 363	274 906	31 745
Undrawn facilities	3 557 298	3 557 298		

	2012			
	Term to maturity			
N$'000	Total	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	16 771 579	13 163 958	2 568 116	1 039 505
Due to banks and other financial institutions	48 429	48 429		
Derivative financial instruments	60 227	60 227		
Creditors and accruals	75 843	69 142	6 701	
Tier two liabilities	687 938	9 963	20 120	657 855
Financial liabilities	17 644 016	13 351 719	2 594 937	1 697 360
Off statement of financial position				
Financial and other guarantees	709 413	473 980	232 433	3 000
Undrawn facilities	2 793 253	2 793 253		

40.4 *Liquidity cash flow analysis (discounted cash flow)*

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

	2013			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	690 340	690 340		
Due from banks and other financial institutions	1 888 968	1 888 968		
Derivative financial instruments	94 987	94 987		
Advances	16 964 679	2 527 064	797 005	13 640 610
Investment securities	2 272 753	506 251	1 333 320	433 182
Accounts receivable	150 692	111 031	681	38 980
Financial assets	22 062 419	5 818 641	2 131 006	14 112 772
Non-financial assets	437 022			
Total assets	22 499 441			
Liabilities				
Deposits	18 835 676	14 127 447	2 971 401	1 736 828
Due to banks and other financial institutions	319 084	79 373	44 830	194 881
Derivative financial instruments	128 612	128 612		
Creditors and accruals	52 657	46 699	1 946	4 012
Other liabilities	9 806	1 050	4 031	4 725
Tier two liabilities	392 620	2 620		390 000
Financial liabilities	19 738 455	14 385 801	3 022 208	2 330 446
Non-financial liabilities	471 278			
Total liabilities	20 209 733			
Total equity	2 289 708			
Total equity and liabilities	22 499 441			
Net liquidity gap		(8 567 160)	(891 202)	11 782 326
Cumulative liquidity gap		(8 567 160)	(9 458 362)	2 323 964

40. Risk management *(continued)*

40.4 *Liquidity cash flow analysis (discounted cash flow) (continued)*

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

	2012			
	Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	1 002 052	1 002 052		
Due from banks and other financial institutions	1 925 741	1 925 741		
Derivative financial instruments	27 125	27 125		
Advances	14 076 753	1 966 639	557 592	11 552 522
Investment securities	2 144 424	377 694	1 080 379	686 351
Accounts receivable	173 048	64 214	69 658	39 176
Financial assets	19 349 143	5 363 465	1 707 629	12 278 049
Non-financial assets	348 409			
Total assets	19 697 552			
Liabilities				
Deposits	16 238 472	12 968 595	2 423 751	846 126
Due to banks and other financial institutions	48 429	48 429		
Derivative financial instruments	60 227	60 227		
Creditors and accruals	75 843	63 572	12 271	
Tier two liabilities	392 627	2 627		390 000
Financial liabilities	16 815 598	13 143 450	2 436 022	1 236 126
Non-financial liabilities	498 325			
Total liabilities	17 313 923			
Total equity	2 383 629			
Total equity and liabilities	19 697 552			
Net liquidity gap		(7 779 985)	(728 393)	11 041 923
Cumulative liquidity gap		(7 779 985)	(8 508 378)	2 533 545

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

40. Risk management *(continued)*

Liquidity mismatch analysis

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

40.5 Repricing profile

	2013				
N$'000	Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	22 499 441	19 622 641	1 334 704	580 975	961 121
Total equity and liabilities	22 499 441	14 353 995	2 971 401	2 221 984	2 952 061
Net repricing gap		5 268 646	(1 636 697)	(1 641 009)	(1 990 940)
Cumulative repricing gap		5 268 646	3 631 949	1 990 940	

	2012				
N$'000	Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	19 697 552	16 732 567	1 398 152	619 056	947 777
Total equity and liabilities	19 697 552	15 048 779	1 499 329	131 420	3 018 024
Net repricing gap		1 683 788	(101 177)	487 636	(2 070 247)
Cumulative repricing gap		1 683 788	1 582 611	2 070 247	

40. Risk management *(continued)*

40.6 Foreign currency risk

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

	2013				
N$'000	Total	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	690 340	612 971	68 453	7 920	996
Due from banks and other financial institutions	1 888 968	1 291 310	514 848	74 706	8 104
Derivative financial instruments	94 987	2 239	77 450	5 105	10 193
Advances	16 964 679	16 710 025	254 654		
Investment securities	2 272 753	2 272 753			
Accounts receivable	150 692	150 692			
Financial assets	22 062 419	21 039 990	915 405	87 731	19 293
Non-financial assets	437 022	437 022			
Total assets	22 499 441	21 477 012	915 405	87 731	19 293
Liabilities					
Deposits	18 835 676	18 333 272	424 969	75 699	1 736
Due to banks and other financial institutions	319 084	61 296	254 270		3 518
Derivative financial instruments	128 612	35 872	76 540	6 122	10 078
Creditors and accruals	52 657	52 657			
Other liabilities	9 806	9 806			
Tier two liabilities	392 620	392 620			
Financial liabilities	19 738 455	18 885 523	755 779	81 821	15 332
Non-financial liabilities	471 278	471 278			
Total liabilities	20 209 733	19 356 801	755 779	81 821	15 332
Total equity	2 289 708	2 289 708			
Total equity and liabilities	22 499 441	21 646 509	755 779	81 821	15 332

