FNB
Namibia Holdings

ANNUAL REPORT 2014

FNB IS TAKING A BOLD STEP INTO YOUR FUTURE

It is investing N$445 million in a new six-story headquarters building in Windhoek that will be state of the art – an ornament for the city, environmentally friendly and custom-designed for efficiency and effective service. It is destined to become a permanent monument to FNB's commitment to Namibia and its people.

Not that Namibians need any reminder of the role the group has played in the country's development so far. FNB Namibia is already deeply entrenched in the fabric of this society.

In the past decade market demands resulted in FNB growing rapidly in Windhoek. It has brought employment to 896 people, untidily spread out over four buildings and in pockets of rented space. It has been acutely conscious that it needs to consolidate its resources to enhance still more the service it brings to Namibians.

That dream will be realised within the next 12 months. The new building with its 15,948 sq metres of space will house head office and specialist business areas, eliminating the logistical and operational challenges of the past.

We know it will work wonders for staff morale and efficiency. A fragmented work environment is never ideal. And, better still, we are sure that it will bring even better service and greater satisfaction for our customers.

Best of all, this building will play a role in protecting the environment for all Namibians.

FNB aims to achieve a 4* certified Green Star building – an internationally recognised certification framework that represents best practice in Southern Africa. For Namibia, it will be a "first". Certification is in its infancy here and will require marked transformation in building and design parameters for all who seek it.

A key element of a 4* building is that its "green" nature is sustainable. This requires a holistic approach, not merely a handful of eco-gadgetry initiatives. It means that the building must use less energy and less water; that it minimises sewage and light pollution; that it takes nothing away from the existing urban structure, allowing development without additional burden to the gifts of nature.

In this year's annual report we share with you our excitement over what the new building symbolises.

Like all our business endeavours, it begins with a strong foundation and builds on innovation. Within 12 months FNB Namibia will be better placed than ever to drive new and innovative solutions for our clients and for the Namibian nation.

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WesBank FNB FNB FNB RMB NAMIBIA

FEATURES OF GROUP RESULTS

30.9%
Return on equity

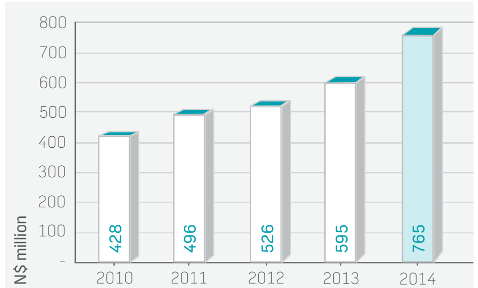
47.3%
Cost to income ratio

17.8%
Growth in advances

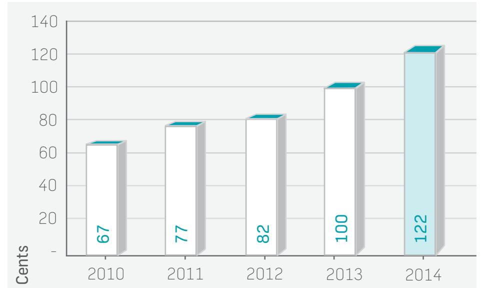
N$ 1.17 billion
Profit before tax

	Year ended 30 June 2014	Year ended 30 June 2013
Share performance		
Earnings per share	**297.7**	230.2
Headline and diluted earnings per share (cents)	**294.7**	229.9
Dividends per share (cents) - ordinary (declared for the period)	**122**	100
Closing share price (cents)	**2 316**	1 925
Market capitalisation (N$ millions)	**6 197**	5 151
Number of shares in issue (millions) - ordinary*	**259.8**	259.4
Weighted number of shares in issue (millions) - ordinary*	**259.7**	259.2
* after consolidation of share trusts		
Dividend cover (times)	**2.4**	2.3
Net asset value per share (cents)	**1 057.0**	871.6
Dividend Yield (%)	**5.3**	5.2
Earnings Yield (%) - ordinary shares	**12.9**	12.0
Price to book ratio	**2.2**	2.2
Price: Earnings ratio - ordinary shares	**7.8**	8.3
Capital adequacy		
Capital adequacy of FNB (%)	**17.1**	16.2
Solvency margin of OUTsurance	**37.0**	42.9

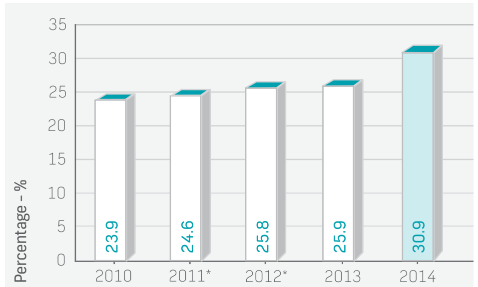
Headline earnings



Ordinary dividends declared per ordinary share

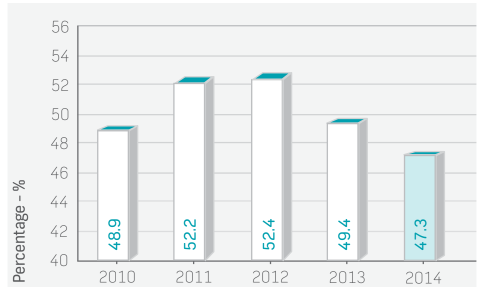


Return on average equity

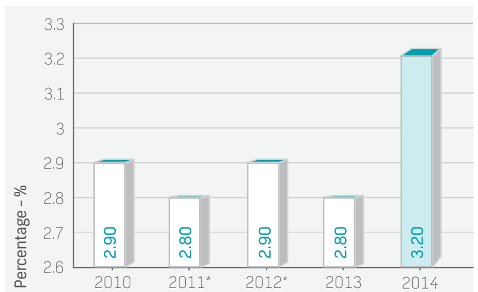


* normalised

Cost income ratio

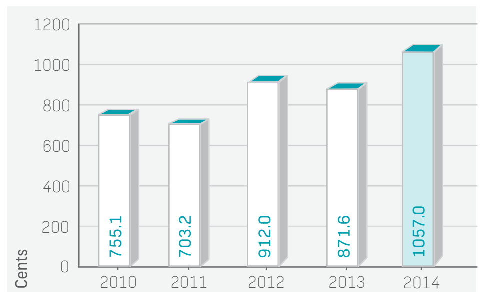


Return on average assets



* normalised

Net asset value per share



BOARD OF DIRECTORS

1. Petrus Tukondjeni Nevonga
2. Ian Jetze Miller Leyenaar
3. Stuart Hilton Moir
4. Leonard Jack Haynes
5. Jennifer Juanita Comalie
6. Christiaan Lilongeni Ranga Haikali
7. Claus Jürgen Hinrichsen
8. Mwahafar Ndakolute Ndilula
9. Jabulani Richard Khethe

Not present in the photograph:
Cecil John Giddy
Inge Ingenesia Zaamwani-Kamwi

1. **Petrus Tukondjeni Nevonga** Namibian (45)
Independent non-executive director
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, Tulongeni Fishing (Pty) Ltd, Punctual Investments (Pty) Ltd, Sovereign Capital (Pty) Ltd
Trusteeships: NAPWU Investment Trust, Namibia Grape Company Social Trust

2. **Ian Jetze Miller Leyenaar** South African (57)
Chief executive officer
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
External directorships: Momentum Asset Management Namibia Ltd
Trusteeships: FNB Namibia Holdings Retirement Fund (Chairman), FNB Foundation

3. **Stuart Hilton Moir** South African (66)
Independent non-executive director
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 Trusts Ltd
FNB group committee membership: Audit, Risk, Capital and Compliance, Remuneration
External directorships: Stimulus Investments Ltd
Trusteeships: FNB Share Incentive Trust, FNB BEE Trust, Nampro Trust

4. **Leonard Jack Haynes** South African (51)
Non-executive director
Appointed February 2013

Qualifications: B Com (Hons), MBA
FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd
FNB group committee membership: Remuneration, Audit, Risk, Capital and Compliance, Directors Affairs and Governance (alternate)
FirstRand group directorships: First National Bank of Botswana Ltd (alternate), First National Bank of Lesotho Ltd (Chairman), FNB Zambia Ltd

5. **Jennifer Juanita Comalie** Namibian (40)
Independent non-executive director
Appointed February 2013

Qualifications: B Com (Hons) CA(Nam)
FNB group directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, RMB Investments (Pty) Ltd
FNB group committee membership: Audit, Risk, Capital and Compliance
External directorships: Oryx Properties, Namport

6. **Christiaan Lilongeni Ranga Haikali** Namibian (45)
Independent non-executive director
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
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, 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 (Pty) Ltd, Safland Property Group (Pty) Ltd, APS International (Pty) Ltd, Tumba Holdings, Etango Investments (Pty) Ltd, Ekango Retail Solutions (Pty) Ltd
Trusteeships: Tulongeni Family Trust, Frontier Property Trust, FNB Share Incentive Trust, Kapenda Development Trust

7. **Claus Jürgen Hinrichsen** German (71)
Independent non-executive chairman
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, Haris Family Trust

8. **Mwahafar Ndakolute Ndilula** Namibian (64)
Independent non-executive director
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 (Chair)
External directorships: Sovereign Asset Management (Pty) Ltd, Sovereign Investments (Pty) Ltd, Sovereign Capital (Pty) Ltd, Sovereign Properties (Pty) Ltd, Namcot Diamonds (Pty) Ltd.

9. **Jabulani Richard Khethe** South African (51)
Non-executive director
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

Not present in the photograph:

Cecil John Giddy South African (41)
Non-executive director
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
FNB group committee membership: Audit, Risk, Capital and Compliance
FirstRand group directorships: RMB Nigeria Ltd

Inge Ingenesia Zaamwani-Kamwi Namibian (55)
Independent non-executive director
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), Zantang Investments (Pty) Ltd, UNAM Council, National Planning Commission, MCA-Namibia, Tungeni Africa Investments (Pty) Ltd, Swakop Uranium (Pty) Ltd, NCCI, Public Office Bearers Committee (POBC)
Trusteeships: XNET Trust Fund, FNB Share Incentive Trust

CHAIRMAN'S REPORT

INVESTING FOR THE FUTURE

Our new building in Windhoek will be a proud and permanent monument to three things: our commitment to the people of Namibia; our determination to be an anchor for the Namibian economy; and our resolve to protect the environment we all share.

The FNB Namibia Holdings group will invest N$445 million in its new headquarters. It is our way of reaffirming our role as the leading financial services group in the country.

When it is completed, expected in mid-2015, it will be a pioneering development - the first independently certified "green" building in Namibia. In design and construction it has followed international best practice. It acknowledges the potential threats posed by global climate change and other environmental strains. We confidently predict that it will qualify for four environmental stars.

The green building is designed to reduce the overall impact of environmental degradation on human health and natural resources. By using energy, water, and other resources efficiently, it will protect the health of all who use it. It will also improve employee productivity and reduce waste and pollution. The investment confirms our confidence that we can develop and grow the Namibian financial services industry.

Our focus on core banking and related services has enabled us to achieve outstanding results in business. Profit for the year has increased by 29% to N$785 million (2013: N$608 million). Earnings per share increased to 298 cents (2013: 230 cents). Return on average equity improved to 30.9% (2013: 25.9%). But we recognise that we also have a responsibility to play a role in building the Namibian economy and in collaborating with government.

Customer satisfaction framing our desire to serve

We are committed to satisfying the needs of all our stakeholders, particularly customers, shareholders and staff. By building a growing and sustainable business, we ensure that we cement solid relationships. FNB continues to work hard to remain the employer of choice. Positive and personal employee relations help us engage all team members.

Our values constitute our strong foundation

Traditionally our foundation is built on values which we have improved and refreshed over time to the benefit of customers and all stakeholders. These improved values are now focussed on personal accountability and are in line with our customer centric-philosophy. These values are:

I am convinced that, as a sustainable business, transformation can come only as a result of values-based behaviour and leadership.

In addition to helping FNB members to inspire others by practising our values, we are helping our people to synchronise a value-based foundation, which really focuses on corporate character and culture.

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

Shareholder return

The final dividend for the year ending 30 June 2014 is 67 cents per ordinary share. With the interim dividend of 55 cents paid in March 2014, shareholders will receive a total dividend of N$1.22 per ordinary share.

Value to shareholders can be measured by considering share price appreciation and dividend payments. Based on the closing share price of N$23.16 on 30 June 2014, a shareholder who purchased a single FNB Namibia Holdings share on 1 July 2013 at N$19.25 would have gained N$3.91 in capital appreciation. With the ordinary dividend of N$1.22, this equates to a return on investment of 27% for the year.

From Bricks to Clicks

I am alert to the technological world we live in. Banking technology has advanced rapidly from connected to interconnected to interdependent systematisation. Power has shifted to individuals and companies must innovate to remain relevant. Customers are becoming better informed and more demanding in their quest for affordable, convenient and safe 24-hour self-help banking channels.

We have pro-actively engaged our clients through digital innovation over the past year and we continue to find new ways of making digital self-service banking a reality for all.

Market environment

Economic growth for 2013 came in at 4.4% according to the rebased preliminary national accounts of the Namibia Statistics Agency. Global growth is recovering, providing a good backdrop for sustained local growth. European economies are starting to grow. The US economy is growing well even though adverse weather impacted negatively on first quarter 2014 GDP. Namibia's first quarter GDP was also tentative at 1.6% year on year in unadjusted terms. This suggests that there are downside risks to the growth outlook for 2014. Crucially, there are indications that global volatility will continue and that notable headwinds may come from the livestock export environment. This is because South Africa introduced stringent import requirements in May this year, affecting livestock exports.

The primary sector, which accounts for nearly 16% of nominal GDP, was affected by global growth dynamics and declined during the first quarter of 2014. Agriculture was down 19%; fishing by 13% year on year and mining by 3.8%. In contrast, those sectors that depend on domestic strength, or rather consumer demand, accelerated. Construction grew by 22% year on year and wholesale and retail trade was up 20.6% during the first quarter. Transport and communications also grew by 12%.

Commitment to best global practice in corporate reporting

FNB is committed to the principles of good corporate governance as set out in King III. The board of directors ensures implementation across the group and monitors all operations. Through the directors' affairs and governance committee it provides reassurance to all stakeholders that it is fully compliant.

I am pleased to report that FNB was a participant and sponsor in formulating the Namibian Code on Corporate Governance, known as NamCode. This code of conduct was officially launched by the Namibian Stock Exchange in July 2014. FNB is proud to be a founding partner in establishing this valuable guideline for Namibian business.

Appreciation

Thank you, my fellow directors and the entire management and staff of FNB for your valuable contribution during the past financial year. Thank you, FNB members at all levels for the cooperation you have displayed. Your hard work and commitment is reflected in the strong performance of the FNB Group. I know that we are moving in the right direction and I am confident that we will continue to produce world class results.

To the shareholders, thank you for your unwavering support. To our customers country-wide I stress that your loyalty means a great deal to us at FNB and it is a privilege to serve you.

Looking forward

Given the strong domestic demand and the expectation that global growth will be much more anchored in the second half of 2014, Namibia should experience broad-based growth going forward. Consumption demand remains strong, The demand for household credit grew at an annualised rate of 13.7% in June 2014. Total private sector credit extension increased by 15.4% year on year in June. Business credit demand also recovered to nearly 18% after dipping below 14% in March. We expect GDP growth to approximate 5% this year.

Claus Hinrichsen
Chairman

CORPORATE GOVERNANCE REPORT

STRIVING TO EXCEED BEST PRACTICE

Statement by the chairman of the board

The board remained a source of strategic leadership during 2014 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 becoming the financial services provider of choice for all Namibians.

Corporate governance framework in the group

The FNB board of directors provides overall strategic 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, structures and strategies.

FNB ascribes to the ethical values of responsibility, accountability, fairness and transparency.

Application of King III governance principles

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 monitors 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.

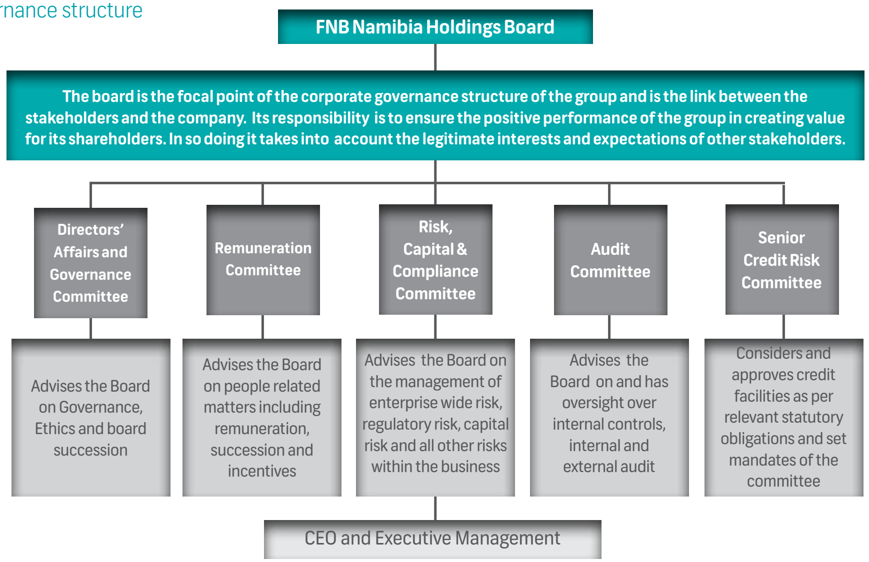
FNB was actively involved with the formulation of the Namibian Code on Corporate Governance, known as Namcode, which was launched by the Namibian Stock Exchange in July 2014. The board has put processes in place to ensure FNB will continue to evolve and meet Namibia and international best practice in corporate governance and this will be reflected in our reporting to stakeholders. We embrace the agreed guidance principles on governance specific to the Namibian environment.

Governance structure within the group

Tools we use to apply good governance within FNB:

- Governance framework;
- 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.

Governance structure



The group adopted a governance framework that sets out the governance principles. The application of group policies to its subsidiaries is agreed as part of this framework and set out in each policy. The group further appoints executive and non-executive directors to subsidiary boards while recognising that directors have a fiduciary responsibility to each company. The appropriate representation of the group is considered with clear regard for regulatory requirements and the best interest of each subsidiary company. The assessment process on nomination to committees is delegated to the directors' affairs and governance committee.

The governance structure and representation is reviewed on a regular basis to ensure that the group meets national regulatory standards, national and international best practice and that the structure meets the strategic and business needs of the company. To this end the following new and revised structures were established at group level during the year:

- Enhanced ethics reporting at management and board levels;
- Policy committee – to provide management oversight on policies and recommend them for approval at appropriate governance forums; and
- Combined assurance forum – to implement the combined assurance model.

The roles of the board and board committees are set out in detail above. The board has established reporting mechanisms from its subsidiaries and approved delegated levels of authority to its management. Review of the reporting and delegated authority are conducted on a regular basis.

Composition of the board and appointment of directors

The board is comprised of a total of 11 directors as at 30 June 2014. Mr John Kienzley Macaskill retired from the board in May 2014. The 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 considers the following directors to be independent:

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

Mssrs JR Khethe, CJ Giddy and LJ Haynes are deemed to not be independent non-executive directors due to their various roles within FirstRand Bank Holdings Ltd, the majority shareholder of the company. Mr IJM Leyenaar is the Chief Executive Officer of the company.