40. Risk management *(continued)*

40.6 *Foreign currency risk (continued)*

N$'000	2012				
	Total	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	1 002 052	927 840	69 313	4 241	658
Due from banks and other financial institutions	1 925 741	1 301 946	557 772	60 701	5 322
Derivative financial instruments	27 125	7 944	14 974	2 001	2 206
Advances	14 076 753	14 076 753			
Investment securities	2 144 424	2 144 424			
Accounts receivable	173 048	173 048			
Financial assets	19 349 143	18 631 955	642 059	66 943	8 186
Non-financial assets	348 409	348 409			
Total assets	19 697 552	18 980 364	642 059	66 943	8 186
Liabilities					
Deposits	16 238 472	15 643 032	545 414	49 286	740
Due to banks and other financial institutions	48 429	48 429			
Derivative financial instruments	60 227	50 718	7 591	1 150	768
Creditors and accruals	75 843	75 843			
Tier two liabilities	392 627	392 627			
Financial liabilities	16 815 598	16 210 649	553 005	50 436	1 508
Non-financial liabilities	498 325	498 325			
Total liabilities	17 313 923	16 708 974	553 005	50 436	1 508
Total equity	2 383 629	2 383 629			
Total equity and liabilities	19 697 552	19 092 603	553 005	50 436	1 508

40. Risk management *(continued)*

40.7 Average balances and effective interest rates

N$'000	2013 Average balance N$'000	2013 Average rate %	2013 Interest income/ expense N$'000	2012 Average balance N$'000	2012 Average rate %	2012 Interest income/ expense N$'000
Assets						
Cash and cash equivalents, balance with banks	2 454 220	2.7	66 083	2 500 700	3.6	91 246
Advances	15 499 077	9.3	1 437 920	13 249 730	10.0	1 320 595
Investment securities	2 348 309	5.5	130 145	1 910 073	5.9	113 149
Interest-earning assets	20 301 606	8.0	1 634 148	17 660 503	8.6	1 524 990
Non-interest-earning assets	527 414			1 960 998		
Total assets	20 829 020	7.8	1 634 148	19 621 501	7.8	1 524 990
Liabilities						
Deposits, balance due to banks	17 628 158	3.5	620 442	15 503 138	3.9	609 457
Tier two liabilities	393 748	7.4	29 022	300 295	8.4	25 291
Other interest			568			363
Interest-earning liabilities	18 021 906	3.6	650 032	15 803 433	4.0	635 111
Non-interest-earning bearing liabilities	617 840			1 651 555		
Total liabilities	18 639 746	3.5	650 032	17 454 988	3.6	635 111
Total equity	2 189 274			2 166 513		
Total equity and liabilities	20 829 020	3.1	650 032	19 621 501	3.2	635 111

40.8 Sensitivity analysis

Banking market risk

Net interest income sensitivity

Assuming no management intervention, a parallel 200 (2012:200) basis point increase in all yield curves would increase the forecast net interest income for the next year by N$103.34 million (2012: N$115.6 million), while a parallel decrease in all yield curves would decrease the forecast income by N$103.34 million (2012: N$115.6 million)

Foreign currency risk sensitivity analysis

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

FNB NAMIBIA HOLDINGS LIMITED ANNUAL FINANCIAL STATEMENTS

FNB Namibia Holdings Limited

Company statement of comprehensive income

for the year ended 30 June

N$'000	Note	2013	2012
Interest and similar income	2	7 617	357
Net interest income		7 617	357
Non-interest income			
- gains less losses from investing activities	3	377 841	510 930
- other income		1 040	
Income from operations		386 498	511 287
Operating expenses	4	(1 429)	(6 531)
Income before tax		385 069	504 756
Indirect tax	5	(247)	(777)
Profit before tax		384 822	503 979
Direct tax	5	(2 313)	(123)
Total comprehensive income for the year		382 509	503 856
Attributable to:			
Equity holders of the company		382 509	503 856