The leadership, skills, experience and expertise in business and corporate governance are some of the factors considered at the appointment of directors. The directors' affairs and governance committee, which serves as the nominations committee, also takes into account the regulatory requirements and diversity of the board during the appointment process. The board aims to ensure that the board has the necessary skill, knowledge and independence of judgment to execute their functions.

These factors are considered as part of the annual evaluation process for all directors. The chairman is required, in terms of the evaluation process to have individual discussions with directors on concerns raised by peers. No concerns were raised during the annual self-assessment process both in respect of individual directors, the committees or the full board.

The interests of directors in equity of the company are detailed in note 6.3 of the report. Mr Ndilula and Mr 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 boards of major subsidiaries are similarly constituted with an appropriate mix of skills, experience and diversity.

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 is included on pages 6 and 7 of this report. 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:

- Mr CRL Haikali
- Mr CJ Hinrichsen
- Mr PT Nevonga

The chairman of the board

The company has an independent non-executive director as chairman of the board. Mr Hinrichsen's skills, knowledge, experience and performance is evaluated annually and his appointment is confirmed on an annual basis as per the founding documents of the company. The board re-appointed Mr Hinrichsen during the year under review and confirms his skill, experience and knowledge to provide leadership on the board of directors. The directors' and governance committee is responsible for the succession planning in relation to the chairmanship of the board.

Attendance register of the board and committees

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

The board accepted the apology of directors as noted above and assures stakeholders that it has assessed the workload and commitment of all directors to serve on the board. The board assessed the suitability and commitments outside the board duties of directors who did not attend more than 75% of the meetings of the board and accepted their apology while impressing on them the need to ensure that they are able to discharge their duties on the board at all times.

Name of Director	Board	Meetings scheduled and attended	Audit Committee	Meetings scheduled and attended	Risk, Capital and Compliance Committee	Meetings scheduled and attended	Directors' Affairs and Governance Committee	Meetings scheduled and attended	Remuneration Committee	Meetings scheduled and attended
CJ Hinrichsen I NED	Chairman	4/4					Chairman	1/1	Member	2/2
CLR Haikali I NED	Director	4/4					Member	1/1	Member	2/2
JR Khethe NED	Director	4/4					Member	0/1		
JK Macaskill* NED	Alternate Director	0/4	Member	0/4	Member	0/4				
SH Moir I NED	Director	4/4	Chairman	4/4	Chairman	4/4			Member	2/2
MN Ndilula I NED	Director	3/4								
PT Nevonga I NED	Director	4/4								
II Zaamwani-Kamwi (Ms) I NED	Director	2/4	Member	1/4	Member	1/4			Chairman	2/2
IJM Leyenaar ED	Director CEO	3/4								
JJ Comalie I NED	Director	4/4	Member	4/4	Member	4/4				
LJ Haynes NED	Director	4/4	Member	3/4	Member	3/4	Member	1/1	Member	2/2
CJ Giddy NED	Director	2/4								

*Mr. Macaskill retired from the board in May 2014.
I NED – Independent non-executive director   NED – Non-executive director   ED – Executive director

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

The board established a formal induction programme for incoming directors to familiarise themselves with the operations of the company. Enhancement on this process would include the incorporation of enhanced elements on the business environment and sustainability issues.

Ongoing training and development of directors is conducted through formalised sessions, including induction, that take 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, ICAAP, corporate governance, updates on legislative developments, as well as relevant developments in the groups' 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.

The past year's evaluation was conducted with specific focus on the following areas:

- Effectiveness of the board, chairman and committees;
- Appropriateness of the work to provide strategic oversight and leadership in key areas such as company performance, risk management, succession planning and stakeholder relations; and
- Individual director performance

Subsidiary boards

The company has two major subsidiaries. These are:

- First National Bank of Namibia Limited
- 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.

All subsidiaries have boards of directors and executive management committees 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 has delegated certain functions to structured committees to assist the directors in the discharge of their duties and responsibilities. At company level the following board committees exist

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

All committees have formal terms of references and report to the board. With the exception of Exco and credit risk committee, they are chaired by independent non-executive directors and have a majority of independent non-executive directors. The independent professional advisors that attend the meetings on a regular basis are listed in this report at the section dealing with each committee. External expert advice may be obtained at the group's expense in support of their duties.

Share dealings

Directors, senior executives, participants in the employee share option scheme, 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 interim and financial year until after the publication of the interim and final financial results respectively). 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 represent the financial position of the group.

The financial statements in this report have been prepared by management in accordance with the 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 amended and determinations passed in terms thereof, while the short-term insurance, insurance brokerage and unit trusts businesses are regulated by the 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 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 ongoing 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 corporate social responsibility, sustainability and corporate social investment.

The group satisfies its social responsibility through the FNB Foundation which on a yearly basis supports worthy 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 group's abridged sustainability report contained herein provides further information on the social responsibility and investment initiatives.

Group company secretary

The group company secretary provides a pivotal role in the corporate governance of the company. She is suitably qualified and empowered and has access to the group's resources for the fulfilment of her duties. She provides support and guidance to the board in matters relating to governance 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 member and executive management are kept abreast of relevant changes in legislation and governance principles. All directors have unrestricted access to the group company secretary.

The board considered the competence, qualification and experience of Ms Katjirua, and is satisfied that that she is suitably qualified and experienced for her role. The board is further satisfied that interactions between the company secretary and the board during the year under review were at arm's length.

Communication with shareholders

The group recognizes 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 to 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 board relies on the audit committee to ensure integrity of the integrated report and maintenance of internal financial controls and identify and management of financial risks.

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. Refer to the attendance table on page 14 for details.

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's 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 is 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 authorized to investigate any activity or concern externally on any matter within its terms of reference.

Financial statements

The audit committee reviews and comments on the financial statements, the accounting practices and the internal financial control of the company and reports to the board thereon. It provides assurance on the integrity and completeness of the company's financial report. 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.

Combined assurance

The committee approved the implementation of a combined assurance model to provide a coordinated approach to all assurance activities within the group. The committee confirms that it is satisfied that the relationship between internal and external assurance providers is conducive to the attainment of assurance objectives of assurance providers.

Integrated reporting

The committee has reviewed the integrated 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.

The committee approved the integrated report to the board for approval.

Internal audit and internal controls

The internal audit function forms a critical pillar in the provision of independent assurance and facilitated the monitoring the effectiveness of 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 and the external auditors.

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 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.
- The committee approved the internal audit charter for approval by the board.
- The skills, experience and overall performance of the external auditor was acceptable and it recommends to shareholders that Deloitte be re-appointed as external auditors of the group for 2014/15 financial year. The committee assures the stakeholders that it met its obligations in terms of the charter in all material respects.
- The committee met its statutory obligations.
- No other responsibility other than those set out in the charter were assigned to it by the board.

Plans for 2015

- 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.
- Review of the effectiveness of the internal control environment and risk management processes.
- Review of its charter, work plan and reporting framework based on the NamCode that came into operation with effect from the 2015 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 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 committee has complied with its terms of reference and objectives set for the period. Please refer to the Risk Report on pages 48 - 56 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 three independent non-executive directors and a non-executive director. The Committee's membership has a good understanding of risks and risk management taking into account the Group's size and the banking sector requirements. Refer to the attendance table on page 14 for details.

The Group Chief Executive Officer, The Group Chief Financial Officer, Group Head of Risk, Head of Compliance and the Head of Internal Audit attend meetings in an ex-officio capacity.

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;
- Risk assessment report;
- Determining risk appetite of the group and its subsidiaries and monitoring compliance thereto;
- Ensuring that appropriate resources, systems are in place to identify and monitor and mitigate risk;
- Ensuring that appropriate resources, 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 authorized 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 it to monitor changes in the group's risk profile; and
- It met its obligations in terms of the charter in all material respects.

Future plans

- The committee plans to review its charter and work plan following the issuance of the NamCode on corporate governance with effect from the 2015 financial year; and
- Enhance general assurance provision on the effectiveness of risk management processes.

Report of the remuneration committee

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.

Composition of the remuneration committee

The remuneration committee consists of non-executive directors with the executive officers attending in ex-officio capacities. Refer to the attendance table on page 14 for details.

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 recognisable 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 with air and 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 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.
- 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.
- The remuneration of independent non-executive directors is determined based on market analysis, consideration of the skill and experience of the calibre of the directors that the company has and has components that are based on performance/attendance and a retainer.

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 CFO attends all committee meetings in an ex-officio capacity. The committee met twice during the year.

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.

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, besides the implementation of the BEE/Transformation agreement entered into in 2005. Further information on exposure of directors to the shares of the company is provided in the notes of the annual financial statements.

Succession planning

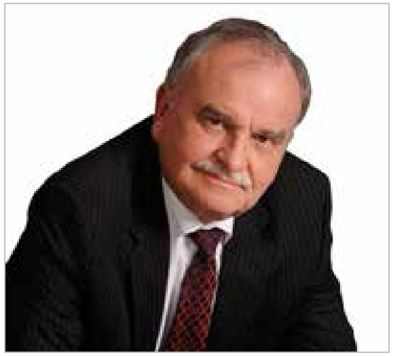
The group approved a succession policy setting out principles of talent management and development of its key resource, its human capital and the CEO provides periodic reports to the remuneration committee. A formal succession plan is in place for key positions within the group and is updated on a regular 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 within 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. Refer to the attendance table on page 14 for details.

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 programmes 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-assessment;
- The committee reviews the structure and composition of the boards of significant operating companies within the group; and
- Is the focal point of the ethical governance of the group and monitors the implementation of the Code of Ethics.

Board nomination and succession

The board approved a formalized board appointment and succession 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 committee and chairpersons of the various committees. The results form an integral part of board nomination and training process.

Management committees

Strategic committee ("Stratco")

This committee assists the board in the formulation of strategies and meets once a month. Membership consists of the heads of key strategic business units.

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 committee
- Enterprise risk management committee
- Ethics committee
- Policy committee

Changes to key management

The Head of Information Technology, Mr. Stephan van Rhyn and Ms Florentia Amuenje, the Head of Human Resources tendered their resignations in December 2013 and June 2014 respectively. Mr. Garth Kleintjies was appointed as Head of Information Technology and the recruitment of the Head of HR was ongoing at the time of printing this report. The company also created a Chief Operating Officer role to which Mr. Louis Potgieter was appointed.

Stakeholders are assured that the skills and experience of the management members is adequate and appropriate to ensure that the objectives of the group are attained.

EXECUTIVE COMMITTEE

1. **Thomas Slabbert** Namibian (57)
Head: Home Loans
Estate agent board diploma, SMDP, various certificates in banking and property market

2. **Gerhard Mans** Namibian (52)
MD: FNB Insurance Brokers Namibia (Pty) Ltd
Higher Education Diploma

3. **Elmarie Cilliers** Namibian (49)
Head: WesBank
Certificate in Banking, MBiA (SA), SMDP

4. **Dixon Norval** Namibian (55)
Head: Strategic Marketing & Communications
BA Hons – MA, MBA

5. **Ian J M Leyenaar** South African (57)
Group Chief Executive Officer
B.Com, LIB (SA) AEP

6. **Yamillah Katjirua** Namibian (39)
Group Company Secretary
B.Juris, LLB, Certificate in Compliance(UCT), SMDP

7. **Steve Galloway** Namibian (57)
MD RMB Investments (Pty) Ltd;
Co-head RMB Namibia
BSc Hons(Geology), B Com Hons(Econ)

8. **Garth Kleintjes** Namibian (37)
Chief Information Officer
Diploma in IT, SMDP, various International IT Certifications

9. **Johan du Plessis** Namibian (40)
Head: Risk Management and Ethics officer
B.Compt (Hons), CTA, CRA

10. **Michelle Van Wyk** Namibian (38)
Treasurer / Co-head RMB Namibia
B.Acc Hons; CA

11. **Marlene Miller** Namibian (42)
Head of Compliance
B.Com. LLB, Post Graduate Diploma in Compliance Management, SMDP, Admitted Legal Practitioner of the High Court of Namibia

12. **Rowan Yeomans** South African (59)
Head: Internal Audit
FIIASA, Diploma Bank Credit Management

13. **Ester Kali** Namibian (46)
Executive Retail and Business Banking
CAIB(SA), MBA, LDP

14. **Sylvia Muller** Namibian (45)
Head: Credit Compliance
B Comm Hons (Accounting), CA

15. **Kobus Louw** South African (51)
Head: Corporate and Commercial Banking
CAIB(SA), B.Econ, MBA

16. **Louis Potgieter** Namibian (51)
Chief Operating Officer
CA (SA)

17. **Oscar Capelao** Namibian (35)
Group Chief Financial Officer
BCom Hons (Accounting), CA

18. **Susan Fick** South African (33)
Senior Manager: Special Project and Strategy
B Acc Hons. CA

Not present in the photograph:

Brian Katjaerua Namibian (39)
Group Legal Advisor
LLB, LLM (Econ.Law), LLM (Merc. Law) FA'ARB, MBA, Accredited Mediator of the High Court of Namibia
Admitted Legal Practitioner of the High Court of Namibia

CEO REPORT

BUILDING TO ACHIEVE SUCCESS ON A SOLID FOUNDATION WHILE CREATING SUSTAINABLE SHAREHOLDER VALUE

Once again, our determination to be the financial service provider of first choice for all Namibians has paid dividends. This objective demands of us that we offer world-class financial solutions. The reward is another successful year for FNB Namibia. Our CFO gives a comprehensive review of how this was achieved in his report. It is notable that - for the fifth year running - we received the Banker Magazine's Bracken Award for the best bank in Namibia.

These are still our building blocks for success:

1. Positioning ourselves as more than a retail bank
2. Maintaining growth in retail while enhancing the wealth sector
3. Becoming the employer of first choice
4. Improving brand equity with our clients
5. Moving from Bricks to Clicks
6. Remaining the most innovative bank

Vision to become a Valued Partner

1. Positioning ourselves as more than a retail bank

In the past two years we have dedicated ourselves to growing our Corporate, Commercial and Business segments without sacrificing growth in retail. It has paid off.

RMB Namibia

RMB Namibia was launched in September 2011 and incorporated as a non-banking subsidiary of FNB Namibia Holdings Ltd in December 2012. Subsequently, a fully-fledged RMB Namibia corporate and investment banking division was created. It brings together two teams - investment banking and treasury and corporate banking, thus creating a full suite of corporate and investment banking products. The new RMB Namibia was launched on 18 June 2014 and quickly demonstrated both the benefits of consolidation and the group's commitment to focussing more strongly on the corporate and SOE market.

Investment banking division

The investment banking team built on an already strong performance. Significant transactions included funding a new Airbus 330-200 for Air Namibia's long-haul routes; funding and trade products for B2Gold's Otjikoto gold mine; and co-funding Debmarine's new Mafuta mining vessel. Major arranging and funding mandates included those with the Namibian Government for its Sovereign ZAR bond, Nampower and Telecom Namibia,

The Real Estate Investment Banking business ("REIB") also began to show promising results. A strong pipeline of projects is being developed in real estate, infrastructure and resources, including some of Namibia's landmark projects.

Global Markets

Turmoil in global financial markets continued during the past financial year, with emerging markets bearing the full impact. Global investors are continually faced with challenges in making informed decisions on the yield and safety of their cash. This led to emerging market currencies, including the Namibian Dollar, experiencing significant volatility. Our focus on structured solutions in foreign currency, interest rates and commodities further strengthened the risk management solutions we offered and diversified our profit sources.

The SARB unexpectedly increased its benchmark interest rate by 50bps in January 2014, the first increase since June 2008. This had a positive impact on bond yields as foreign investors, chasing yields, invested in GRN bonds. Further rate hikes have also been priced into the long end of the yield curve, although the MPC has clearly stated that the inflation band (3-6%) will be closely monitored going forward. The BoN left the repo rate unchanged during this time, bringing rates of Namibia and South Africa on par, but subsequently increased the repo rate in June 2014 by 25bps to 5,75% on the back of an upward trend in inflation.

Corporate Banking

Corporate banking comprises mainly transactional and investment product offerings, as well as short-term lending to corporate clients.

Short-term funding requirements in the corporate market have been subdued for the past 24 months with lower than expected growth in overdrafts. Growth in deposits continues to be robust and contributes significantly to RMB Namibia's income. Interest margins remained under pressure during the year and RMB remained committed to diversifying revenue sources by focusing on non-interest income from increased transactional volumes.

Business banking (including Commercial, SME's, Agriculture and Tourism)

Our business banking offering has been reorganised to include commercial, business and SME banking, including niche offerings for agriculture and tourism.

These developments aim to achieve a seamless experience for clients transitioning between SME, business and commercial segments. The collaboration will result in better service and product offerings, leading to more customer satisfaction.

Our agriculture division launched a new product for bush encroachment – a first for Namibian agriculture. The division was one of four main sponsors of the first Agricultural Outlook Conference in Namibia. It coincided with the 50th anniversary of the Livestock Producers Organisation.

Tourism is working on a project to create an online statistics database in partnership with the Federation of Namibia Tourism Association (FENATA) and MyNamibia. It will substantially increase the quality of data to the benefit of the whole industry. FNB and FENATA have issued a regular tourism index since 2012, enabling tourism activity to be measured.

2. Maintaining growth in retail while growing the wealth segment

The retail segment continued to show good growth. Our vertical sales index (VSI), measuring sales in product offering and value adds per client, improved from 2.2 to 2.5 per client. Improvement continues to be driven by channel and value-add growth as more customers move towards cellphone, online and electronic banking. This is in line with the group's channel migration strategy.

FNB opened three new branches - Khomasdal in Windhoek and Arandis and Kuisebmond at the coast. The wealth segment comprises platinum and private client offerings. The latter has proved very successful. During the financial year we established an additional – and successful - private client office at the coast.

22% Growth in lifestyle accounts
18% Growth in transactional volumes
14% Growth in net advances
17% Growth in deposits
3 new branches opened
54 branches across Namibia

FNB continues to issue its housing index. It reflects developments in the national housing market and measures the movement of house prices and volumes in different regions.

3. Become the employer of first choice

We seek to be an employer of 1st choice. We use surveys like the internal People Pillar Survey to understand and recognise the needs of our people. Then we use the survey information to design action plans to remedy shortcomings.

Our People Pillar Survey measures engagement levels, which have improved each year since 2011. This year the figure rose from 74% to 79%, bettering our own target of 78%.

Ensuring that we have the right people in the right jobs is paramount. We recruit skilled and passionate employees; create a comprehensive employment offering beyond just reward and recognition; we implement a robust performance management process; and we have a system that rewards performance with salary increases.

We make sure that we retain the right people by identifying talent and effectively managing career and succession planning. This year, for the first time, we created a junior Executive Committee consisting of ten young employees with leadership skills. They were chosen by their peers from all business units and branches. The Junior Exco reports to the Executive Committee and will be responsible for specific projects such as our innovations initiative, staff engagement initiatives, process improvements, mentoring and training, values enhancements and much more. This platform will be used to develop future business leaders.

It is important that we communicate proactively with our people regularly and on matters affecting them. Communication is two-way process. We achieve it through a weekly staff publication and a tailor-made social media blog where we encourage feedback from our people.

The wellbeing of our employees has priority. A dedicated wellness team uses initiatives such as wellness days and medical information sharing. A dedicated emergency number is available to staff and their dependants for free and confidential professional counselling if needed.