FNB Namibia Holdings Limited

Company statement of financial position

as at 30 June

N$'000	Note	2013	2012
Assets			
Accounts receivable		22 330	26 166
Loan to group company	7	13 089	345 652
Investment securities	8	3 646	3 467
Investments in associates	9	263	263
Investments in subsidiaries	10	1 185 649	1 185 649
Total assets		1 224 977	1 561 197
Equity and liabilities			
Liabilities			
Tax liability		1 384	83
Creditors and accruals		1 250	6 806
Total liabilities		2 634	6 889
Equity			
Ordinary shares	11	1 338	1 338
Share premium	11	280 810	280 810
Reserves		940 195	1 272 160
Capital and reserves attributable to ordinary equity holders		1 222 343	1 554 308
Total equity and liabilities		1 224 977	1 561 197

FNB Namibia Holdings Limited

Company statement of changes in equity

for the year ended 30 June

N$'000	Share capital	Share premium	Share capital and share premium	Retained earnings	Total ordinary shareholders' funds
Balance at 1 July 2011	1 338	280 810	282 148	987 730	1 269 878
Total comprehensive income for the year				503 856	503 856
Ordinary dividends				(219 426)	(219 426)
Balance at 30 June 2012	1 338	280 810	282 148	1 272 160	1 554 308
Total comprehensive income for the year				382 509	382 509
Ordinary dividends (note 6)				(714 474)	(714 474)
Balance at 30 June 2013	1 338	280 810	282 148	940 195	1 222 343

FNB Namibia Holdings Limited
Company statement of cash flows
for the year ended 30 June

N$'000	Note	2013	2012
Cash flows from operating activities			
Cash generated from operations*		384 892	217 367
Working capital changes			
- (Increase) / decrease in accounts receivable		3 836	(79)
- Increase / (decrease) in accounts payable		(5 556)	5 917
Net cash generated from operations		383 172	223 205
Indirect tax paid	5	(247)	(777)
Income tax paid **		(1 012)	(73)
Net cash flow from operating activities		381 913	222 355
Cash flows from investing activities			
Proceeds on sale on Momentum Life Namibia			342 403
Net decrease / (increase) in loan to group company		332 563	(340 881)
Sale / (purchase) of investment securities		(2)	5 964
Increase in investment in OUTsurance Namibia			(213)
Acquisition of a controlling interest in FNBIB from 40% to 100% during the year			(10 202)
Net cash flow from investing activities		332 561	(2 929)
Cash flows from financing activities			
Dividends paid		(714 474)	(219 426)
Net cash flow from financing activities		(714 474)	(219 426)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year			

* Reconciliation of income before tax to cash generated by operations		2013	2012
Income before tax		385 069	504 756
Adjusted for:			
- Revaluation of investment securities		(177)	(277)
- Profit on sale of Momentum Life Namibia			(287 111)
		384 892	217 367

**Income tax paid		2013	2012
Amounts payable at beginning of the year		(83)	(33)
Current tax per comprehensive income		(2 313)	(123)
Amounts payable at end of the year		1 384	83
Total income tax paid		(1 012)	(73)

1. Accounting policies

The financial statements of FNB Namibia Holdings Limited are prepared according to the same accounting principles used in preparing the consolidated financial statements of FNB Namibia group. For detailed accounting policies refer to pages 73 to 91 of this annual report.

N$'000	2013	2012
2. Analysis of interest income and expenses	Amortised cost	
Interest received: loan account with group company	6 822	357
Unwinding of discounted present value on accounts receivable	795	
	7 617	357
3. Non-interest income		
Gains less losses from investing activities		
- Dividends received		
- Subsidiaries	375 782	221 612
- Associates	1 880	1 540
- Unit trust investments	2	279
- Equities		110
- Revaluation of investment securities through profit or loss	177	277
- Net profit realised on sale of interest in subsidiary		287 111
Gross gains less losses from investing activities	377 841	510 930
4. Operating expenses		
Auditors' remuneration		
- Audit fees	953	1 016
Professional fees	105	5 400
Other operating costs		
- Other operating expenses	371	116
Total operating expenses	1 429	6 531
5. Tax		
Indirect tax		
Value added tax	247	777
Total indirect tax	247	777
Direct tax		
Namibian normal tax		
- Current year	2 313	123
	2 313	123

The company provided for tax at 34% (2012: 34%) of the taxable income (interest income). The effective tax rate is 0.60% (2012: 0.02%).

N$'000	2013	2012
6. Dividends		
A final dividend (dividend no. 35) of 41 cents per share was declared on 17 August 2011 in respect of the six months ended 30 June 2011 and paid on 27 October 2011.		109 713
An interim dividend (dividend no. 36) of 41 cents per share was declared on 2 February 2012 for the six months ended 31 December 2011 and paid on 12 April 2012.		109 713
A special dividend (dividend no.37) of 180 cents per share was declared on 16 August 2012 and paid on 30 October 2012.	481 668	
A final dividend (dividend no. 38) of 41 cents per share was declared on 16 August 2012 in respect of the six months ended 30 June 2012 and paid on 30 October 2012.	109 713	
An interim dividend (dividend no. 39) of 46 cents per share was declared on 13 February 2013 for the six months ended 31 December 2012 and paid on 27 March 2013.	123 093	
	714 474	219 426
Final dividend of 54 cents (2012: 41 cents) per share was declared subsequent to year-end.		
7. Loan to / (from) group company		
Balances with Talas Properties (Windhoek) (Pty) Ltd		
Balance at 1 July	345 652	4 771
(Decrease) / increase during the year	(332 563)	340 881
Balance at 30 June	13 089	345 652
Refer to note 2 for the interest received		
8. Investment securities		
Unlisted		
Unit trust investments	3 646	3 467
Total	3 646	3 467