Values are important too. They dictate how we do business. Our values have been refreshed, ensuring that they promote our customer service strategy, deepen our valued partner vision and live out our brand mantras:

WesBank We know how

RMB NAMIBIA Traditional values. Innovative ideas.

FNB how can we help you?

Living the values is not new to us at FNB. Quite deliberately, each value is now prefaced with the words "I am" so that each employee can make them their own.

4. Improving and maintaining brand equity with our clients

Our annual customer loyalty buzz barometer survey measures customer satisfaction in terms of products, pricing and service. This assists us to understand and act on customer needs and gauge customer loyalty. The corporate and commercial segment increased their net promoter score by 72% from 26.8 to 46.1. This is very encouraging as it has been a strategic focus over the past two years.

A customer opinion and satisfaction survey is conducted biannually across all of our 54 branches and business units. It measures service levels received by customers. The first opinion survey for the year was conducted in September and the overall score was 84%. The second survey was conducted in March 2014 and showed an encouraging increase of 2% to 86%.

We aim for service excellence. Our group service champion co-ordinates our service charter, a complaints management system called ServiceFirst. Comments across all business units help us to develop our customer service strategy for both internal and external clients.

We drive customer interactions across all brands in the group through effective, regular communication with consumers. We arrange customer evenings and events like corporate and business customer information-sharing sessions and economic updates. We use regular columns in newspapers and other appropriate channels to convey our thought leadership strategy.

Customer loyalty:
Corporate and Commercial net promoter score increased by 72%
Customer opinion survey 86% (2% increase from previous survey)

5. Moving from Bricks to Clicks

There is no doubt that mobile and electronic innovation is transforming the future of banking globally. With an increase in electronic transactions of 24% FNB continues to be a dominant player.

To increase efficiencies and deliver service FNB designated its electronic channels as a strategic focus area and dubbed it: 'moving from bricks to clicks'. We drive this through growth as measured by active customers, transaction volumes and transaction values across various channels like ATM's, cellphone, online banking, eWallet and point of sale.

24% overall growth in electronic transactions
32 new ATMs
341 additional point of sale devices
18% increase in online banking customers
285 426 active cellphone banking customers
237 550 active E-wallet customers
FNB Banking App and dot.Mobi launched

To complement existing channels, we introduced this year the DotMobi and the FNB banking App. These allow customers access to their banking profiles via smart phones or other devices.

We are still the only bank that offers an option to purchase pre-paid electricity electronically. This year we introduced three new electricity distributors to the list - Rehoboth, NoRed and Premier Electricity in Oshakati.

Namibian banks are under regulator pressure to reduce operating costs and deliver cheaper services to end consumers. To achieve this, we are encouraging customers to use electronic channels instead of cash. We use E-educators in our retail segment to teach customers how to use different electronic options. Through our pricing strategy we promote switching. Our electronic self-service channels are more affordable, convenient – and safe. Our Electronic Pricing Option (EPO) remains popular. It offers customers unlimited electronic transactions and a number of free ATM withdrawals for a fixed monthly fee. In July 2014 we increased the EPO fee to just N$104 per month; the first increase in six years.

Since its launch in November 2012, FNB's eWallet has processed 2.6 million transactions with a value of N$1 billion. We still market eWallet aggressively as customers discover its scope and the fact that it is available to non-FNB clients. eWallet promotes 'financial inclusion' by taking banking into remote rural areas, without the need for a bank account.

6. Remaining the most innovative bank

Several innovations and enhancements in business channels and operations
14 Employee Innovations successfully implemented

Innovation is an integral part of our DNA. In April 2013 we introduced cardless withdrawals, an innovation that gave customers immediate and easy access to their funds without having to use an ATM card.

Another exciting innovation is once-off payments on cell phones. Customers can pay individuals or selected public recipients at their own convenience, a facility previously available only through online banking. Furthermore, they are able to load additional recipients without going into a branch or using online banking.

Online banking kept pace with progress for both business and personal customers. The Chameleon project, implemented during the first quarter of the year, involved making ATMs more user-friendly. The changes were well received.

Our ATM technology "refresh" project was successfully completed and 130 ATMs were replaced with new models. By allowing customers the option of not requiring a receipt has saved 6.39 pine trees this year alone.

On 28 February 2013 the Bank of Namibia stopped the use of petrol cards for fuel purchases. Not all service stations accept debit or credit cards, but FNB has taken a lead by signing up 39 petrol stations who now accept bank cards.

All our Ingenico point-of-sale terminals were replaced with Gemalto terminals, resulting in faster connectivity across the country.

EMV chip-based credit and debit cards have been introduced and will help to reduce fraud and card-cloning.

We encourage staff throughout the organisation to come up with their own ideas to improve efficiency and we reward them accordingly. In the last financial year a total of 63 innovations were offered and 14 have already been implemented. The balance are still in the process of implementation.

The competition to innovate empowers our staff, enhances collaboration, adds value to the organisation and ensures that FNB lives out its value of innovation.

Maintaining a strong executive management team

A leader is only as strong and effective as the team he or she leads. This year we had the privilege of introducing two new members to our executive management team.

Mr Louis Potgieter, a Namibian, was appointed Chief Operating Officer in November. This is a new position. Our operations were restructured so that all back office supporting functions now report to him. This move enables us to reengineer back office processes, focus on customer delivery times and ensure a stable shared services platform. Louis had been with the FirstRand group from 2001, predominantly with RMB.

In February 2014 we welcomed Mr Garth Kleintjes as Chief Information Officer for the group. Garth has worked for FNB for nine years and has considerable experience in information technology. He was appointed in terms of our internal succession management plan.

We confidently expect that these two appointments will strengthen and diversify our existing executive management team.

Embracing the future

With a positive outlook for local economic growth - not withstanding a subdued global economy and increasing regulation - we remain positive about growing the group in the years ahead.

By strengthening our segmented approach we believe we can weather economic cycles while positioning ourselves to capitalise in growth areas as they arise. The past three years have been years of resilience and growth for the FNB group. In the next financial year the executive team will seize the opportunity to continue "building on success" on the solid foundation that now exists.

We have added two more areas of strategic focus for the upcoming year. Here is our full list of key objectives. We will:

1. Position ourselves as more than just a retail bank
2. Maintain growth in the Retail and Wealth Segments
3. Continue to move from Bricks to Clicks
4. Be the employer of first choice
5. Live our values
6. Remain the most innovative bank
7. Deliver on our service promise and position ourselves as a truly client-centric bank
8. Show zero tolerance for fraud, bribery and corruption

Changes that affect our environment

As the regulatory landscape changes, we are forced to re-look at the way we price our services. The recently announced removal of cash deposit fees for basic bank accounts, individual accounts and business accounts with a turnover of less the N$1 million, effective 30 March 2015, is anticipated to affect non-interest revenue. We plan to adjust our business model with a possible pricing adjustment but mainly to focus on cost-saving initiatives to mitigate this likely decline in revenue.

We are faced with new directives that will have an impact on our current FNB insurance broking business. Discussions with Namibia Financial Institutions Supervisory Authority (NAMFISA) continue. Once finalised, we may need to revisit the business model for this operating subsidiary.

Competition

With the arrival of new and possible further traditional and non-traditional competitors into the Namibian banking sector, we remain well positioned to continue to grow our business.

Appreciation

I take my hard hat off to all the builders of this great organisation. To the shareholders that serve as the architects, your plans to further build and strengthen this organisation are commendable. To all our stakeholders - you are the reason we continue to innovate – thank you. Given our owner manager culture, I have renewed hope that the FNB leadership and their teams will again contribute to a positive and strong growth year after year. Thank you for your hard work, commitment and passion.

Let's build and continue to grow this organisation and Namibia!

Ian Leyenaar
Chief Executive Officer

SUSTAINABILITY REPORT

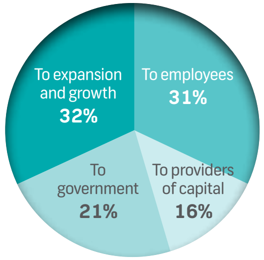
OUR MOST BASIC CONTRIBUTION TO SUSTAINABLE DEVELOPMENT LIES IN OUR CONTRIBUTION TO ECONOMIC GROWTH

UNDERSTANDING FNB'S BUSINESS MODEL

FNB remains resolute on building and maintaining a sustainable organisation in line with its holistic approach to business. Final responsibility for ensuring this goal is solidly reinforced in our corporate culture rests with the board and its delegated committees.

The contribution we continue to make to stakeholders is substantial. FNB achieves not only profitability but wealth for stakeholders. Our value added statement amply demonstrates this. Of the revenue generated, N$552 million was spent on salaries and other benefits to employees while we paid government N$386 million in tax. Shareholders received N$283 million in dividends.

The proportional distribution of our value added contribution is illustrated in the chart alongside:



Our environment

During the past year we moved ahead on our goal of reducing our environmental impact. Our new building project provided an ideal opportunity.

We determined to ensure that this new addition to the Windhoek skyline will meet the stringent criteria to qualify as a 4* certified Green Star building – the first in Namibia. Already the project, still in the building phase, has invigorated both a construction waste recycling industry and a building waste recycling industry. Both were struggling prior to the FNB development. FNB will contribute to the waste recycling company not only during construction but throughout its operational life too.

Because the building is in an arid area, saving water and controlling consumption are priorities. Water efficient fittings will be used throughout the building and an intricate water recycling system has been developed. Waste water from the entire building will be collected and stored in basement tanks for filtration and re-use. It will be supplemented by rainwater harvested from both the roof and podium.

As the basements lie below the level of the high water table, the development necessitated a sump pump for periods when the water table rises to basement level. Normally this water would be directed to the municipal storm-water system but FNB has decided instead to store it for watering the gardens.

All electrical and mechanical systems have been designed to be energy efficient while ensuring the comfort of occupants. The systems are designed to run constantly at maximum efficiency without comprising other operations.

The architectural design ensures that office areas have maximum exposure to natural light, minimising the need for artificial lighting during the day. The design also incorporates zoning so that not all portions of the floor plate need to be lit simultaneously, saving energy when the building is partially occupied.

The mechanical systems have been designed to incorporate a full economy cycle and night flushing to cool the building down before morning occupation. Glazing has been selected to minimise heat transfer from the outside.

But it is not ony in the new building that we have sought a more environmentally friendly approach. FNB installed solar power plants at its Disaster Recovery site and its Prosperita branch. On these sites alone, we expect to save 50% of our electrical consumption costs, amounting to approximately N$330,000 a year. That is just the beginning. FNB intends to continue its commitment to supporting alternative energy sources, by installing solar power plants in its new FNB head office building and at branches across the country.

Over the last four years FNB has facilitated a United Nations development programme under which 300 low-interest loans have been granted to fund installation of solar power.

Small advances add up. In October 2013 FNB introduced an option whereby customers could use an ATM without receiving a receipt. This year alone it is estimated that this small step has saved 6.39 pine trees.

Another important initiative has been the video conferencing facility. It not only cuts travel costs and carbon emissions but also allows executives to use time more efficiently.

We also continue to convert clients to electronic banking. Just over 21,000 clients have opted for electronic statements, double the number of two years ago. And there is potential for even further growth.

Our people

The team of almost 2 000 FNBers is key to ensuring the long-term sustainability of FNB's position as market leader in a highly competitive financial services industry. Staff are recognised for performance and rewarded according to their efforts. Rewards include a wide range of benefits and incentives, from cash to interest-free study loans to in-house training courses.

We continue to improve individual skills. Employees are exposed to learning and development through an on-line learning management system. The curriculum is linked to career paths within the group, which ensures appropriate career management and skills development.

The group also has a trainee development programme. Graduates combine on-the-job experience with classroom training for three months. More than 90% of these graduates are employed on a full-time basis after the course. Between July 2013 and March 2014 we took on 61 trainees.

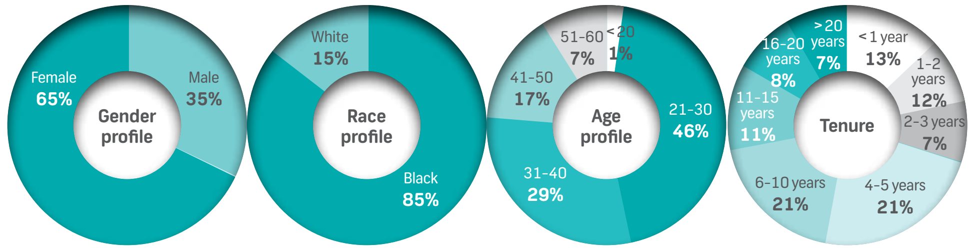
We recognise that leadership development is important to the sustainability of any organisation. Between 2011 and December 2013 we trained more than 180 leaders, managers and supervisors. Apart from enrolling selected employees in MBA courses and other senior leadership development programmes, we have worked with accredited institutions to create FNB-specific programmes that bring leadership development at all levels.

Managers and staff are also exposed to a coaching programme, designed to promote a performance culture, enhance the quality of work and increase ability to transfer skills. By reducing errors and minimising work that has to be redone, we increase productivity.

All the leadership programmes are designed specifically to promote better communication within and between teams and departments, leaders and staff. This will lead to better collaboration and organisational success.

The wellbeing of our employees has priority. A dedicated wellness team uses initiatives such as wellness days and medical information sharing. A dedicated emergency number is available to staff and their dependants for free and confidential professional counselling if needed.

The diversity embedded in our organistion is best illustrated by the 2014 employee statistics:



Our ethics

Good ethics are core to our business. As a player in the financial services industry, we simply cannot afford lapses that may compromise our integrity. That's why the group established a formal ethics committee to exercise oversight over the governance and functioning of the group-wide ethics programme. The group's code of ethics provides the cornerstone for ethics management. The CEO, in his capacity as a director of the group, chairs the ethics committee.

This committee has brought increased maturity and impact to its work during the year under review. A series of risk assessments – of culture and people - were conducted, some of which resulted in strategic and operational changes in certain areas and the proactive identification and management of several risk types. Our focus on promoting responsible business conduct led to intensified training on whistle blowing, conflict of interest, anti-bribery and corruption. Another focus is to promote responsible market conduct and ensure that the group remains compliant with regulations and industry best practice.

Our customers

Customer centricity is a strong focus point as we create a sustainable business. Our customers are increasingly using personal computers, tablets or mobile telephones to do their banking business. The benefit is that banking services are becoming more affordable. Customers want to be able to bank anytime and anywhere and that's why we will continue to invest in rapid innovation that will improve business processes. While improving services is the starting point, we will increase attention to compliance with legislation and regulations.

Today's start-up entrepreneurs are tomorrow's successful businessmen and women. They will help to develop a bigger Namibian economy with positive spin-offs for all. Thus we welcome the opportunity to help young entrepreneurs to realise their dreams through our SME division. Entrepreneurial innovation benefits all.

We serve as partner for various platforms that promote entrepreneurship and support Innovative start-ups. We look primarily at what start-up entrepreneurs need – and help them to get started by providing access to our services and offering affordable products. Our loans to SMEs total N$60 million.

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.

The programme was aimed at distributing wealth and empowering the previously disadvantaged. It catered for staff members and BEE partners. The 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$309 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 deserving reason.

The company has 2 516 registered shareholders of which 2 401 are Namibian. They own almost 104 million shares, valued at more than N$2.4 billion at 30 June 2014.

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 comprises eleven members of which six are black and two female. Forty five per cent of board members are Namibian. Namibians make up 79% of the leadership team; 25% are black and 37% are female.

Our suppliers

Although 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 have developed a scoring matrix in which BEE compliance is one of the factors influencing the allocation of tenders and contracts.

We still actively seek new suppliers to broaden our supplier database. For our new Head Office, we will continue to procure locally as far as possible.

Corporate Social Investment Report by the Chairperson of the FNB Foundation, *Jane Katjavivi*

Sustainability as a business practice which creates value for stakeholders by managing environmental, social and governance factors that affect the company's ability to generate sustainable profits. The company's core values have been recently refreshed. They serve as a guide when making business decisions and in our dealings with stakeholders, including colleagues, customers, investors, suppliers, the community and the environment.

FNB shows its commitment to society by contributing 1% of after-tax profit to the FNB Foundation annually. These funds are applied to build a better Namibia for all. The group believes that all Namibians are stakeholders who have an interest in a sustainable business. This means FNB will continue to focus on being a responsible corporate citizen who provides positive benefits for stakeholders.

Building our Communities through Corporate Social Responsibility

At the ground-breaking ceremony for the new FNB head-office building on Independence Avenue on 7 June 2013, guests were asked to put items into a glass time capsule to be cemented in the walls. The idea was that if this were opened in 100 years, the items inside would provide a sense of life in Namibia in 2013.

I put in two objects. One was the autobiography of former Deputy Prime Minister Dr Libertina Amathila, Making a Difference. It says so much about Namibia's political and social history over the past 50 years, the attainment of Independence, and national reconstruction. The other was a copy of FNB's Corporate Social Responsibility Policy adopted in 2012. This policy was developed through many FNB forums, and guides the practice and policies of both FNB and the FNB Foundation.

Within this framework, the Foundation has moved away from ad hoc donations to small projects. Its emphasis is on strategic social investments in the community and environment in support of sustainable, projects dealing with national challenges. We choose projects that have a proven track record of building capacity and helping communities to help themselves.

Partnerships with the Ministry of Education and Culture and the Ministry of Health and Social Services have continued. The Foundation supports the training of school heads of departments through the African Leadership Institute and CWIClinic Mobile clinics – one of which was recently opened by the Ministry in DRC, Swakopmund.

Other projects supported by the Foundation are:

- SMEs Compete, which works with and mentors people setting up and running SMEs.
- Aflatoun and Aflateen – training teachers to educate young children on their rights and responsibilities, how to manage their personal finances, and how to save. The Foundation provided support to extend the Aflatoun programme to the Hardap Region.
- Amos Meerkat Project – printing booklets for pre-school education for children of farm workers.
- San Development Programme Back to School Awareness Campaign in the Office of the Prime Minister.
- Lifeline/Childline lollipop campaign, raising awareness of Lifeline's work and giving the number for their free telephone counselling call centre – 116.
- REPPSI – training 20 community-based care-givers through a distance learning programme on community-based work with children and youth.
- Alternatives to Violence Project – training workshops to help people to resolve conflict without resorting to violence, and equipping them with skills to mediate challenges in their families and work places.
- CHANGE – skills training for former prisoners.
- Windhoek Craft Centre – training people to sell crafts.
- Etameko – a project among women engineers at the Polytechnic of Namibia to develop solar-powered street lamps to help make communities safer at night.
- Global Leadership Summit.

Heritage and Culture

We have supported a wide range of projects including the Legendary Dress Competition; Polytechnic of Namibia Cultural Festival; work on the forthcoming musical film Katutura; the historical documentary Paths to Freedom; Africavenir's programme of African films with socially relevant themes; the design and printing of copies of the book Legacies of a Colonial Town, which looks at the history of Windhoek; the //Ae//Gams Arts and Cultural Festival; the musical Meme Mia at the National Theatre; I am the Key children's TV programme on NBC; the Ombetja Yehinga Organisation, a community dance troupe that creates dances with a social message; and choral development through Voices of Namibia and the Namibia Gospel Music Trust.

Sports

The FNB Foundation leads private sponsorship of sports development programmes for children in tennis, rugby and cricket, and has also supported gymnastics and mountain biking. It continues to support Global United Football.