8.1 Fair value hierarchy disclosure

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

8. Investment securities *(continued)*

8.1 Fair value hierarchy disclosure (continued)

N$'000	2013 Level 1	2013 Level 2	2013 Level 3	2013 Total carrying amount
Financial assets designated at fair value through profit or loss				
Investment securities		3 646		3 646

N$'000	2012 Level 1	2012 Level 2	2012 Level 3	2012 Total carrying amount
Financial assets designated at fair value through profit or loss				
Investment securities		3 467		3 467

N$'000	2013	2012
9. Investments in associates		
Unlisted investments		
Carrying value at beginning of the year	263	263
Carrying value at end of the year	263	263
The associate is:		
Avril Payment Solutions (Pty) Ltd	263	263

Refer to note 16 in the group financial statements for full details of investments in associates.

Refer to note 35.3 in the group financial statements for full related party transactions and balances.

10. Investments in subsidiaries

N$'000	2013	2012
Unlisted investments		
Carrying value at beginning of the year	1 185 649	1 157 532
Acquisition of a controlling interest in FNBIB from 40% to 100% during the prior year.		27 904
Additional investment in OUTsurance		213
Carrying value at end of the year	1 185 649	1 185 649
The list of subsidiaries are:		
First National Bank of Namibia Ltd	1 142 792	1 142 792
Swabou Investments (Pty) Ltd		
RMB Namibia (Pty) Ltd		
FNB Trust Services Namibia (Pty) Ltd		
Talas Properties (Windhoek) (Pty) Ltd	2 967	2 967
OUTsurance Insurance Company of Namibia Ltd	6 511	6 511
FNB Insurance Brokers (Namibia) (Pty) Ltd	27 904	27 904
FNB Namibia Unit Trust Ltd	5 475	5 475
	1 185 649	1 185 649

The following trusts are controlled by FNB Namibia Holdings Limited:
FNB Namibia incentive share trust
FNB Namibia staff assistance trust

The carrying amount of these investments is N$ nil.

Refer to note 35.6 in the group financial statements for full details of investments in subsidiaries.

Refer to note 35.3 in the group financial statements for full related party transactions and balances.

11. Share capital

N$'000	2013	2012
Authorised		
990 000 000 (2012: 990 000 000) ordinary shares with a par value of N$0.005 per share	4 950	4 950
10 000 000 (2012: 10 000 000) cumulative convertible redeemable preference shares with a par value of N$0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2012: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
2 (2012: 2) cumulative convertible redeemable preference shares with a par value of N$0.005 per share		
	1 338	1 338
Share premium	280 810	280 810

11. Share capital *(continued)*

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

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

All issued shares are fully paid up.

12. Liquidity, credit and market risk information

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

Accounts receivable and creditors and accruals are repayable on demand or short notice and within Namibia, except for the N$ 20 million (2012: N$24 million) loan balance which relates to portion of the price on the sale of Momentum Namibia that is payable based on the performance of the book.

13. Related party transactions

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

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

SHAREHOLDERS' INFORMATION

CONTENTS

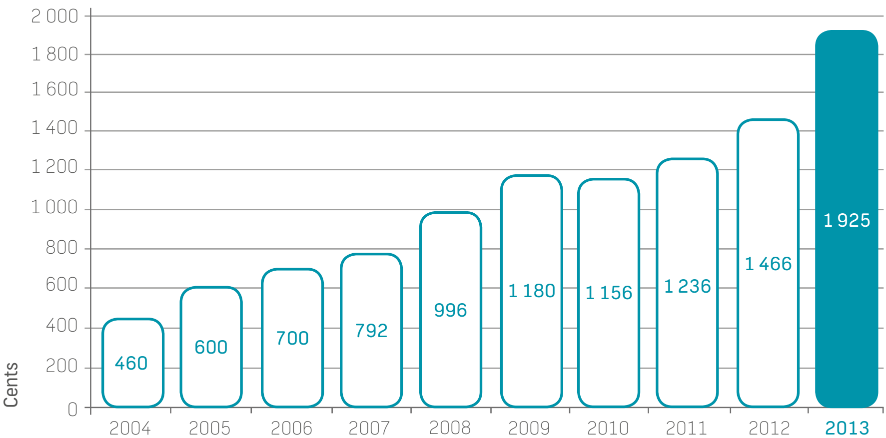
Shareholders' diary

Financial year end	30 June 2013
Declaration of final dividend	14 August 2013
Announcement of results	5 September 2013
Publication of annual financial statements	6 September 2013
Last record date	20 September 2013
Payment of final dividend	4 October 2013
Annual general meeting	28 November 2013
Publication of interim results	February
Declaration of interim dividend	February
Payment of interim dividend	April