Emergency Drought Relief

The devastating drought of 2013 meant that many rural communities, particularly in northern and north-western Namibia, experienced serious food scarcity in the past year. Crops failed and livestock died or had to be sold at very low prices. The Foundation took up the challenge, engaging with experts in FNB Agriculture division, the Ministry of Agriculture, and local community and church leaders, to devise means to help communities. The result was a proposed project that would have taken cattle (five from each family) from the communal area where grazing had disappeared, to a feedlot where they would have been fed for three months. While discussions were continuing, the drought broke and 2014's good rain saved the situation for many communities. However, we believe the model is a good one and should be considered for future drought relief programmes.

CFO REPORT

SOLID ASSET GROWTH, LOW IMPAIRMENTS AND INCREASING TRANSACTIONAL VOLUMES

This year's performance was underpinned by consistent execution of our identified strategies. It led to solid balance sheet growth, low impairments and increasing transactional volumes. Profit before tax passed the one billion mark to N$1 171 million. Profit for the year increased by 29% to N$785 million (2013: N$608 million). Earnings per share increased to 298 cents (2013: 230 cents).

Predictably, the great results saw year on year improvement in key ratios: return on average equity improved to 30.9% (2013: 25.7%), return on average assets of 3.2% (2013: 2.8%) and cost to income ratio 47.3% (2013: 49.4%)

The group consists of two key operating entities: First National Bank of Namibia Limited (FNB) and OUTsurance Insurance Company of Namibia Limited (OUTsurance). The banking group was the main contributor to earnings. FNB Insurance Brokers, FNB Unit Trusts, FNB Trust Services, RMB Investments and property owning also made a contribution, as did the consolidation adjustments. Banking's dominant role is well illustrated by the segment contribution to profits: banking 93%; OUTsurance 3%.

Performance commentary

Statement of comprehensive income

Interest income

Net interest income increased by 15.5% to N$1 138 million (2013: N$985 million), on the back of an 18% growth in average advances and 17% growth in average deposits. This was despite a 0.06% margin squeeze, mostly due to a higher cost of funding, up 0.07% year on year. The 50 basis point interest rate increase in South Africa in January 2014 put pressure on funding costs. But slightly lower average interest earned on advances was off-set by higher margins on overnight placements, keeping interest earned on assets steady at 7.27% year on year.

Impairment losses

The total impairment charge was N$18.4 million (2013: N$23.4 million), which included a N$7.5 million portfolio impairment charge. The specific impairment charge remains low, reflecting our continued focus on quality asset growth and our effectiveness in recovering bad debts previously written off. Prolonged consumer-friendly low interest rates contributed to the low impairments. Non-performing loans decreased by 11% to N$141 million. All non performing loans have been fully provided for after taking into consideration the value of security held. The components of the impairment charge in the current and prior year is summarised below:

	2014		2013	
	N$m	**% average advances**	N$m	% average advances
Specific impairments	**10.9**	**0.06%**	29.2	0.19%
Portfolio charge/(release)	**7.5**		(5.8)	
Total impairment charge	**18.4**	**0.10%**	23.4	0.15%

Non-interest income

The 21% growth in the number of accounts over the past year brought a 23% increase in fee and commission income. And growth in our electronic delivery channels brought 24% - confirmation that our strategy to create innovative electronic channels is working. The benefits are passed on to our customers through lower charges. Self service banking has increased to 69% of total volume of transactions. By contrast, revenue earned is only 27% of total fee and commission income. Although three new branches – Arandis, Khomasdal and Kuisebmond - were opened during the year, electronic banking transactions increased by 28% while traditional banking operations increased by only 3%.

Fair value income increased by 28%, contributing N$131 million (2013: N$102 million). The global markets component increased by 12% to N$76 million.

Net insurance premium income and net claims and benefits paid

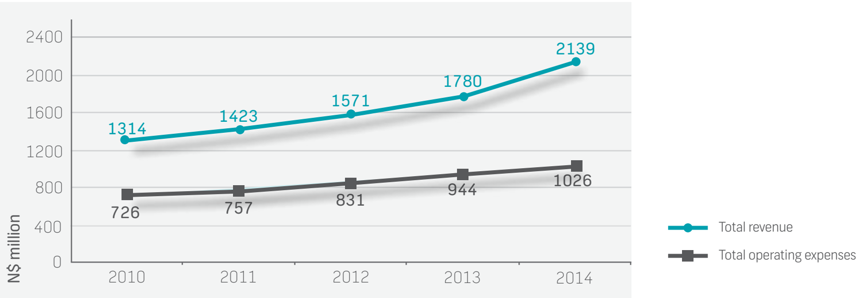
OUTsurance Namibia's premium growth of 26% for the financial year ending 30 June 2014, was driven mostly by sales of personal-line products. Profit after tax, however, was in line with the previous year, although the company did not experience the same growth due to a higher net loss ratio. The loss ratio remained within industry norms. Commercial-line products achieved the required scale and delivered their first underwriting profit this financial year.

Operating expenses

After containing the increase in operating expenditure to 6% in 2013, an increase of 13.25% occurred this year. This included investment costs in increasing our footprint - three new branches were opened and 25 additional ATMs installed. We also replaced 130 old ATMs. Computer and processing costs increased by 20%, including improved front-end customer interfacing systems and increased band width - ensuring speedier client delivery and improved efficiency.

We are pleased to report that the increase in operating expenses has been more than rewarded by revenue generation, as illustrated in the chart below. This positive trend is also reflected by a continued improvement in our cost to income ratio of 47.3% (2013: 49.4%).

Total revenue vs. operating expenses – banking group

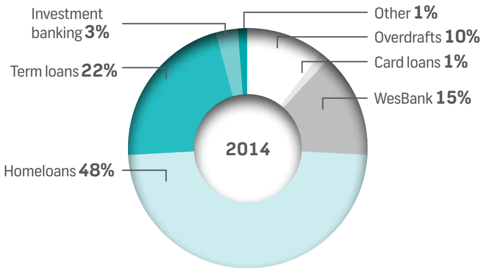


Statement of financial position

The group's total assets grew by 16.7% to N$26.3 billion. Advances, making up 76% of the balance sheet, showed a year on year increase of 17.8% to N$20 billion. Growth throughout the year remained ahead of private credit extension which grew by 15.4% according to Bank of Namibia. Average advances showed a year on year increase of 18.5%. Our strategy to increase the weighting of our corporate lending activities continued to meet with success, reflected in average advances growth of 40%.

Retail advances grew by 14% to N$5.2 billion. With a 15% growth in both WesBank and home loans, FNB remains the market leader in home loans and vehicles. Mortgage loans constituted 48% (2013: 49%) of FNB's advances book. This is not considered a concentration risk because the Namibian property market is stable and active. On average the loan to value ratio is close to 70%, which is considered good.

Over the past year the relative composition of the various categories of advances remained fairly stable as illustrated in the chart below.



The ratio of non-performing loans to average gross advances continued to improve, reducing to 0.9% (2013: 1.1%). Non-performing loans decreased by 11% to N$141 million (2013: N$158 million) – further testimony to our focus on asset quality.

Deposits increased by 14% to N$21.5 billion. Additional N$493 million funding was sourced from interbank lending at wholesale rates, bringing the total funding increase to 17%. Diversifying both sources and term of funding is closely monitored, and has improved materially, especially from a liquidity perspective. Retail deposits grew by 17% to more than N$7 billion – a valuable source of funding.

Conclusions

Despite increasing competition and regulatory interventions to limit cash deposit fees, we are confident of not only maintaining but improving our value-add to all stakeholders in the year ahead. This will be achieved by FNB remaining consistent in its strategy to focus on core banking and related services, especially electronic delivery platforms. Increased strength in the corporate and investment banking arenas and Global Markets will also contribute to a desired critical mass in the business.

Although we anticipate a gradual climb in interest rates, we do not expect impairments to be adversely impacted next year. Loss ratios should remain relatively low, reflecting our responsible lending credit policy. We will, however, experience increased costs associated with risk management. The compliance environment, although essential, is onerous.

As stewards of this great Namibian company, we will continue to devote ourselves to the interests of our clients, employees, shareholders and wider society.

Oscar Capelao
Group Chief Financial Officer

TEN YEAR REVIEW

EXECUTION OF OUR SUSTAINABLE BUSINESS MODEL RESULTING IN DELIVERY OF CONSISTENTLY GOOD RESULTS OVER THE LONG TERM

STATEMENT OF FINANCIAL POSITION

N$ million	2014	2013*	2012	2011*	2010*	2009	2008	2007	2006	2005
Assets										
Cash and cash equivalents	**868**	690	1 002	428	455	357	345	226	208	203
Due from banks and other financial institutions	**1 766**	1 889	1 926	763	851	479	1 004	116	170	
Derivatives financial instruments	**92**	94	27	24	57	130	38	22	39	5
Advances	**19 991**	16 965	14 077	12 464	11 227	10 486	9 142	8 726	7 862	6 709
Investment securities	**2 833**	2 273	2 144	1 644	2 800	1 899	2 068	1 152	967	839
Accounts receivable	**140**	188	216	135	117	116	95	155	102	182
Tax asset						1	17			8
Investment in associates	**3**	4	4	25	23	21	5			6
Property and equipment	**552**	377	287	279	267	236	188	164	158	152
Intangible assets	**7**	16	11	17	56	59	67	62	71	79
Deferred tax asset	**3**	3	3	2	6	1	20	34	39	35
Policy loans on investment contracts					27	23	19	3	1	
Reinsurance assets	**1**		1	1	50	287	390	8	8	3
Investment properties							4	6	6	12
Non-current assets and disposal group held for sale				1 382	1	5				
Total assets	**26 256**	22 499	19 698	17 164	15 937	14 100	13 402	10 674	9 631	8 233
Equity and liabilities										
Liabilities										
Deposits	**21 522**	18 836	16 239	13 306	12 046	10 601	9 676	7 817	7 812	6 706
Due to banks and other financial institutions	**813**	319	48	44	54	23	354	831	124	
Short trading position				52						
Derivative financial instruments	**109**	129	60	22	58	116	62	33	40	4
Creditors and accruals	**294**	160	230	229	185	297	247	152	114	133
Tax liability	**58**	143	152	24	32	5	1	104	1	17
Employee liabilities	**150**	122	128	112	98	22	38	34	30	28
Deferred tax liability	**71**	48	19	3		18			35	46
Policyholder liabilities under insurance contracts	**63**	50	45	42	999	927	1 104	188	147	109
Policyholder liabilities under investment contracts					44	36	38			
Other liabilities	**6**	10								
Tier two liabilities	**393**	393	393	270	270	261	236	251		
Policy holders liabilities relating to discontinued operations						32	19	24	26	15
Liabilities directly associated with non-current assets classified as held for sale				1 074						
Total liabilities	**23 479**	20 210	17 314	15 178	13 786	12 338	11 775	9 434	8 329	7 058
Equity										
Ordinary shares	**1**	1	1	1	1	1	1	1	1	1
Share premium	**162**	174	182	188	192	195	258	264	266	267
Reserves	**2 583**	2 086	2 179	1 631	1 759	1 444	1 224	975	1 035	907
Capital and reserves attributable to the equity holders of the group	**2 746**	2 261	2 362	1 820	1 952	1 640	1 483	1 240	1 302	1 175
Non-controlling interests	**31**	28	22	166	199	122	144			
Total equity	**2 777**	2 289	2 384	1 986	2 151	1 762	1 627	1 240	1 302	1 175
Total equity and liabilities	**26 256**	22 499	19 698	17 164	15 937	14 100	13 402	10 674	9 631	8 233

* Restated

STATEMENT OF COMPREHENSIVE INCOME

N$ million	2014	2013*	2012	2011*	2010*	2009	2008	2007	2006	2005
Continuing operations										
Interest and similar income	**1 910**	1 635	1 525	1 415	1 388	1 582	1 504	1 212	926	815
Interest expense and similar charges	**(772)**	(650)	(635)	(575)	(630)	(839)	(775)	(601)	(443)	(392)
Net interest income before impairment of advances	**1 138**	985	890	840	758	743	729	611	483	423
(Impairment losses) / reversal of impairments of advances	**(18)**	(23)	42	12	(13)	(38)	(72)	(68)	(29)	(23)
Net interest income after impairment of advances	**1 120**	962	932	852	745	705	657	543	454	400
Non-interest income	**1 087**	869	740	605	574	433	403	380	344	281
Net insurance premium income	**126**	99	84	72	56	185	160	120	108	89
Net claims and benefits paid	**(71)**	(51)	(41)	(41)	(38)	(125)	(117)	(44)	(42)	(30)
Decrease / (increase) in value of policyholder liabilities: insurance contracts						73	84	(38)	(37)	(29)
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	**2 262**	1 879	1 719	1 487	1 335	1 256	1 199	969	829	709
Operating expenses	**(1 070)**	(944)	(884)	(769)	(719)	(694)	(618)	(521)	(454)	(400)
Net income from operations	**1 192**	935	835	718	616	562	581	448	375	309
Share of profit from associates	**1**	2	3	5	5	2	6	(1)	(3)	1
Income before tax	**1 193**	937	838	723	621	564	587	447	372	310
Indirect tax	**(22)**	(20)	(17)	(17)	(16)	(12)	(18)	(13)	(13)	(3)
Profit before tax	**1 171**	917	821	706	605	552	569	434	359	307
Direct tax	**(386)**	(309)	(282)	(242)	(202)	(185)	(160)	(130)	(102)	(91)
Profit for the year from continuing operations	**785**	608	539	464	403	367	409	304	257	216
Discontinued operations										
Profit attributable to discontinued operations			1	75	56					
Profit after tax on sale of discontinued operations			232							
Profit for the year	**785**	608	772	539	459	367	409	304	257	216
Other comprehensive income for the year	**(1)**	(5)	6		6					
Total comprehensive income for the year	**784**	603	778	539	465	367	409	304	257	216
Reconciliation of earnings attributable to ordinary shareholders and headline earnings										
Earnings attributable to ordinary shareholders	**774**	597	762	496	429	354	384	303	256	211
Headline earnings adjustments										
(Profit) / Loss on sale of fixed assets		(2)			(1)		1		(1)	(6)
Profit on deemed disposal of associate	**(9)**									
Loss / (Profit) 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) on disposal of subsidiary			(232)				(34)			
Impairment of intangible asset			5							
Gains on initial recognition of VISA shares							(16)			
Headline earnings	**765**	595	526	496	428	353	330	300	254	204

* Restated

RATIOS AND SELECTED FINANCIAL INFORMATION

N$ million	2014	2013*	2012	2011*	2010*	2009	2008	2007	2006	2005
Number of ordinary shares issued ('000)	**267 593**	267 593	267 593	267 593	267 593	267 593	267 593	267 593	267 593	267 593
Ordinary shares issued after share trust eliminated ('000)	**259 786**	259 390	259 016	258 789	258 502	258 395	264 384	264 323	264 347	264 347
Weighted number of ordinary shares in issue ('000)	**259 676**	259 221	258 992	258 699	258 471	260 226	264 384	264 331	264 347	258 496
Number of preference shares in issue	**2**	2	2	2	2	2	2	2	2	2
Earnings per ordinary share (cents)	**297.7**	230.2	294.3	191.8	166.1	136.1	145.2	114.7	96.7	81.6
Headline earnings per share (cents)	**294.7**	229.9	203.1	191.6	165.7	135.6	124.6	113.5	95.0	78.7
Diluted earnings per share (cents)	**294.7**	229.9	294.3	191.8	166.1	136.1	145.2	114.7	96.7	81.6
Return on assets (earnings on average assets) (%)	**3.2**	2.8	4.1	3.0	2.9	2.6	3.2	3.0	2.9	2.7
Return on assets (earnings on average assets) (%) - normalised	**3.2**	2.8	2.9	2.8						
Return on equity (earnings on average equity) (%)	**30.9**	25.9	36.4	26.3	23.9	22.7	28.2	23.9	20.6	19.1
Return on equity (earnings on average equity) (%) - normalised	**30.9**	25.9	25.8	24.6						
Cost to income ratio (%)	**47.3**	49.4	52.4	52.2	48.9	50.5	48.1	48.0	49.0	49.8
Critical mass (%)	**4.1**	4.2	4.5	4.5	4.5	4.9	4.6	4.9	4.7	4.9
Net asset value per share (cents)	**1 057.0**	871.6	912.0	703.2	755.1	634.9	561.0	469.3	492.7	444.6
Market capitalisation	**6 197**	5 151	3 923	3 307	3 093	3 158	2 665	2 119	1 873	1 606
Price to Book	**2.2**	2.2	1.6	1.8	1.6	1.9	1.8	1.7	1.4	1.4
Dividend information:										
Dividends per share - ordinary dividend declared (cents)	**122**	100	82	77	67.0	56.0	53.0	47.0	40.0	32.0
based on current year profits										
Dividends per share - ordinary dividend paid (cents)	**109**	87	82	72	59.0	55.0	48.0	44.0	34.0	28.5
based on dividends paid within financial year										
Dividend per share - special dividend (cents)			180	170				93.0		
Dividend yield - ordinary dividend (%)	**5.3**	5.2	5.6	6.2	5.8	4.7	5.3	5.9	5.7	5.3
Dividend yield - special dividend (%)			12.3	13.8				11.7		
Dividend cover (times) based on total dividends	**2.4**	2.3	1.1	0.8	2.4	2.4	2.4	0.8	2.4	2.5
Earnings yield (%)	**12.9**	12.0	20.1	15.5	14.4	11.5	14.6	14.5	13.8	13.6
Closing share price - ordinary (cents)	**2 316**	1 925	1 466	1 236	1 156	1 180	996	792	700	600
Price / Earnings ratio	**7.8**	8.3	5.0	6.4	7.0	8.7	6.9	6.9	7.2	7.4
Impairment charge/(reversal) vs. net advances (%)	**0.1**	0.2	(0.3)	(0.1)	0.1	0.4	0.8	0.8	0.4	0.4
Non-interest revenue as a % of total revenue	**0.5**	0.5	0.5	0.4	0.5	0.5	0.4	0.5	0.5	0.5
Capital adequacy										
Banking group	**17.1**	16.2	17.2	20.4	20.3	20.7	20.0	20.3	18.4	21.2
OUTsurance - solvency margin	**37.0**	42.9	35.1	35.1	32.4	53.1	85.2	77.7	83.9	75.0
Number of staff	**1 940**	1 883	1 808	1 791	1 664	1 601	1 463	1 433	1 406	1 363

* Restated

CAPITAL MANAGEMENT REPORT

FNB IS APPROPRIATELY CAPITALISED FOR A RANGE OF NORMAL AND SEVERE SCENARIOS AND POSSIBLE STRESS EVENTS

The overall capital management objective is to maintain sound capital ratios to ensure confidence in the solvency and quality of capital in the group during calm and turbulent periods in the economy and financial markets.

The board-approved capital plan is updated annually by the group CFO and covers a three-year horizon. The main purpose of the plan is to optimise the level and composition of capital to support the group's strategy, and takes the following into account:

- Targeted capital ratios
- Current regulatory developments and proposed changes
- Future business plans
- Appropriate buffers in excess of minimum requirements
- Stress testing scenarios
- Rating agency requirements

The group maintains a capital position commensurate with its overall risk profile and control environment as determined by the internal capital adequacy assessment (ICAAP). The board considers the ICAAP when setting an internal capital buffer over the minimum regulatory requirement.

ICAAP is key to the group's risk and capital management processes as it is an integral tool in meeting the capital management objectives. ICAAP allows and facilitates:

- the link between business strategy, risk introduced and capital required to support the strategy;
- the establishment of frameworks, policies and procedures for the effective management of material risks;
- the embedding of a responsible risk culture at all levels in the organisation;
- the effective allocation and management of capital in the organisation;
- the development of recognised stress tests to provide useful information which serve as early warnings/triggers, so that contingency plans can be implemented; and
- the determination of the capital management strategy and how the group will manage its capital during business as well periods of stress.

Stress testing and scenario analysis are an integral part of capital planning, and are used to ensure that the group ICAAP considers the impact of extreme but plausible scenarios on its risk profile and capital position. It provides insight into the potential impact of significant adverse events and how these could be mitigated through appropriate management actions.

Management has established appropriate governance structures in our capital planning and assessment methodology. The key committees involved in the process are the Asset and Liability (ALCO), Balance Sheet Management as well as Risk, Capital and Compliance (RCC) Committees.

Capital adequacy

Supply of capital

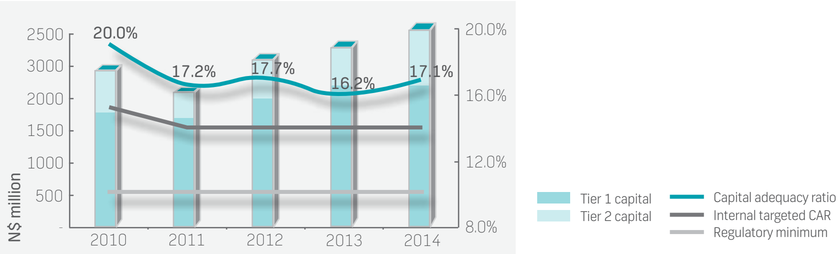
The group's planning process ensures that the total capital adequacy and tier 1 ratios remain within approved ranges or above target levels across economic and business cycles. FNB is appropriately capitalised for a range of normal and severe scenarios and possible stress events as attested in the latest ICAAP completed. 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.

During the year FNB comfortably exceeded the regulatory minimum requirements, and also operated in excess of the group's internal target levels for both total capital and tier one capital. At 30 June 2014 total capital adequacy ratio is 17.1%, with tier 1 at 13.8%. The level of capital mostly reflects internal capital generated of N$461 million, being retained earnings after taking into account dividends.

Demand for capital

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

The following graph depicts the change in capital levels over the past five years, with the capital adequacy ratio continuing to exceed the minimum requirement:



Regulatory developments and current compliance

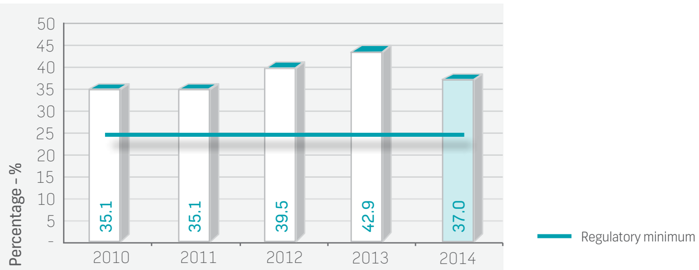
Since the implementation of Basel II in Namibia on 1January 2010, the group has fully complied with the Basel II framework as set out under the Banking Institution's Determination (BID-5) by the Bank of Namibia (BON). The standardised approaches for determining the capital requirements for credit, operational and market risks are still applied whilst engaging the BON on the potential implementation of more advanced approaches in the future.

As a subsidiary of a South African banking group, FNB adopted Basel III on 1 January 2013 and has been reporting on this basis to the South African Reserve Bank (SARB). On 1 January 2014, the SARB increased its minimum capital ratios to 10.25 per cent as part of its transition to the end state minimum requirements communicated to all South African banking groups. FNB Namibia comfortably exceeded the requirements set out by the SARB.

More regulatory changes are expected, especially given the potential implementation of Basel III rules in Namibia. As a result of these potential changes, the group believes it is appropriate to remain both strongly capitalised, well in excess of regulatory minimum requirements.

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 15%. The solvency margin at 30 June 2014 was 37.0% (2013: 42.9%), a sound and healthy position. OUTsurance declared a dividend of N$16 million for the year ended 30 June 2014 (2013: N$16 million).



Capital adequacy of FNB

N$'000	Banking group 2014 N$m	Banking group 2013 N$m	Consolidated group* 2014 N$m	Consolidated group* 2013 N$m
Risk weighted assets				
Credit risk	**15 666**	13 830	**15 778**	13 873
Market risk	**35**	38	**35**	38
Operational risk	**2 335**	2 041	**2 475**	2 170
Total risk weighted assets	**18 036**	15 909	**18 288**	16 081
Regulatory capital				
Share capital and share premium	**1 143**	1 143	**248**	248
Retained profits	**1 498**	1 056	**2 342**	1 863
50% investment in deconsolidated entities			**(3)**	(4)
Capital impairment: intangible assets	**(157)**	(176)	**(6)**	(11)
Total tier 1 capital	**2 484**	2 023	**2 581**	2 096
Eligible subordinated debt	**390**	390	**390**	390
50% investment in deconsolidated entities			**(3)**	(4)
General risk reserve, including portfolio impairment	**201**	171	**201**	171
Total tier 2	**591**	561	**588**	557
Total tier 1 and tier 2 capital	**3 075**	2 584	**3 169**	2 653
Capital adequacy ratios				
Tier 1	**13.8%**	12.7%	**14.1%**	13.0%
Tier 2	**3.3%**	3.5%	**3.2%**	3.5%
Total	**17.1%**	16.2%	**17.3%**	16.5%
Tier 1 leverage ratio	**9.5%**	9.0%	**9.9%**	9.4%

*Consolidated group reporting in terms of Bank of Namibia determination on Consolidated Supervision (BID-24).

Oscar Capelao
Group Chief Financial Officer

RISK REPORT

EFFECTIVE RISK MANAGEMENT – A CORE FOUNDATION IN OUR BUSINESS

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 markets 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 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 embedded in the group's tactical and strategic decision making.

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.

Overview of top and emerging risks for 2014

- Although the debt crisis in Europe has stabilised somewhat, concerns exist that the slowdown in emerging market economies, coupled with US quantitative easing tapering, pose a risk to growth prospects in Namibia.
- Consumers' disposable income will remain constrained resulting in continued pressure on the retail credit book performance and growth. This may also result in increased levels of non-performing loans (NPLs) including unsecured lending portfolios.
- With global cybercrime increasing, renewed focus is being placed on protecting the group against external and internal breaches. The implementation of new controls improved the management of fraud risk and resulted in fewer losses for the year compared to 2013.
- The group took note of the volume and speed of regulatory change which remain challenging both globally and locally, requiring agility from the group with concomitant high compliance costs. This is further exacerbated by international requirements such as the Foreign Account Tax Compliance Act and Office of Foreign Asset Control Sanctions, which do not form part of Namibia law, but which banks have to apply in order to maintain correspondent banking relationships and secure inward funding.
- Foreign Account Tax Compliance Act (FATCA) requires all financial institutions to register. The group is currently taking measures to design appropriate policies, processes and procedures in order to meet the reporting, withholding and identification requirements. FNB is part of the FirstRand Group and aims to participate and comply with FATCA as far as national laws in Namibia provide. The group is also cognisant of the broader initiatives taken by the Organisation for Economic Co-operation and Development as well as the United Kingdom's initiative relating to the Crown Dependency jurisdictions and will align such policies, processes and procedures to incorporate such requirements where necessary and insofar possible under local laws.
- Recognising the challenges with Know Your Client requirements, the group embarked on an electronic solution to store all customer information. The group expects this initiative to improve the accuracy of customer data and improve customer service when client documentation is available at the application stage for all products.
- BON indicated to all banks the desire to move to BOP3 (Balance of Payment version 3). The group has allocated a project team to this initiative to ensure that the significant investment in systems to enable the reporting meets all the regulatory requirements.
- The group's operational risks remained within appetite. Expected losses accounted for the bulk of losses, while unexpected losses contributed to budget variances for losses in the group. The total value of losses for the year was also down, while recoveries improved. While aggressive growth plans will lead to increases in expected losses, improvements and focus on the control environment are expected to offset this, resulting in slower growth in fraud and other losses.
- The group also implemented several control improvement projects during the year, which included new systems and technological processes to reduce operational risk and consequent losses. A process-based risk and control identification and assessment are being rolled out across the group over a period. It will replace risk control self assessments to ensure that a comprehensive assessment of risks and controls across end-to-end business processes is conducted.
- Risk maturity assessments were conducted across the group to identify key processes requiring improvements. Projects to address these are tracked and reported at a group level through the risk governance process.

Risk governance structure

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.

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 culture

The group and its investors, debt holders and regulators recognise that effective risk management requires the maintenance of a proper risk culture, in addition to appropriate risk governance structures, policy frameworks and effective risk and capital methodologies.

Culture, the net result of how the organisation lives its values, is a strong driver of behaviour. Understanding and managing cultural attitudes towards risk and cultural attitudes that create risk, receive significant attention in the group.

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, Group Internal Audit (GIA) coordinates its work with senior management and Enterprise Risk Management (ERM), Regulatory Risk Management (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.

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.

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

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.

Market risk

Market risk refers to the actual and potential losses on and off balance sheet positions arising from movements in market prices. This type of risk pertains in particular to short term trading in assets, liabilities, and derivative products, as well as relating to changes in interest rates, exchange rates, commodity prices and other market factors. The group operates within a risk management framework where principles of managing risks associated with trading positions are set.

Trading and dealing limits are approved by the board, with the day-to-day operations and utilisation thereof resting with the group treasurer. 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 monthly to relevant risk monitoring structures in the group and to the chief executive officer of the group.

In terms of the market risk framework, a sub-framework of the BPRMF, responsibility for determining market risk appetite vests with the board, which also retains independent oversight of market risk related activities through the Risk Capital and Compliance committee (RCC). Market risk exposures are primarily measured and managed using an Expected Tail Loss (ETL) measure and ETL limits. The ETL measure used by the group is a historical simulation measure assessing the average loss beyond a selected percentile. The ETL is based on a confidence interval of 99% and applicable holding periods.

Stress testing provides an indication of potential losses that could occur under extreme market conditions. ETL assessment provides a view of risk exposures under stress conditions. Additional stress testing, to supplement ETL assessment, is conducted using historical market downturn scenarios and includes the use of what-if hypothetical and forward-looking simulations. The stress test calibrations are reviewed regularly to ensure that results are indicative of the possible impact of severely distressed and event driven market conditions. Stress and scenario analyses are regularly reported to and considered by the relevant governance bodies.

Interest rate risk

Interest rate risk is the sensitivity of the balance sheet and income statement to unexpected, adverse movements in interest rates. Interest rate risk arises primarily from the endowment effect and interest rate mismatch. The endowment effect, which results from a large proportion of endowment liabilities (including stagnant deposits and equity) that fund variable-rate assets (e.g. prime-linked mortgages), remains the primary driver of interest rate risk in the grouping book (IRRBB) and results in earnings being vulnerable to interest rate cuts. The interest rate risk stemming from the endowment effect is managed in collaboration with the FirstRand Portfolio Management Team and the associated risk can be hedged depending on the interest rate view held by the balance sheet management committee of the group.

Interest rate risk originates from the differing repricing characteristics of balance sheet instruments, yield curve risk, basis risk and client optionality embedded in grouping book products. It is an inevitable risk associated with grouping and can be an important source of profitability and shareholder value. Interest rate risk continues to be managed from an earnings approach, with the aim to protect and enhance earnings and economic value within approved risk limit and appetite levels.

The control and management of Interest rate risk is governed by the framework for the management of interest rate risk, which is a sub-framework of the BPRMF. Ultimate responsibility for determining risk limits and appetite for the group vests with the board. Independent oversight for monitoring is done through the RCC committee, who, in turn, has delegated the responsibility to ALCO.

ALCO also remain responsible on behalf of the board for the allocation of sub-limits and remedial action to be taken in the event of any limit breaches.

Liquidity risk

The group distinguishes three types of liquidity risk:

- funding liquidity risk is the risk that a group will not be able to effectively meet current and future cash flow and collateral requirements without negatively affecting the normal course of business, financial position or reputation;
- market liquidity risk is the risk that market disruptions or lack of market liquidity will cause the group to be unable (or able, but with difficulty) to trade in specific markets without affecting market prices significantly; and
- mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of highly liquid assets are held either to be sold into the market or provide collateral for loans to cover any unforeseen cash shortfall that may arise.

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 groups 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 management is governed by the liquidity risk management framework (LRMF), which provides relevant standards in accordance with regulatory requirements and international best practices. As a sub-framework to the BPRMF, the LRMF is approved by the board and sets out consistent and comprehensive standards, principles, policies and procedures to be implemented throughout the Group to effectively identify, measure, report and manage liquidity risk.
The board retains ultimate responsibility for the effective management of liquidity risk. The board has delegated its responsibility for the assessment and management of this risk to the RCC committee, which in turn delegated this task to ALCO. ALCO's primary responsibility is the assessment, control and management of both liquidity and interest rate risk for the group.

The group acknowledges liquidity risk as a consequential risk that may be caused by other risks as demonstrated by the reduction in liquidity in many international markets as a consequence of the recent credit crisis. The group is, therefore, focused on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position of the organisation to ensure business activities preserve and improve funding stability. This ensures the group is able to operate through a period of stress when access to funding is constrained.

Regulatory risk management (RRM)

The group's RRM function plays an integral part in managing risks inherent in the group. The group fosters a compliance culture in its operations that contributes to the overall objective of prudent regulatory compliance and risk management by observing both the spirit and the letter of the law as an integral part of its business activities. The compliance culture also embraces broader standards of integrity and ethical conduct which concerns all employees.

The objective of the RRM function is to ensure that business practices, policies, frameworks and approaches across the organisation are consistent with applicable laws and that regulatory risks are identified and managed proactively throughout the group. This culminates in the maintenance of an effective and efficient regulatory risk management framework with sufficient operational capacity throughout the group to promote and oversee compliance with legislative and best practice requirements. In order to achieve the group's regulatory risk management objectives, staff members are trained and made aware of compliance requirements in order to ensure a high level of understanding and awareness of the applicable regulatory framework.

The group seeks to achieve full compliance with statutes and regulations and every effort is made to ensure that governance policies and practices and the implementation thereof appropriately aligns to regulatory requirements and industry best practice requirements.

Responsibility for compliance with all relevant laws, related internal policies, regulations and supervisory requirements is delegated by the board to senior management and the RRM function monitors compliance. In order to assist board members to make informed judgements on whether the group is managing its regulatory and compliance risks effectively, the head of RRM has overall responsibility for coordinating the management of the group's regulatory risk, including monitoring, assessing and reporting on the level of compliance to senior management and the board.

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. The group believes that effective management of operational risk is key to the achievement of its business strategy. Accordingly, there is ongoing evaluation of existing frameworks, policies, methodologies, processes, systems and infrastructure for relevance and to ensure that operational risk management practices are in line with regulatory developments and emerging best practices.

Operational risk strategic objectives for the year ahead continue to focus on building an effective and forward-looking operational risk management programme, encompassing, amongst other things, the management and oversight of IT and infrastructure risk, internal and external fraud, litigation, business disruption and process risk. The key operational risk strategic objectives are:

- embedding operational risk management systems and processes;
- optimising benefits of automated and integrated risk tools;
- embedding and monitoring adherence to operational risk appetite limits;
- ongoing refinements of the maturity of the ORM components and methodologies;
- continuing improvements to the control environment; and
- maintaining a healthy relationship with the Regulator.

Business areas within the group continued to rollout using a phased in approach, the process-based risk and control identification and assessment methodology (PRCIA) aimed at comprehensive identification and assessment of risks and controls within end-to-end business processes per product/service.

The group's IT risk and governance functions have been integrated within ERM, with relevant governance forums in place to ensure continued monitoring and mitigation of IT risk across the group. The group's IT and related frameworks are being reviewed to ensure alignment with changing business models and technology landscapes

The board has delegated its approval and review authority for operational risk to the Enterprise Risk Management committee (ERMC), a subcommittee of the RCC committee. ERMC is responsible for monitoring the implementation of the ORMF and oversight over the management of operational risk across the group. The ORMF prescribes the authorities, governance and monitoring structures, duties and responsibilities, processes, methodologies and standards which have to be implemented and adhered to when managing operational risk.

Within operational risk, a number of key risks exist for which specialists, frameworks, policies and processes have been established. These are fraud specialists, physical security, business continuity management, legal risk and information technology risk, who provides oversight which is integrated into the broader operational risk management and governance processes.

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

In the second line of control, ERM is responsible for consolidated operational risk reporting, policy ownership and facilitation and coordination of operational risk management and governance processes.

GIA as the third line of control, provides independent assurance of the adequacy and effectiveness of operational risk management processes and practices. In line with international best practice, a variety of tools are employed and embedded in the assessment and management of operational risk.

The most relevant of these are outlined in the following chart:

Operational risk assessment and management tools

Risk control self assessments and process-based risk control identification and assessment	Key risk indicators
• integrated in the day-to-day business and risk management processes; • used by business and risk managers to identify and monitor key risk areas and assess the effectiveness of existing controls; and • process-based risk and control identification and assessment (currently being implemented) is the risk and control assessment per product/service based on key business processes.	• used across the group in all businesses as an early warning measure; • highlight areas of changing trends in exposures to specific key operational risks; and • inform operational risk profiles which are reported periodically to the appropriate management and risk committees and are monitored on a continuous basis.
Internal/external loss data	**Risk scenarios**
• the capturing of internal loss data is well entrenched within the group; • internal loss data reporting and analyses occur at all levels with specific focus on root cause, process analysis and corrective actions; and • external loss databases are used to learn from loss experiences of other organizations and as inputs to the risk scenario processes.	• risk scenarios are widely used to identify and quantify low frequency extreme loss events; • senior executives of the business actively participate in the biannual reviews; and • results are tabled at the appropriate risk committees and are used as input to the capital modelling process.

New business risk

The group strives to maintain its accolade as the most innovative bank and as a result, various initiatives and products are developed. All risks regarding new products or systems are analysed and approved in line with the risk appetite to ensure compliance with regulatory, legal, tax, accounting, pricing, strategic and any other relevant risk management requirements.

New business risk is governed by a group policy and all new products required approval from the different risk owners before implementation.

People risk

The group recognises that business performance and good risk management practices rely on people to constantly do what is required to achieve the desired outcomes. The management of people risk is seen as a strategic imperative, whereby the future strategic initiatives inform the planning of resources availability. People risk is the measurement of human capital (skills, performance and knowledge) to achieve the strategy.

People risk is governed by a robust policy and quarterly reports are reviewed by the board.

Information technology risk

Information technology is a key enabler of the group and any risk resulting from system malfunction, unavailability, security breaches or inadequate systems investment, development or implementation are tracked by the risk team.

Information risk is governed by various policies and frameworks. The group has a separate IT risk committee which submits a quarterly report to the ERM committee and the board.

Strategic and business risk

Any business runs the risk of choosing an inappropriate strategy or failing to execute its strategy appropriately. The group's objective is to minimise this risk in the normal course of business. Business risk is considered in the strategic planning process and as a part of regular and pervasive stress testing and scenario analyses carried out across the group. The objective is to develop and maintain a portfolio that delivers sustainable earnings and minimises the chance of adverse outcomes.