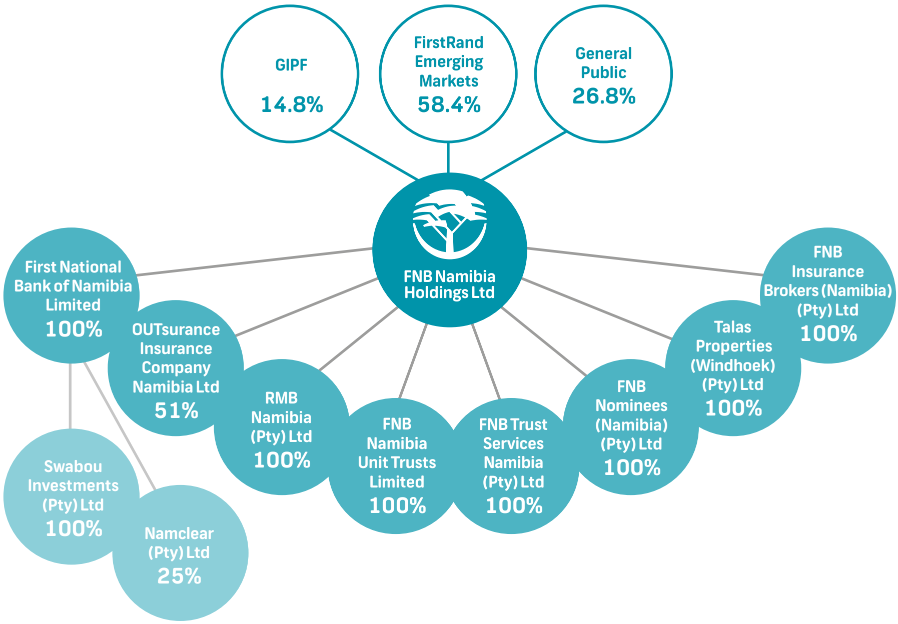
Stock exchange performance

	2013	2012
Share price (cents)		
- high for the year	1 925	1 476
- low for the year	1 467	1 241
- closing price per share	1 925	1 466
Number of shares traded (000's)	1 683	2 251
Value of shares traded (N$ '000's)	28 301	30 676
Number of shares traded as percentage of issued shares (%)	0.63	0.84
Average price of shares traded	1 682	1 363

Closing share price – Ordinary



Group structure of FNB Namibia group



Group corporate information

Company name	Holdings %	Registration number
FNB Namibia Holdings Ltd		88/024
First Finance (Pty) Ltd	100	2002/058
FNB Trust Services Namibia (Pty) Ltd	100	91/125
FNB Nominees (Namibia) (Pty) Ltd	100	96/138
First National Bank of Namibia Ltd	100	2002/0180
FNB Insurance Brokers (Namibia) (Pty) Ltd	100	78/02244/07
FNB Namibia Unit Trusts Ltd	100	89/485
Namclear (Pty) Ltd	25	97/004
OUTsurance Insurance Company of Namibia Ltd	51	89/524
RMB Namibia (Pty) Ltd	100	2012/1063
Sunrise Properties (Pty) Ltd	100	88/065
Swabou Investments (Pty) Ltd	100	94/081
Talas Properties (Windhoek) (Pty) Ltd	100	282/68

Shareholders' analysis

	Number of shareholders	%	Number of shares	%
Shareholder range				
1 - 999	1 108	44.0	400 213	0.1
1 000 - 1 999	392	15.6	506 603	0.2
2 000 - 2 999	182	7.2	442 630	0.2
3 000 - 3 999	85	3.4	288 907	0.1
4 000 - 4 999	57	2.3	252 363	0.1
5 000 - 9 999	201	8.0	1 345 196	0.5
over 10 000	491	19.5	264 357 338	98.8
Total issued ordinary share capital	2 516	100.0	267 593 250	100.0
Distribution of shares				
Corporate bodies	25	1.0	165 181 571	61.7
Nominee companies	12	0.5	77 570 170	29.0
Private individuals	2 456	97.6	15 557 541	5.8
Trusts	23	0.9	9 283 968	3.5
Total issued ordinary share capital	2 516	100.0	267 593 250	100.0
Ten major shareholders				
FirstRand EMA Holdings Limited			156 271 636	58.4
Government Institutions Pension Fund			39 639 153	14.8
FNB Employee Share Incentive Trust			7 703 357	2.9
Old Mutual Life Assurance Company Namibia (Pty) Ltd			5 799 661	2.2
Sovereign Capital (Pty) Ltd			5 749 989	2.1
Boston The African Emerging Markets Fund			5 581 916	2.1
Allan Gray Investment Trust			5 393 267	2.0
Chappa'ai Investments Forty Two (Pty) Ltd			3 011 899	1.1
Rossing Pension Fund			2 673 842	1.0
SANLAM Life Namibia Limited			2 515 759	0.9

Two issued preference shares were in existence at 30 June 2013 (2012: 2). These were preference shares issued to RMB-SI Investments (Proprietary) Limited to facilitate a structured insurance transaction with OUTsurance Insurance Company of Namibia Limited.

Notice of annual general meeting

Notice is hereby given that the twenty-sixth (26th) Annual General Meeting of the shareholders of the company will be held in the boardroom, 4th Floor, First National Bank Building, 209 Independence Avenue, Windhoek, on 28 November 2013 at 15:00 for the following business:

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

2. Ordinary resolution number 2:
RESOLVED THAT the annual financial statements for the year ended 30 June 2013 be adopted.

3. Ordinary resolution number 3:
RESOLVED THAT the final dividend declared on 14 August 2013 of 54 cents per ordinary share be and hereby is approved.

4. Ordinary resolution number 4: Re-election of directors by way of separate resolutions
To re-elect directors of the company who retire in terms of the Company's Articles of Association and who, being eligible, offers themselves for re-election. Biographical information of the directors to be re-elected is set out on pages 5 to 6 of the annual report.

4.1 Jabulani Richard Khethe *Non-executive director*
4.2 Stuart Hilton Moir *Independent non-executive director*
4.3 Mwahafar Ndakolute Ndilula *Independent non-executive director*
4.5 Inge Ingenesia Zaamwani-Kamwi *Independent non-executive director*

5. Ordinary resolution number 5: Election of directors by way of separate resolutions
To elect the following directors of the company who were appointed by the directors on 25 February 2013 and are now recommended by the board for election by shareholders. Biographical information of the directors to be re-elected is set out on pages 5 to 6 of the annual report.

5.1 Jennifer Juanita Comalie *Independent non-executive director*
5.2 Cecil John Louis Giddy *Non-executive director*
5.3 Leonard Jack Haynes *Non-executive director*
5.4 Ian Jetze Miller Leyenaar *Chief executive officer*

6. Ordinary resolution number 6: To re-elect the following director in terms of clause 21.3 of the Articles of Association of the company

6.1 Claus Jürgen Hinrichsen *Independent non-executive chairman*
In terms of clause 21.3 of the Articles of Association a non-executive director should vacate office at the first annual general meeting of the Company after reaching the age of 70, provided that the Board has discretion to extend that age on one or more occasions for an additional year period in each instance.

Mr. Hinrichsen reached the age of 70 on 1 May 2013. The Board considered and unanimously approved the extension of his tenure as a director.

Accordingly, being eligible for re-election and having been recommended by the Board, Mr. Hinrichsen offers himself for re-election.

7. Ordinary resolution number 7:
RESOLVED THAT all the ordinary shares required for the purpose of carrying out the terms of the FNB Employee Share Incentive Scheme ("the scheme") be and are hereby specifically placed under the control of the trustees of the scheme, who are hereby authorised and shall have the power to allot and issue those shares as they become required for the purposes of carrying out and giving effect to the terms of the scheme.

8. Ordinary resolution number 8:
RESOLVED THAT all the authorised but unissued shares in the capital of the company be and are hereby placed under the control of the directors who are hereby authorised to allot or issue shares on such terms and conditions as they deem fit, subject to the provisions of the Banking Institutions Act 2 of 1998, Companies Act 28 of 2004 (" the Act"), the Articles of Association of the Company and the Listings Requirements of the Namibia Stock Exchange ("NSX"), which provide, inter alia, that:

- such issue of shares shall not in the aggregate exceed 10% of the company's shares in issue; and

- the resolution for the issue of shares must be approved by a 75% majority of votes cast in favour of such resolution

9. **Ordinary resolution number 9:**
RESOLVED THAT Deloitte & Touche be reappointed as auditors of the company and authorise the directors to determine the remuneration of the auditors.

10. **Ordinary resolution number 10:**
RESOLVED THAT the annual fees of the non-executive directors, as reflected below be approved effective for the calendar year starting 1 January 2014:

The fees proposed represents a 7.00% increase on those paid in respect of the financial year ended 30 June 2013.

	N$
FNB Holdings Board	
Chairperson	91 420
Member	45 710
Audit Committee	
Chairperson	139 273
Member	67 341
Risk, Capital and Compliance Committee	
Chairperson	91 828
Member	48 975
Remuneration Committee	
Chairperson	35 997
Member	23 998
Directors' Affairs and Governance Committee	
Chairperson	44 996
Member	25 712
Credit Committee	
Member	146 925
FNB Banking Group Board	
Chairperson	205 695
Member	97 950

11. **Ordinary resolution number 11:**
RESOLVED THAT the remuneration policy as set out in the Remuneration Committee Report be approved.