The development and execution of business level strategy is the responsibility of the strategic executive committee (stratco) and the individual business areas, subject to approval by the board. This includes the approval of any subsequent material changes to strategic plans, budgets, acquisitions, significant equity investments and new strategic alliances.

Strategic risk is not readily quantifiable and is not a risk that an organisation can or should hold a protective capital buffer against. The risk to earnings on the other hand can be assessed and this forms an explicit part of the group's risk processes.

Reputational risk

As a financial services provider, the group's business is one inherently built on trust and close relationships with its clients. Reputational risk can arise from environmental, social and governance issues or as a consequence of financial or operational risk events. The group's reputation is built on the way in which it conducts business and it protects its reputation by managing and controlling these risks across its operations. It seeks to avoid large risk concentrations by establishing a risk profile that is balanced within and across risk types. In this respect, potential reputational risks are also taken into account as part of stress-testing exercises.

The group aims to establish a risk and earnings profile within the constraints of its risk appetite and seeks to limit potential stress losses from credit, market, liquidity or operational risks that may otherwise introduce an undesirable degree of volatility in its financial results and adversely affect its reputation.

Environmental, social and governance (ESG) risk management

The group has formal governance processes for managing ESG risks. These processes involve the generation of ESG management reports at group level, which detail ESG performance on a quarterly basis.

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. Additional governance structures include the OUTsurance Group's Board Audit, Risk and Compliance Committee as well as the Internal Risk, Reinsurance and Investment Committees.

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. Reinsurance arrangements are governed by a board approved Reinsurance Policy.

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.

Reputational risk

Our brand and reputation are important to us and guarded through a variety of control and measurements that are monitored throughout our business. Various processes are in place to ensure that policyholders receive awesome service and are treated fairly. Our stakeholders should associate our name with a credible, long term sustainable insurer and behaviour that can harm our reputation is closely monitored.

Compliance risk

Regulatory compliance describes the goal to ensure that our staff members are aware of and take reasonable steps to comply with the relevant laws and regulations. To this end, we provide on-going awareness and training programmes. Our compliance and governance processes are pro-active in nature to ensure compliance and also in identifying and acting on legislative changes. Our Compliance department undertake regular compliance assessments of the relevant legislation as agreed in an annual Compliance Plan.

Operational risk

The risk of a loss caused by the failure or inadequacy of internal processes, people or systems falls under the operational risk category. The risk is managed with reference to our risk management strategy and framework which sets out the procedures to identify, assess, mitigate, monitor and report on operational risks. The internal control environment is subject to continuous review by the Internal Audit, Quality Assurance and Risk Management functions.

Johan du Plessis
Head of Risk

ANNUAL FINANCIAL STATEMENTS

FNB NAMIBIA HOLDINGS GROUP

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 group has complied in all material respects with the requirements set out in BID2 with regards to asset classification, suspension of interest and provisioning. The group's policies with this regard are stated in the notes on accounting policies, disclosed on pages 63 to 81.

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 2015. 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 60. The consolidated annual financial statements of the group and company, which appear on pages 57 to 179 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
8 August 2014

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 system 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 a 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
7 August 2014

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FNB NAMIBIA HOLDINGS LIMITED

We have audited the consolidated annual financial statements and the separate annual financial statements of FNB Namibia Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2014, 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 61 to 179.

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 2014 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

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 2014

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

Resident partners:
E Tjipuka (Managing Partner), RH McDonald, J Kock, H de Bruin, J Cronje, A Akayombokwa,

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. 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 of Namibia 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 Investments (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 (2013: 990 000 000) ordinary shares of 0,5 cents each and 10 000 000 (2013: 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 30 October 2014 members will be asked to consider an ordinary resolution placing the number of un-issued 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%	(2013: 58.4%)
Government Institutions Pension Fund	14.8%	(2013: 14.8%)

A detailed analysis of shareholders is set out on page 184.

Share analysis – preference shares

RMB-SI Investments (Pty) Limited	100%	(2013: 100%)

FNB Share Incentive Scheme (the trust)

No new shares were allocated during the year by the company to the trust (2013: nil). Staff exercised options on 2 152 397 (2013: 3 075 00) shares during the year. The total number of shares held by the trust at 30 June 2014 amounts to 7 307 724 (2013: 7 703 357). 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	**2014**	2013
Ordinary dividends		
Final dividend of 67 cents (2013: 54 cents)	**179 287**	144 500
Interim dividend of 55 cents (2013: 46 cents)	**147 176**	123 093
Total distribution for the 12 months of 122 cents per ordinary share (2013: 100 cents per ordinary share)	**326 463**	267 593

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.

DIRECTORS' REPORT *continued*

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 57 to 179 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 on pages 44 to 47.

Directorate
At the group's annual general meeting held on 28 November 2013, directors JR Khethe, SH Moir, MN Ndilula and II Zaamwani-Kamwi 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)	I J M Leyenaar* (Chief Executive Officer)
J J Comalie	S H Moir *
C J L Giddy*	M N Ndilula
C L R Haikali	P T Nevonga
L J Haynes *	I I Zaamwani-Kamwi
J R Khethe*	*# German* ** South African*

Board changes
Mr John Macaskill, an alternate director, retired from the board in May 2014.

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. Principal accounting policies

1.1 Introduction
FNB Namibia Holdings Group (the group) is an integrated financial services group consisting of banking, insurance, advisory services and unit trust 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:

- The accounting requirements relating to defined benefit post-employment plans as set out in IAS 19 Employee Benefits as amended in June 2011. 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 standard also contains revisions to the calculation of the amount included in profit or loss in respect of the return on plan assets and enhanced disclosure requirements for defined benefit plans. Refer to accounting policy 22.1 for the accounting policy on defined benefit post-employment plans and note 43 for the impact of the change in accounting policy.

- A package of five standards on consolidation, joint arrangements, associates and disclosures was issued. These comprise IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (IAS 27R) and IAS 28 Investments in Associates and Joint Ventures (IAS 28R). Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify the transitional provisions for the first-time application of the standards. In the current year, the Group applied the requirements of the new and revised standards, together with the amendments regarding the transitional guidance.

- IFRS 13 Fair Value Measurement was issued in order to eliminate inconsistencies in the guidance on how to measure fair value and disclosure requirements that exist under the different IFRS that require or permit fair value measurement. The revised measurement requirements did not have a significant impact on the net asset value of the Group for the current financial year. The revised disclosure requirements of IFRS 13 have been incorporated in the notes to the annual financial statements for the year ended 30 June 2014. The requirements of IFRS 13 are applicable on a prospective basis and in terms of the transitional provisions no comparatives are required for the new disclosures. Therefore, no prior year amounts have been restated as a result of the adoption of IFRS 13 and comparative information has not been provided in the disclosures.

- The amendments to IFRS 7 Financial Instruments: Disclosure require entities to provide additional disclosures relating to recognised financial assets and financial liabilities that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The additional disclosures include information about the gross amounts subject to rights of set off, amounts set off in accordance with the accounting standards and the related net credit exposure as well as information about the rights under enforceable master netting and similar arrangements. This amendment addresses disclosure in the annual financial statements only and does not affect the amount of offsetting applied to financial assets and financial liabilities in the group's statement of financial position.

2. Basis of preparation

The group's consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("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; and
- employee benefits liabilities, valued using projected unit credit methods.

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 40.

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 all companies and structured entities over which the group has control. The group has control over an investee when the group is exposed, or has the rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When assessing whether control exists the group considers all existing substantive rights that result in the current ability to direct relevant activities. 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.

The group consolidates a structured entity when the substance of the relationship between the group and the structured entity indicates that the group controls the structured entity.

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 group uses the acquisition method of accounting to account for business combinations. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return. It is presumed that a business exists if goodwill is present in the acquired set of assets and activities. Evidence to the contrary would be needed to overcome this presumption.

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. Non-controlling interests may initially be measured at either fair value or 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 measurement choice 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 of the subsidiary 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 transactions with equity holders. 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. Consolidation *continued*

3.4 Associates

Associates are entities over which the group has significant influence but does not control or jointly control. Significant influence is presumed to exist when the group has power over between 20% and 50% of the voting rights.

The group includes the results of associates in its consolidated financial statements using the equity accounting method from the date of acquisition. Refer to accounting policy 3.5, equity accounting, for details on the application of the equity accounting method.

Equity accounting is discontinued from the date that the group ceases to have significant influence over the associate or from the date that the investment is classified as a non-current asset held for sale in accordance with IFRS 5.

Investments in associates 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.

3.5 Equity accounting

When equity accounting is applied to an investment in an associate or joint venture the investment is initially recognised at cost. The carrying amount is subsequently increased or decreased to recognise the group's share of the profit or loss from the investee after the date of acquisition. Goodwill on the acquisition of associates and joint ventures is included in the equity-accounted carrying amount.

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. Changes in our share of the net asset value that are not recorded in the in the investee's other comprehensive income are recorded directly in equity. These amounts are recycled to profit or loss when the investment ceases to be equity accounted.

The most recent audited annual financial statements of associates and joint ventures are used by the group in applying the equity method of accounting. These are not always drawn up to the same date as the financial statements of the group. Where the reporting date of the associate is different from that of the group, the group uses the most recently available financial statements of the associate as well as reviews the associates management accounts for material transactions during the in-between period. In instances where significant events occurred between the last reporting date of an associate or joint venture and the reporting date of the group, the effect of such events are adjusted for. The group has applied this principle consistently since adopting the equity accounting method for associates.

Certain loans and other long-term interests in associates and joint ventures are considered to be in substance part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates and joint ventures are included in advances on the face of the statement of financial position. However, the value of such loans is included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes.

At each reporting period the group assess whether there is any objective evidence as described in IAS 39 Financial Instruments: Recognition and Measurement in relation to an investment in an associate or joint venture. If such evidence of impairment exists, the entire carrying amount of the investment, including the goodwill and other long-term interests, is tested for impairment in terms of IAS 36 Impairment of Assets. Any resulting impairment losses are recognised in gains less losses from investing activities.

When equity accounting is discontinued the group measures any investment it has retained in the entity at fair value and recognises the resulting gain or loss in gains less losses from investing activities. The gain or loss is measured as the difference between the fair value of the retained investment and the carrying amount of the original investment at the date on which equity accounting is discontinued. After discontinuing equity accounting, the group accounts for any retained investment in the entity in accordance with the relevant IFRS as appropriate.

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 associated undertaking.

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 transferred asset. Accounting policies of the associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

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; and
- items to which hedge accounting is applied.

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 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 income in non-interest income. 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.

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.

11. Direct and indirect taxes *continued*

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 to which 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.

Present obligations arising under onerous contracts are recognised and measured as provisions. 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.

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. 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.

15. Financial instruments

15.1 General

Financial instruments carried on the statement of financial position include all assets and liabilities, including derivative instruments which include insurance contracts where the insured item is a financial instrument at fair value through profit or loss. 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, non-current assets, disposal groups held for sale and provisions are excluded from financial instruments. 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.

15.2 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
- 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.

15. Financial instruments *continued*

15.2 Financial instruments at fair value through profit or loss *continued*

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.

15.3 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.

15.4 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. If the group sells more than an insignificant amount of held-to-maturity investments, the entire category is considered to be tainted in terms of IAS 39 and would have to be reclassified as available-for-sale.

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

15.5 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.

15.6 Classification of financial liabilities, equity instruments and compound financial instruments

The group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. 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.

Compound instruments are those financial instruments that have components of both financial liabilities and equity. At initial recognition the compound financial instruments are split into its separate components and accounted for as financial liabilities or equity as appropriate. The group separately measures and recognises the fair value of the debt component of an issued convertible bond as a financial liability, with the residual value allocated to equity.

The initial fair value of the liability component is recognised at the fair value of a similar non-convertible instrument. The equity component is initially recognised as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying values.

15. Financial instruments *continued*

15.7 Measurement of financial 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 is recognised in profit or loss over the period of the borrowing using the effective interest method. Refer to accounting policies 4 and 5 for the accounting treatment applied to interest expense and fair value gains or losses.

The group calculates interest on the liability component of compound financial instruments based on the market rate for a non-convertible instrument at the inception thereof.

15.8 Offsetting financial instruments

The group offsets financial assets and liabilities and presents the net amount 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.

15.9 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.

15.10 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.

15.11 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.

15. Financial instruments *continued*

15.11 Sale and repurchase agreements *continued*

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 onsold to third parties, in which case the obligation to return these securities is recognised as a financial liability at fair value with any gains or losses included in fair value income.

16. Impairment of financial assets

16.1 General

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

16.2 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).

16. Impairment of financial assets *continued*

16.2 Assets carried at amortised cost *continued*

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.

16.2.1 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.

16.2.2 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. 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.

16.2.3 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

16.3 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.

17. 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");hedge of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction ("cash flow hedge");or
- hedges of a net investment in a foreign operation (net investment hedges).

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.

17.1 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 interest accrued or paid relating to interest rate swaps and hedged items are reflected in interest income or interest expense. Effective changes in fair value of currency futures are reflected in non interest income. Other gains or losses, including the ineffective portion of all fair value hedges, are 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.

17.2 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 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.

18. 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 immediately written down 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.

19. 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 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.

20. Leases

20.1 A group company is the lessee

20.1.1 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.

20. Leases *continued*

20.1 A group company is the lessee *continued*

20.1.2 Operating leases

The group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. The group recognises operating lease payments as an operating expense in profit or 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 disclosed as 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.

20.2 A group company is the lessor

20.2.1 Finance leases

The group recognises as advances assets sold under a finance lease at the present value of the lease payments receivable. 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.

20.2.2 Operating leases

The group includes in a separate category as "assets held under operating lease" property and equipment assets leased out under operating leases. The group 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.

20.3 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.

21. Intangible assets

21.1 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.

21.2 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.

21.3 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.

21. Intangible assets *continued*

21.4 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.

21.5 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.

22. Employee benefits

22.1 Post-employment benefits

The group operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee administered funds. A defined contribution plan is one under which the group pays a fixed contribution and has no legal or constructive obligation to pay further contributions. All post-employment plans that do not meet the definition of a defined contribution plan are defined benefit plans.

For defined contribution plans the group recognises the contributions as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The defined benefit plans are funded by contributions from employees and the relevant group companies, taking into account the recommendations of independent qualified actuaries.

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. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The present value of 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 payments required to settle the obligation resulting from employee service in current and prior periods. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating to the terms of the related pension liability. In the absence of a deep and liquid bond market the rates on government bonds are used.

The following items are included in profit or loss for the period as part of staff costs:

- current service costs calculated on the projected unit credit method;
- past service costs relating to plan amendments made in the current period;
- gains or losses on curtailments that took place in the current period; and
- net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability.

All other remeasurements in respect of the obligation, including actuarial gains or losses, are recognised in other comprehensive income. The remeasurements recognised in other comprehensive income will not be reclassified to profit or loss.

These funds are registered in terms of the Pension Funds Act, 1956, and membership of the pension fund is compulsory for all group employees.

22.2 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 at the earlier of when the group can no longer withdraw the offer of the termination benefit and when the group recognises any related restructuring costs.

22. Employee benefits *continued*

22.3 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 new Labour Act of 2007, when:

- 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.

22.4 Leave pay accruals

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

22.5 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. 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.

24. Share capital

24.1 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.

24.2 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.

24.3 Shares held by employee share trusts

Certain of the group's remuneration schemes are operated through various share trusts. These share trusts are considered to be structured entities. In instances where the group has control over the share trust in terms of IFRS 10 they are consolidated. 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.

25. 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.

25. Segment reporting *continued*

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.

26. 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.

26.1 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.

26.2 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..

27. 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 standards. 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 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:

- 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.

28. 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.

29. Insurance

29.1 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.

Short term insurance contracts

29.2 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.

29.3 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.

29.4 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.

29.5 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.

29. Insurance *continued*

29.6 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.

29.7 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.

29.8 Outstanding insurance contract claims

Provision is made on a prudent basis for the estimated final costs of:

- 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. Reclassification of prior year numbers

During the financial year the following reclassification was made to the statement of comprehensive income. Refer to note 43 for impact of reclassification of prior year.

Statement of comprehensive income	Reason for restatement
Operating expenses Direct tax Actuarial gains and losses on post-employment benefit liabilities	Amendments to IAS 19 require that all actuarial gains and losses in respect of defined benefit post-employment plans are recognised in other comprehensive income. In addition the standard no longer requires the expected return on plan assets to be recognised in profit or loss, rather than a net interest income/expense be recognised on the net asset or liability. All other re-measurements relating to plan assets are also recognised in other comprehensive income.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June

N$'000	Note	2014	2013*
Interest and similar income	2	**1 909 521**	1 634 997
Interest expense and similar charges	2	**(771 519)**	(650 033)
Net interest income before impairment of advances		**1 138 002**	984 964
Impairment losses of advances	13	**(18 433)**	(23 366)
Net interest income after impairment of advances		**1 119 569**	961 598
Non-interest income	3	**1 087 351**	868 549
Net insurance premium income	4	**125 795**	99 725
Net claims and benefits paid	5	**(71 079)**	(50 915)
Income from operations		**2 261 636**	1 878 957
Operating expenses	6	**(1 069 398)**	(944 265)
Net income from operations		**1 192 238**	934 692
Share of profit from associates after tax	16.4	**557**	1 971
Income before tax		**1 192 795**	936 663
Indirect tax	7.1	**(21 971)**	(19 757)
Profit before tax		**1 170 824**	916 906
Direct tax	7.2	**(386 216)**	(309 285)
Profit for the year		**784 608**	607 621
Other comprehensive income			
Items that will not subsequently be reclassified to profit and loss			
Actuarial gains and losses on post-employment benefit liabilities		**(1 885)**	3 874
Deferred income tax	19	**622**	(1 278)
		(1 263)	2 596
Items that will subsequently be reclassified to profit and loss			
Available-for-sale financial assets			
Gains and losses arising during the year		**449**	(7 427)
Deferred income tax	19	**413**	474
		862	(6 953)
Other comprehensive income for the year		**(401)**	(4 357)
Total comprehensive income for the year		**784 207**	603 264
Profit for the year attributable to:			
Equity holders of the parent		**773 170**	596 651
Non-controlling interests		**11 438**	10 970
Profit for the year		**784 608**	607 621
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**772 769**	592 294
Non-controlling interests		**11 438**	10 970
Total comprehensive income for the year		**784 207**	603 264
Earnings per share (cents)			
Basic and diluted earnings per share (cents)	8.2	**297.7**	230.2

**Restated – refer to restatement of prior year numbers in note 43.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June