12. **Ordinary resolution number 12:**
RESOLVED THAT the following directors be re-appointed as members of the Audit Committee

12.1 Stuart Hilton Moir *(Chairperson)*
12.2 Jennifer Juanita Comalie
12.3 Leonard Jack Haynes
12.4 John Kienzley Macaskill *(alternate member)*
12.5 Inge Ingenesia Zaamwani-Kamwi

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

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

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

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

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

In order to be effective, duly completed forms of proxy must be received at the office of the transfer secretaries of the Company by no later than 15:00 on Monday, 25 November 2013.

By order of the board FNB Namibia Holdings Limited

Yamillah Katjirua
Company Secretary
5 September 2013

Registered office
First National Bank Building
209 Independence Avenue
P O Box 195, Windhoek, Namibia

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

Form of proxy

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

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

1. .... or failing him/her

2. .... or failing him/her

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

	For*	Against*	Abstain*
Ordinary resolution 1: Approval of minutes of previous annual general meeting			
Ordinary resolution 2: Adoption of annual financial statements for 30 June 2013			
Ordinary resolution 3: Approval of final dividend declared			
Ordinary resolution 4: Re-election of directors by way of separate resolutions			
4.1 Jabulani Richard Khethe, Non-executive director			
4.2 Stuart Hilton Moir, Independent non-executive director			
4.3 Mwahafar Ndakolute Ndilula, Independent non-executive director			
4.4 Inge Ingenesia Zaamwani-Kamwi, Independent non-executive director			
5. Ordinary resolution number 5: Election of directors by way of separate resolutions			
5.1 Jennifer Juanita Comalie, Independent non-executive director			
5.2 Cecil John Louis Giddy, Non-executive director			
5.3 Leonard Jack Haynes, Non-executive director			
5.4 Ian Jetze Miller Leyenaar, Chief executive officer			
Ordinary resolution 6: Appointment of director – Claus Jürgen Hinrichsen Independent non-executive chairman			
Ordinary resolution 7: FNB Employee Share Incentive Trust			
Ordinary resolution 8: Control of unissued shares			
Ordinary resolution 9: Re-appointment of external auditors and determine their remuneration			
Ordinary resolution 10: Approval of non-executive director remuneration			
Ordinary resolution 11: Approval of Remuneration Policy			
Ordinary resolution 12: Appointment of Audit Committee members			
12.1 Stuart Hilton Moir (Chairperson)			
12.2 Jennifer Juanita Comalie			
12.3 Leonard Jack Haynes			
12.4 John Kienzley Macaskill (alternate member)			
12.5 Inge Ingenesia Zaamwani-Kamwi			
Ordinary resolution 13: Authority to sign documents			

* Insert an X in the appropriate spaces above to indicate how you wish your votes to be cast. However, if you wish to cast your votes in respect of less than all of the shares that you own in the company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at .... this .... day of 2013

Signature ....

Assisted by me (where applicable) ....

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

Notes:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialed by the member. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.

3. Forms of proxy must be received at the company's transfer secretaries, Transfer Secretaries (Proprietary) Limited, 4 Robert Mugabe Avenue (entrance on Burg Street), Windhoek (PO Box 2401) Windhoek, Namibia by no later than 15:00 on Monday, 25 November 2013. Alternatively, forms of proxy may be sent to the company's transfer secretaries by way of telefax (+264 61 248531), provided that such telefaxes are received by the transfer secretaries by no later than 15:00 on Monday, 25 November 2013.

4. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the company.

8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairman is satisfied as to the manner in which the member wishes to vote.

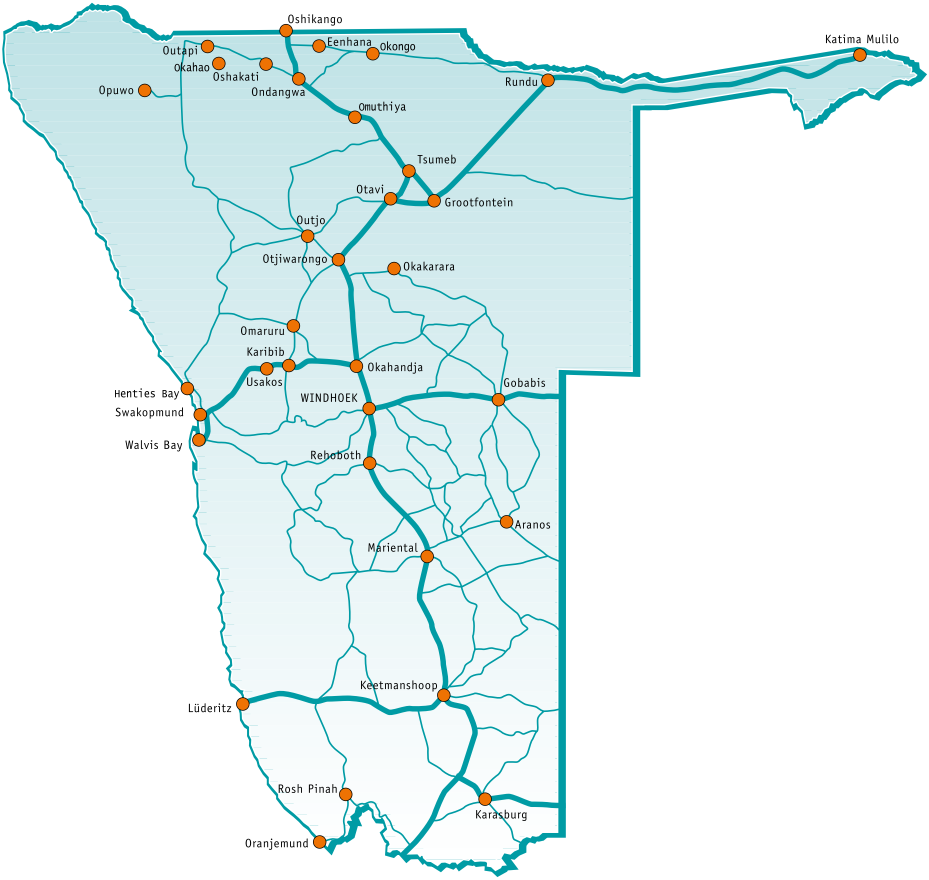
9. Where there are joint holders of ordinary shares:

   - any one holder may sign the form of proxy;

   - the vote of the senior (for that purpose seniority will be determined by the order in which the names of the member appear in FNB Namibia Holdings Ltd's register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.

FNB Namibia Holdings Limited "the company"
Incorporated in the Republic of Namibia
Registration number: 88/024
Share code: FNB
ISIN: NA 0003475176

FNB representation points



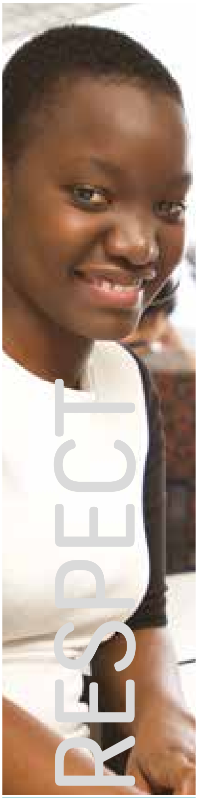
Please call FNB at (061) 299 2111 or access our website to assist you in locating the branch most convenient to you.

www.fnbnamibia.com.na

FNB
Namibia Holdings

We accept that we are the masters of our own destiny and therefore take full responsibility for all our decisions and actions and never leave anything unfinished.

Imensia Tjozongoro, Team Leader-General Ledger Balancing, Admin Centre

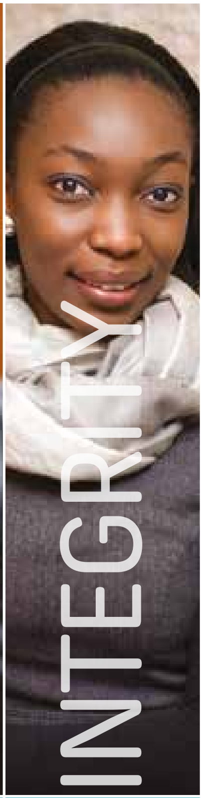


By respecting each other's differences, such as personality, age, culture it creates a positive working environment for everyone and encourages team cohesiveness.

Josephine Shafashike Code Line Clearing Official, Admin Centre

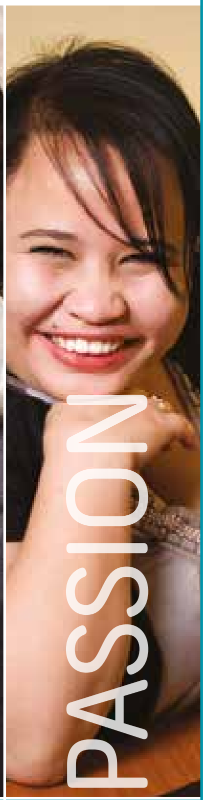
FNB has a rich culture of innovation in our veins and this is what really makes our bank stand out as the best. We are encouraged to unlock our creativity to make banking more efficient.

Nesdha de Jongh Data Capturer, EasyLoans



Integrity is doing what is right - even when no one is watching. It gives me fulfilment and by living this value shows My FNB to be the place I love to work and be.

Linea Negonga, Corporate Action/Cash Settlement Specialist, Custody Department



Passion is the driving force in the world. It's that strong and barely controllable emotion. It's the energy that comes from bringing more of YOU into what you do.

Jessica Kelber Corporate Admin Officer, WesBank