N$'000	Note	2014	2013
Assets			
Cash and cash equivalents	10.1	**867 579**	690 340
Due from banks and other financial institutions	10.2	**1 766 327**	1 888 968
Derivative financial instruments	11	**92 031**	94 987
Advances	12	**19 990 782**	16 964 679
Investment securities	14	**2 833 146**	2 272 753
Accounts receivable	15	**140 446**	187 764
Tax asset		**341**	
Investments in associates	16	**3 168**	3 994
Property and equipment	17	**551 620**	376 737
Intangible assets	18	**6 700**	15 825
Deferred income tax asset	19	**3 115**	3 173
Reisurance assets	20	**572**	221
Total assets		**26 255 827**	22 499 441
Equity and liabilities			
Liabilities			
Deposits	21.1	**21 522 377**	18 835 676
Due to banks and other financial institutions	21.2	**812 964**	319 084
Derivative financial instruments	11	**109 281**	128 612
Creditors and accruals	22	**294 364**	159 410
Tax liability		**57 494**	143 117
Employee liabilities	23	**150 098**	122 336
Deferred income tax liability	19	**70 432**	48 582
Policyholder liabilities under insurance contracts	24	**62 993**	50 490
Other liabilities	25	**6 030**	9 806
Tier two liabilities	26	**392 622**	392 620
Total liabilities		**23 478 655**	20 209 733
Equity			
Capital and reserves attributable to equity holders			
Ordinary shares	27	**1 299**	1 297
Share premium	27	**161 998**	174 167
Reserves		**2 582 614**	2 086 581
Capital and reserves attributable to the equity holders of the group		**2 745 911**	2 262 045
Non-controlling interests		**31 261**	27 663
Total equity		**2 777 172**	2 289 708
Total equity and liabilities		**26 255 827**	22 499 441

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June

N$'000	Share capital	Share premium	Share capital and share premium	Defined benefit post-employment reserve	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
Balance at 1 July 2012	1 295	181 477	182 772		42 232	12 231	14 749	6 747	2 103 305	2 179 264	21 593	2 383 629
Prior period restatement on adoption of IAS 19R				1 330					(1 330)			
Restated balance at 1 July 2012	1 295	181 477	182 772	1 330	42 232	12 231	14 749	6 747	2 101 975	2 179 264	21 593	2 383 629
Total comprehensive income for the year							(6 953)		599 247	592 294	10 970	603 264
Staff share option transactions						7 027				7 027		7 027
Ordinary dividends									(692 004)	(692 004)	(4 900)	(696 904)
Transfer to / (from) reserves					33 135			1 648	(34 783)			
Movement in other reserves				2 596					(2 596)			
Transfer of vested equity options						(1 818)			1 818			
Consolidation of shares held by share trusts	2	(7 310)	(7 308)									(7 308)
Balance at 30 June 2013	1 297	174 167	175 464	3 926	75 367	17 440	7 796	8 395	1 973 657	2 086 581	27 663	2 289 708
Total comprehensive income for the year				(1 263)			862		773 170	772 769	11 438	784 207
Staff share option transactions						6 262				6 262		6 262
Ordinary dividends									(282 998)	(282 998)	(7 840)	(290 838)
Transfer to / (from) reserves					22 416			3 042	(25 458)			
Transfer of vested equity options						(4 477)			4 477			
Consolidation of shares held by share trusts	2	(12 169)	(12 167)									(12 167)
Balance at 30 June 2014	1 299	161 998	163 297	2 663	97 783	19 225	8 658	11 437	2 442 848	2 582 614	31 261	2 777 172

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June

N$'000	Note	2014	2013
Cash flows from operating activities			
Cash receipts from customers	31.2	3 088 159	2 583 058
Cash paid to customers, suppliers and employees	31.3	(1 836 901)	(1 584 227)
Cash flows from operating activities	31.1	1 251 258	998 831
Increase in income earning assets	31.4	(3 413 588)	(2 957 481)
Increase in deposits and other liabilities	31.5	3 329 373	2 800 109
Net cash generated from operations		1 167 043	841 459
Income taxes paid	31.6	(461 039)	(318 300)
Net cash inflow from operating activities		706 004	523 159
Cash flows from investing activities			
Acquisition of property and equipment	31.7	(222 072)	(133 707)
Proceeds from the disposal of property and equipment		510	3 268
Dividends from associate company			1 880
Net cash flows from investing activities		(221 562)	(128 559)
Cash flows from financing activities			
Acquisition of shares for share trusts		(12 167)	(7 308)
Dividends paid	31.8	(282 998)	(692 004)
Payment of finance lease liabilities		(4 198)	(2 100)
Dividends paid to non-controlling interests		(7 840)	(4 900)
Net cash outflow from financing activities		(307 203)	(706 312)
Net increase in cash and cash equivalents		177 239	(311 712)
Cash and cash equivalents at the beginning of the year*		690 340	1 002 052
Cash and cash equivalents at the end of the year*	10.1	867 579	690 340

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 63 to 81.

2. Analysis of interest income and interest expenditure

	2014			
N$'000	Fair value	Amortised cost	Non-financial assets and liabilities	Total
Interest and similar income				
- Advances		1 663 215		1 663 215
- Cash and cash equivalents		76 232		76 232
- Investment securities	143 700	3 599		147 299
- Unwinding of discounted present value on non performing loans		6 560		6 560
- Unwinding of discounted present value on off-market advances		1 649		1 649
- On impaired advances		(880)		(880)
- Net release of deferred fee and expenses		15 170		15 170
- Other		276		276
	143 700	1 765 821		1 909 521
Interest expense and similar charges				
- Deposits from banks and financial institutions		23 806		23 806
- Current accounts		87 304		87 304
- Savings deposits		7 723		7 723
- Call deposits		218 196		218 196
- Term deposits		111 906		111 906
- Negotiable certificates of deposit		292 587		292 587
- Tier two liabilities		29 259		29 259
- Other			738	738
		770 781	738	771 519

	2013			
N$'000	Fair value	Amortised cost	Non-financial assets and liabilities	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 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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

3. Non-interest income

N$'000	2014	2013
Fee and commission income:		
– Card commissions	85 838	50 770
– Cash deposit fees	148 950	119 195
– Commissions: bills, drafts and cheques	30 840	25 939
– Service fees	373 240	289 137
– Fiduciary service fees	8 676	8 131
– Other commissions	283 038	234 753
Banking fee and commission income	930 582	727 925
– Brokerage income	55 988	53 447
– Unit trust and related fees	15 321	18 026
– Reinsurance commission received by insurance companies	4 611	3 170
Non banking fee and commission income	75 920	74 643
Fee and commission income	1 006 502	802 568
Fee and commission expenses:		
– Transaction processing fees	(54 452)	(31 237)
– Cash sorting handling and transportation charges	(6 899)	(5 631)
– Card and cheque book related	(4 569)	(851)
– Insurance operations	(4 995)	(3 714)
– ATM commissions paid	(2 511)	(2 596)
– Other	(4 518)	(11 456)
Fee and commission expenses	(77 944)	(55 485)
Fee and commission income, by category		
– Instruments at amortised cost	921 906	719 794
– Non financial assets and liabilities	84 596	82 774
Fee and commission income	1 006 502	802 568
Fee and commission expenses	(77 944)	(55 485)
Net fee and commission income	928 558	747 083

Non banking fee and commission income 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	2014	2013
Fair value gains or losses:		
– Foreign exchange trading	76 852	68 346
– Treasury trading operations	6 241	(321)
– debt instruments trading	2 463	3 287
– derivatives revaluation	1 525	(7 908)
– other	2 253	4 300
– Designated at fair value through profit or loss	48 007	34 138
Fair value gains or losses	131 100	102 163

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

3. Non-interest income *continued*

N$'000	2014	2013
Portfolio analysis for fair value income		
Held for trading	83 093	68 025
Designated at fair value through profit or loss	48 007	34 138
Fair value income	131 100	102 163

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.

N$'000	2014	2013
Gains less losses from investing activities		
– Gains on investment securities designated at fair value through profit or loss	6 442	5 900
– Gains on deemed disposal of interest in associate	8 193	
– Dividends received	7 004	2 968
– Unlisted shares	1 980	
– Unit trusts	5 024	2 968
– Share of profit from associates after tax (note 16.4)	557	1 971
Gross gains less losses from investing activities	22 196	10 839
Less: Share of profit from associates after tax (disclosed separately on face of the statement of comprehensive income)	(557)	(1 971)
Gains less losses from investing activities	21 639	8 868
Other non-interest income		
– Gains and losses on sale of property and equipment	(229)	2 139
– Rental income	1 240	2 063
– Other income	5 043	6 233
Other non-interest income	6 054	10 435
Other non-interest income, by category		
– Non-financial assets and liabilities	6 054	10 435
	6 054	10 435
Total non-interest income	1 087 351	868 549

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

4. Net insurance premium income

N$'000	2014	2013
Short term insurance contracts		
Gross written premiums	153 716	118 595
Insurance premiums ceded to reinsurers	(22 904)	(16 542)
Change in unearned premium provision	(5 017)	(2 328)
Net insurance premium income	125 795	99 725

5. Net claims and benefits paid

N$'000	2014	2013
Short term insurance contracts		
Gross insurance contracts claims	71 816	54 267
Transfer to provision for unintimated claims	1 848	1 072
Gross claims and benefits paid on insurance contracts	73 664	55 339
Insurance benefits recovered from reinsurers	(2 585)	(4 424)
Net claims and benefits paid	71 079	50 915

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

6. Operating expenses

N$'000	2014	2013
Auditors' remuneration		
– Audit fees	5 163	4 913
– Fees for other services	135	64
– Prior year under provision		(23)
Auditors' remuneration	5 298	4 954
Operating lease charges		
– Property	24 778	21 779
– Equipment	7 784	6 521
Operating lease charges	32 562	28 300
Staff costs		
– Salaries, wages and allowances	426 792	380 535
– Off-market staff loans amortisation	1 649	4 933
– Contributions to employee benefit funds	98 633	87 306
– Defined contribution schemes: pension	43 937	40 687
– Defined contribution schemes: medical	54 696	46 619
– Post retirement medical expense	2 368	1 289
– Severance pay: death in service	279	(396)
– Social security levies	2 886	1 399
– Share-based payments (note 30)	11 236	9 976
– Other staff related costs	8 520	6 286
Total staff costs	552 363	491 328
Other operating costs		
– Amortisation of intangible assets (note 18)	9 125	7 384
– Depreciation (note 17)	42 173	37 409
– Insurance	8 829	8 482
– Advertising and marketing	57 682	53 684
– Property and maintenance related expenses	53 609	47 639
– Legal and other related expenses	6 277	5 144
– Postage	4 434	3 812
– Stationery and printing	14 257	16 274
– Telecommunications	16 546	16 792
– Travel and accommodation	12 629	11 425
– Computer and processing related costs	152 180	126 507
– Other operating expenditure	86 831	68 786
– Total directors' remuneration (note 6.1.3)	5 594	10 059
– Professional fees	9 009	6 286
Other operating costs	479 175	419 683
Total operating expenses	1 069 398	944 265

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

6. Operating expenses *continued*

6.1 Directors' emoluments

Emoluments paid to directors of the group are set out below:

N$'000	Salary	Bonus	Pension and medical aid contributions	Other allowance	Total
6.1.1 Executive director:					
2014:					
IJM Leyenaar	**1 501**	**1 766**	**253**	**121**	**3 641**
	1 501	**1 766**	**253**	**121**	**3 641**
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

6.1.2 Non-executive directors:

Non-executive independent directors:	Fees as directors 2014	Fees as directors 2013
CJ Hinrichsen (Chairman)	**331**	408
JJ Comalie	**299**	188
CLR Haikali	**283**	263
SH Moir	**521**	448
MN Ndilula	**149**	136
PT Nevonga	**144**	96
II Zaamwani-Kamwi	**226**	285
	1 953	1 824

Other non-executive directors :
CJ Giddy
LJ Haynes
JR Khethe
JK Macaskill (Retired May 2014)

Executive directors and directors appointed by the main shareholder do not receive directors fees for services.

6.1.3 Total directors' remuneration and fees:

	2014	2013
– Executive director	**3 641**	8 235
– Non-executive directors	**1 953**	1 824
	5 594	10 059

Directors are not subject to service contracts which determine a fixed service period.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

6. Operating expenses *continued*

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 this year (number of shares)	Closing balance (number of shares)	Benefit derived (N$'000)
Executive director:							
IJM Leyenaar							
FirstRand Ltd shares	146 357	34 310	10.48	10 October 2016	92 164	88 503	3 193

6.3 Directors' holdings in shares:

	2014		2013	
	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%
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%

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

7. Tax

N$'000	2014	2013
7.1 Indirect tax		
Value-added tax (net)	**16 686**	14 236
Stamp duties	**5 285**	5 521
Total indirect tax	**21 971**	19 757
7.2 Direct tax		
Normal tax		
– Current	**363 273**	281 189
Current year	**363 273**	281 189
– Deferred	**22 943**	28 096
Current year	**22 943**	29 345
Tax rate change		(1 249)
Total direct tax	**386 216**	309 285

Tax rate reconciliation – normal tax	%	%
Effective rate of tax	**32.99**	33.73
Total tax has been affected by:		
Non-taxable income	**0.01**	0.37
Non-deductible expenses		(0.24)
Tax rate change		0.14
Standard rate of tax	**33.0**	34.0

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

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.

N$'000	2014	2013
Headline earnings (N$'000)	**765 206**	594 697
Weighted average number of ordinary shares in issue	**259 676 325**	259 221 095
Headline earnings per share (cents)	**294.7**	229.4

N$'000	2014		2013	
	Gross	Net*	Gross	Net*
Earnings attributable to ordinary equity holders of the group	**772 941**	**773 170**	598 421	596 651
Profit Loss on sale of property and equipment	**229**	**229**	(2 139)	(1 954)
Profit on deemed disposal of associate	**(8 193)**	**(8 193)**		
Headline earnings	**764 977**	**765 206**	596 282	594 697

* 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.

N$'000	2014	2013
Earnings attributable to ordinary shareholders (N$'000)	**773 170**	596 651
Weighted average number of ordinary shares in issue	**259 676 325**	259 221 095
Basic earnings per share (cents)	**297.7**	230.2

Basic earning per share equals diluted earning 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	**(7 807 724)**	(8 203 357)
Number of shares in issue (after elimination of shares in FNB Namibia share trusts)	**259 785 526**	259 389 893
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	**(7 916 925)**	(8 372 155)
Weighted average number of shares in issue	**259 676 325**	259 221 095

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

8. Earnings and dividends per share *continued*

8.3 Dividend information

	2014		2013	
	Cents	**N$'000**	Cents	N$'000
Special dividend (16 August 2012: 180 cents)			180	466 582
Final dividend (16 August 2013: 54 cents), (16 August 2012: 41 cents)	**54**	**140 275**	41	106 180
Interim dividend (13 February 2014: 55 cents), (13 February 2013: 46 cents)	**55**	**142 723**	46	119 242
	109	**282 998**	267	692 004

A final dividend of 67 cents (2013: 54 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 *continued*
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 63 to page 81 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:

		2014						
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			867 579				867 579
Due from banks and other financial institutions	10.2			1 766 327				1 766 327
Derivative financial instruments	11	92 031						92 031
Advances	12		538 583	19 452 199				19 990 782
Investment securities	14	31 781	153 070	75 567	2 572 728			2 833 146
Accounts receivable	15			63 697			76 749	140 446
Tax asset							341	341
Investments in associates	16						3 168	3 168
Property and equipment	17						551 620	551 620
Intangible assets	18						6 700	6 700
Deferred income tax asset	19						3 115	3 115
Reinsurance assets	20						572	572
Total assets		123 812	691 653	22 225 369	2 572 728		642 265	26 255 827
Liabilities								
Deposits	21.1					21 522 377		21 522 377
Due to banks and other financial institutions	21.2					812 964		812 964
Derivative financial instruments	11	109 281						109 281
Creditors and accruals	22					60 921	233 443	294 364
Tax liability							57 494	57 494
Employee liabilities	23						150 098	150 098
Deferred income tax liability	19						70 432	70 432
Policyholder liabilities under insurance contracts	24						62 993	62 993
Other liabilities	25					6 030		6 030
Tier two liabilities	26					392 622		392 622
Total liabilities		109 281				22 794 914	574 460	23 478 655

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

9. Analysis of assets and liabilities *continued*

		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			108 717			79 047	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	19 088 593	2 121 851		478 997	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 libilities	25					9 806		9806
Tier two liabilities	26					392 620		392 620
Total liabilities		128 612				19 609 843	471 278	20 209 733

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

10. Short term funds

10.1 Cash and cash equivalents

N$'000	2014	2013
Coins and bank notes	**389 959**	332 117
Balances with central bank	**434 436**	317 817
Balances with other banks	**43 184**	40 406
Cash and cash equivalents	**867 579**	690 340
The carrying value approximates the fair value.		
Mandatory reserve balances included in above:	**246 500**	214 794

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	2014	2013
Due by banks and financial institutions		
– In the normal course of business	**1 766 327**	1 888 968
	1 766 327	1 888 968

The carrying value approximates the fair value.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

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 held for trading classification includes two types of derivative instruments: those used in sales activities, and those that are economic hedges but do not meet the criteria to qualify for hedge accounting.

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 48 to 56 of the Annual Report.

Refer to note 36 for information on how the fair value of derivatives is determined.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

11. Derivative financial instruments *continued*

	2014			
	Assets		**Liabilities**	
N$'000	**Notional**	**Fair value**	**Notional**	**Fair value**
Held for trading				
Currency derivatives	**1 051 767**	**89 234**	**1 260 565**	**88 445**
– Forward rate agreements	**497 172**	**13 258**	**705 970**	**12 469**
– Options	**554 595**	**75 976**	**554 595**	**75 976**
Interest rate derivatives				
– Swaps	**138 740**	**2 797**	**1 254 864**	**20 836**
Total held for trading	**1 190 507**	**92 031**	**2 515 429**	**109 281**

	2013			
	Assets		Liabilities	
N$'000	Notional	Fair value	Notional	Fair value
Held for trading				
Currency derivatives	1 350 801	92 747	1 332 153	92 742
– 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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

12. Advances

N$'000	2014	2013
Notional value of advances	**20 160 092**	17 138 183
Contractual interest suspended	**(22 452)**	(25 955)
Gross advances	**20 137 640**	17 112 228
Sector analysis		
Agriculture	**915 316**	797 276
Banks and financial services	**182 726**	179 479
Building and property development	**2 354 333**	2 399 600
Government and public authorities	**1 229 070**	575 793
Individuals	**10 540 132**	9 120 824
Manufacturing and commerce	**3 234 403**	2 524 071
Mining	**341 911**	425 342
Transport and communication	**415 697**	315 462
Other services	**924 052**	774 381
Gross advances	**20 137 640**	17 112 228
Impairment of advances (note 13)	**(146 858)**	(147 549)
Net advances	**19 990 782**	16 964 679
Geographic analysis (based on credit risk)		
Namibia	**19 990 782**	16 964 679
Category analysis		
Overdrafts and cash management accounts	**1 935 534**	1 883 557
Loans to other financial institutions	**182 726**	179 479
Card loans	**155 306**	131 962
Instalment sales and hire purchase agreements	**2 822 953**	2 466 792
Lease payments receivable	**214 022**	171 490
Home loans	**9 667 352**	8 442 123
Term loans	**4 367 724**	3 123 339
Investment bank term loans	**576 659**	564 111
Preference share advance	**28 818**	
Other	**186 546**	149 375
Gross advances	**20 137 640**	17 112 228
Impairment of advances (note 13)	**(146 858)**	(147 549)
Net advances	**19 990 782**	16 964 679
Portfolio analysis		
Designated at fair value through profit and loss	**538 583**	564 111
Loans and receivables	**19 452 199**	16 400 568
	19 990 782	16 964 679

Fair value of advances is disclosed in note 36.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

12. Advances *continued*

N$'000	Within 1 year	Between 1 and 5 years	Total
Analysis of instalment sales and lease payments receivable			
2014			
Lease payments receivable	**150 368**	**94 366**	**244 734**
Suspensive sale instalments receivable	**1 654 555**	**1 627 117**	**3 281 672**
Sub total	**1 804 923**	**1 721 483**	**3 526 406**
Less: Unearned finance charges	**(294 005)**	**(192 718)**	**(486 723)**
Total	**1 510 918**	**1 528 765**	**3 039 683**
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	1 286 509	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

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

12. Advances *continued*

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.

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

	2014		2013	
N$'000	Performing	Non performing	Performing	Non performing
Instalment sales and lease payments receivables	2 504	6 461	4 988	13 196
Home loans	19 371	51 480	18 607	148 291
Total	**21 875**	**57 941**	23 595	161 487

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.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

13. Impairment of advances

	2014							
N$'000	Overdrafts and cash managed accounts	Card loans	Instalment sales and lease payments receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Analysis of movement in impairment of advances per class of advance								
Opening balance	46 510	1 278	44 509	17 938	37 314	147 549	51 374	96 175
Amounts written off	(8 056)	(1 633)	(5 626)	(653)	(4 240)	(20 208)	(20 208)	
Unwinding of discounted present value on non-performing loans	(1 123)			(4 949)	(488)	(6 560)	(6 560)	
Net new impairments created / (released)	8 032	1 596	807	7 292	8 350	26 077	18 602	7 475
Closing balance	45 363	1 241	39 690	19 628	40 936	146 858	43 208	103 650
Increase / decrease in provision	8 032	1 596	807	7 292	8 350	26 077	18 602	7 475
Recoveries of bad debts previously written off	(3 070)	(1 010)	(2 203)	(496)	(865)	(7 644)	(7 644)	
Impairment loss / (release) recognised in the statement of comprehensive income	4 962	586	(1 396)	6 796	7 485	18 433	10 958	7 475

	2013							
N$'000	Overdrafts and managed accounts	Card loans	Instalment sales and lease payments receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
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 of bad debts previously written off	(1 001)	11 164	(2 781)	(562)	(551)	6 269	6 269	
Impairment (release) / loss recognised in the statement of comprehensive income	42 944	11 637	8 313	(19 230)	(20 298)	23 366	29 176	(5 810)

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.

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").

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

13. Impairment of advances *continued*

N$'000	2014 Total value net of interest in suspense	2014 Security held and other recoveries	2014 Specific impairments
Non-performing loans by sector			
Agriculture	**993**	**672**	**321**
Banks and financial services	**75**		**75**
Building and property development	**15 217**	**13 324**	**1 893**
Individuals	**100 283**	**68 413**	**31 870**
Manufacturing and commerce	**20 341**	**14 104**	**6 237**
Mining			
Transport and communication	**1 694**	**529**	**1 165**
Other	**2 448**	**801**	**1 647**
Total non-performing loans	**141 051**	**97 843**	**43 208**
Non-performing loans by category			
Card loans	**1 043**		**1 043**
Overdrafts and cash managed accounts	**9 593**	**2 216**	**7 377**
Instalment sales and hire purchase agreements	**14 346**	**904**	**13 442**
Lease payments receivable	**1 394**	**359**	**1 035**
Home loans	**97 089**	**82 051**	**15 039**
Term loans	**17 586**	**12 313**	**5 272**
Total non-performing loans	**141 051**	**97 843**	**43 208**
Non-performing loans by geographical area			
Namibia	**141 051**	**97 843**	**43 208**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

13. Impairment of advances *continued*

N$'000	2013 Total value net of interest in suspense	2013 Security held and other recoveries	2013 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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

14. Investment securities

N$'000	2014				
	Held for trading	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	Total
Total					
Negotiable certificates of deposit				75 567	75 567
Treasury bills	7 312		2 084 261		2 091 573
Other government and government guaranteed stock	24 469		399 478		423 947
Unit trust investments		153 070	77 459		230 529
Equity			11 530		11 530
Total	31 781	153 070	2 572 728	75 567	2 833 146

N$'000	2013				
	Held for trading	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	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

Analysis of investment securities

N$'000	2014	2013
Listed		
Debt	423 947	331 730
Total	423 947	331 730
Unlisted		
Debt	2 397 669	1 941 023
Equity	11 530	
Total	2 409 199	2 272 753
Valuation of investments		
Market value of listed investments	423 947	331 730
Directors' valuation of unlisted investments	2 409 199	1 941 023
Total valuation	2 833 146	2 272 753

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

14. Investment securities *continued*

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) and other foreign banking regulators requirements. The total liquid asset portfolio is N$ 2 187 million (2013: N$2 697 million).

15. Accounts receivable

N$'000	2014	2013
Accounts receivable		
– Items in transit	31 751	39 328
– Deferred staff cost	43 684	39 840
– Premium debtors	2 478	4 697
– Other accounts receivable	62 533	103 899
Accounts receivable	140 446	187 764

Information about the credit quality of the above balances is set out in the risk management note 42.
The carrying value of accounts receivable approximates the fair value.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

16. Investments in associates

16.1 Details of investments in associates

All associate companies are unlisted.

	Nature of relationship	Place of business	Ownership %	% Voting rights
Namclear (Pty) Ltd	Interbank clearing house	Windhoek	25	25
Avril Payment Solutions (Pty) Ltd	Payroll administrators	Windhoek		

16.2 Effective holdings and carrying amounts in associates

N$'000	group carrying amount		group cost less amounts written off	
	2014	2013	**2014**	2013
Namclear (Pty) Ltd	**3 168**	2 611	**1 154**	1 154
Avril Payment Solutions (Pty) Ltd		1 383		1
Total	**3 168**	3 994	**1 154**	1 155

16.3 Movement in carrying value of associates

N$'000	**2014**	2013
Carrying value at beginning of the year	**3 994**	3 903
Share of profits from associates after tax	**557**	1 971
Transfer to investment securities of Avril Payment Solutions (Pty) Ltd	**(1 383)**	
Dividends received		(1 880)
Carrying value at end of the year	**3 168**	3 994
Valuation		
Unlisted investments at directors' valuation	**3 168**	3 994

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

16. Investments in associates *continued*

16.4 Summarised financial information of associates

N$'000	Total		Avril Payment Solutions (Pty) Ltd *		Namclear (Pty) Ltd	
	2014	2013	**n/a**	Audited February 2013	**Unaudited June 2014**	Unaudited June 2013
Statement of financial position						
Non-current assets	**41 072**	44 321		6	**41 072**	44 315
Current assets	**3 441**	15 533		9 582	**3 441**	5 951
Non-current liabilities	**(30 703)**	(35 828)		(2)	**(30 703)**	(35 826)
Current liabilities	**(3 391)**	(4 804)		(670)	**(3 391)**	(4 134)
Equity	**10 419**	19 222		8 916	**10 419**	10 306
Statement of comprehensive income						
Revenue					**13 976**	10 106
Profit/loss for the period					**2 229**	(632)
Total comprehensive income for the period					**2 229**	(632)
After tax profit/loss attributable to the group	**557**	1 971		2 129	**557**	(158)

Refer note 35.3 for details on loans to / (from) related parties.

* With the adoption of the revised IAS 28 , IFRS 10 , IFRS 11 and 12, Avril Payment Solutions (Pty) Ltd was reclassified to investment securities and no longer accounted for using the equity method of accounting. No retrospective restatement has been made based on the materiality of the adjustment.

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June *continued*

17. Property and equipment

N$'000	Cost 2014	Accumulated depreciation and impairments 2014	Carrying amount 2014	Cost 2013	Accumulated depreciation and impairments 2013	Carrying amount 2013
Property						
Freehold land and buildings	**420 831**	**(31 948)**	**388 883**	260 581	(31 948)	228 633
Leasehold property	**44 528**	**(33 354)**	**11 174**	40 633	(30 849)	9 784
	465 359	**(65 302)**	**400 057**	301 214	(62 797)	238 417
Equipment						
Computer equipment	**105 714**	**(63 782)**	**41 932**	113 358	(73 128)	40 230
Furniture and fittings	**130 046**	**(62 088)**	**67 958**	109 568	(54 048)	55 520
Motor vehicles	**7 402**	**(3 526)**	**3 876**	6 826	(3 048)	3 778
Office equipment	**78 873**	**(47 903)**	**30 970**	66 816	(38 947)	27 869
Capitalised leased assets	**12 289**	**(5 462)**	**6 827**	12 289	(1 365)	10 924
	334 324	**(182 761)**	**151 563**	308 857	(170 537)	138 321
Total	**799 683**	**(248 063)**	**551 620**	610 071	(233 334)	376 738

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 30 June 2012	178 744	6 637	24 863	50 878	3 736	21 990		286 847
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)	(83)	(189)	(130)		(4 745)
Carrying amount at 30 June 2013	228 633	9 784	40 230	55 520	3 778	27 869	10 924	376 738
Additions	**190 000**	**242**	**12 369**	**9 545**	**724**	**9 192**		**222 072**
Depreciation charge		**(4 817)**	**(11 366)**	**(11 031)**	**(560)**	**(10 302)**	**(4 097)**	**(42 173)**
Transfer between classes	**(25 462)**	**5 969**	**1 014**	**14 252**		**4 227**		
Transfer to repairs and maintenance	**(4 277)**							**(4 277)**
Disposals	**(11)**	**(4)**	**(315)**	**(328)**	**(66)**	**(16)**		**(740)**
Carrying amount at 30 June 2014	**388 883**	**11 174**	**41 932**	**67 958**	**3 876**	**30 970**	**6 827**	**551 620**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June *continued*

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

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 2014.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

18. Intangible assets

N$ '000	Cost 2014	Accumulated amortisation and impairments 2014	Carrying amount 2014	Cost 2013	Accumulated amortisation and impairments 2013	Carrying amount 2013
Trademarks	**83 375**	**(83 375)**		83 375	(82 309)	1 066
Goodwill	**100**		**100**	100		100
Software	**46 515**	**(39 915)**	**6 600**	46 515	(35 408)	11 106
Value of insurance broker business acquired	**12 920**	**(12 920)**		12 920	(9 368)	3 552
Total	**142 910**	**(136 210)**	**6 700**	142 910	(127 085)	15 825

Movement in intangibles – carrying amount

N$ '000	Trademarks	Goodwill	Software	Value of insurance broker business acquired	Total
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
Amortisation charge	**(1 066)**		**(4 507)**	**(3 552)**	**(9 125)**
Carrying amount at 30 June 2014		**100**	**6 600**		**6 700**

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

During the year group assessed the useful life of the insurance brokers intangible asset. The change in estimate resulted in accelerated amortisation of N$ 1.36 million being recognised.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

18. Intangible assets *continued*

Impairment of goodwill:

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operating activity (business) to which it relates, and is therefore not combined at group level.The CGU's to which the goodwill balance as at 30 June 2014 and 30 June 2013 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	
	2014	2013	**2014**	2013
FNB Namibia Unit Trusts Limited	**15.00%**	14.30%	**6%**	6%

19. Deferred income tax

N$'000	2014	2013
19.1 The movement on the deferred tax account is as follows:		
Deferred income tax liability		
Opening balance	**(48 582)**	(19 337)
– Charge to profit and loss	**(22 885)**	(28 441)
– Deferred tax on amounts charged directly to other comprehensive income	**1 035**	(804)
Net balance for the year for entities with deferred income tax liabilities	**(70 432)**	(48 582)
Deferred income tax asset		
Opening balance	**3 173**	2 828
– Charge to profit and loss	**(58)**	345
Net balance for the year for entities with deferred income tax assets	**3 115**	3 173
Total net deferred income tax balance	**(67 317)**	(45 409)

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

19. Deferred income tax *continued*

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	2014 Opening balance	2014 Tax (charge) / release	2014 Closing balance	2013 Opening balance	2013 Tax (charge) / release	2013 Closing balance
Deferred income tax (liabilities) / assets						
Accruals	**(34 856)**	**(10 961)**	**(45 817)**	(25 848)	(9 008)	(34 856)
Deferred staff costs	**(13 147)**	**(1 269)**	**(14 416)**	(13 619)	472	(13 147)
Fair value adjustments of financial instruments	**(3 840)**	**413**	**(3 427)**	(4 314)	474	(3 840)
Instalment credit agreements	**(65 029)**	**(3 941)**	**(68 970)**	(53 183)	(11 846)	(65 029)
Post-employment benefit liabilities	**10 165**	**947**	**11 112**	12 075	(1 910)	10 165
Property and equipment	**(32 429)**	**(4 439)**	**(36 868)**	(32 686)	257	(32 429)
Provision for loan impairment	**23 803**	**16 267**	**40 070**	26 006	(2 203)	23 803
Other	**66 751**	**(18 867)**	**47 884**	72 232	(5 481)	66 751
Net deferred income tax (liabilities) / assets	**(48 582)**	**(21 850)**	**(70 432)**	(19 337)	(29 245)	(48 582)
Deferred income tax assets						
Property and equipment	**(167)**	**147**	**(20)**	(95)	(72)	(167)
Other	**3 340**	**(205)**	**3 135**	2 923	417	3 340
Total net deferred income tax assets	**3 173**	**(58)**	**3 115**	2 828	345	3 173
Charge through profit and loss		**22 943**			28 096	
Deferred income tax on other comprehensive income		**(1 035)**			804	
		21 908			28 900	

20. Reinsurance assets

N$'000	2014	2013
Short-term reinsurance contracts	**572**	221
Total reinsurance contracts	**572**	221

Information about the credit quality of the above balances is provided in the risk management note 42.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

21. Deposits

21.1 Deposits and current accounts

N$'000	2014 At amortised cost	2013 At amortised cost
Category analysis		
– Current accounts	**8 305 762**	6 341 677
– Call deposits	**4 889 396**	5 090 980
– Savings accounts	**558 840**	466 533
– Fixed and notice deposits	**2 790 205**	2 575 835
– Negotiable certificates of deposit	**4 978 174**	4 360 651
Total deposits and current accounts	**21 522 377**	18 835 676

The fair values of deposits and current accounts are disclosed in note 36.

Geographical split: Namibia	**21 522 377**	18 835 676

21.2 Due to banks and other financial institutions

N$'000	2014 At amortised cost	2013 At amortised cost
To banks and financial institutions		
– In the normal course of business	**812 964**	319 084
Fair value of balance disclosed	**812 964**	319 084
Geographical split:		
Namibia	**812 964**	319 084

22. Creditors and accruals

N$'000	2014	2013
Accounts payable and accrued liabilities	**158 717**	124 193
Items in transit	**135 647**	35 217
Creditors and accruals	**294 364**	159 410

The carrying value of creditors and accruals approximates fair value.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

23. Employee liabilities

N$'000	Notes	2014	2013
Staff related accruals	23.1	**110 445**	86 566
Cash settled share-based payment liability*		**5 956**	4 861
Post-employment benefit liabilities	23.2	**33 697**	30 909
Closing balance		**150 098**	122 336

* 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	2014	2013
Opening balance	**86 566**	83 139
– Charge to profit or loss	**47 900**	24 960
– Utilised	**(24 021)**	(21 533)
Closing balance	**110 445**	86 566

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.

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

23. Employee liabilities *continued*

23.2 Post-employment benefit liabilities *continued*

	2014			2013		
N$ '000	Medical	Severance	Total	Medical	Severance	Total
Present value of unfunded liabilities	**29 655**	**4 042**	**33 697**	27 542	3 367	30 909
Post-employment benefit liabilities	**29 655**	**4 042**	**33 697**	27 542	3 367	30 909
<u>The amounts recognised in the statement of comprehensive income are as follows:</u>						
The profit and loss portion						
Current service cost	**206**	**15**	**221**	(873)	(753)	(1 626)
Interest cost	**2 162**	**264**	**2 426**	2 162	357	2 519
Total included in staff costs	**2 368**	**279**	**2 647**	1 289	(396)	893
Recognised in other comprehesnsive income						
Actuarial gains and losses recognised	**1 290**	**595**	**1 885**	(3 874)		(3 874)
Total included in staff costs	**1 290**	**595**	**1 885**	(3 874)		(3 874)
<u>Movement in post-employment liabilities</u>						
Present value at the beginning of the year	**27 542**	**3 367**	**30 909**	31 588	4 111	35 699
Current service cost	**206**	**15**	**221**	(873)	(753)	(1 626)
Interest cost	**2 162**	**264**	**2 426**	2 162	357	2 519
Benefits paid	**(1 545)**	**(199)**	**(1 744)**	(1 461)	(348)	(1 809)
Re-measurements : Recognised in OCI						
– Actuarial (gains) losses from changes in financial assumptions	**1 290**	**595**	**1 885**	(3 874)		(3 874)
Present value at the end of the year	**29 655**	**4 042**	**33 697**	27 542	3 367	30 909

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

23. Employee liabilities *continued*

23.2 Post-employment benefit liabilities *continued*

The principal actuarial assumptions used for accounting purposes were:

	2014		2013	
	Medical	**Severance Pay**	Medical	Severance Pay
Discount rate (%)	**8.73%**	**8.12%**	8.00%	8.00%
Medical aid inflation (%)	**7.81%**		7.00%	
Salary inflation (%)		**7.45%**		6.50%
Male	**43**		13	n/a
Female	**68**		25	n/a
Employees covered	**111**	**1 763**	115	1 825

23.3 Defined contribution pension fund

N$'000	2014	2013
Employer contribution to pension fund	**43 937**	40 687
Employer contribution to pension fund – executive director	**253**	285
Total employer contributions to pension fund	**44 190**	40 972
Employees contribution to pension fund	**19 341**	17 933
Total contributions	**63 531**	58 905
Number of employees covered	**1 974**	1 891

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 2013 and indicated that the fund was in a sound financial position.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

24. Policyholder liabilities under insurance contracts

N$'000	2014	2013
Short-term insurance contracts		
Claims outstanding		
Claims reported and loss adjustment expenses	**12 757**	8 851
Claims incurred but not reported	**8 675**	6 826
Insurance contract cash bonuses	**11 564**	9 590
Unearned premiums	**28 503**	25 625
Gross	**61 499**	50 892
Claims reported and loss adjustment expenses	**1 494**	(402)
Recoverable from reinsurance	**1 494**	(402)
Claims outstanding		
Claims reported and loss adjustment expenses	**12 793**	8 449
Claims incurred but not reported	**8 675**	6 826
Insurance contract cash bonuses	**11 564**	9 590
Unearned premiums	**29 961**	25 625
Net	**62 993**	50 490

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

25. Other liabilities

N$'000	Note	2014	2013
Finance lease liability	25.1	**6 030**	9 806
Total other liabilities		**6 030**	9 806

25.1 Finance lease liabilities

N$'000	2014	2013
Finance lease liabilities		
Not later than 1 year	**4 198**	4 198
Later than 1 year and not later than 5 years	**2 099**	6 297
Total finance lease liabilities	**6 297**	10 495
Future finance charges on finance leases	**(267)**	(689)
Present value of finance lease liability	**6 030**	9 806
Not later than 1 year	**4 122**	4 057
Later than 1 year and not later than 5 years	**1 908**	5 749
Total finance lease liabilities	**6 030**	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				2014	2013
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				**2 622**	2 620
Total				**392 622**	392 620

(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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

27. Share capital and share premium

N$'000	2014	2013
Authorised		
990 000 000 (2013: 990 000 000) ordinary shares with a par value of N$0.005 per share	**4 950**	4 950
10 000 000 (2013: 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 (2013: 267 593 250) ordinary shares with a par value of N$0.005 per share	**1 338**	1 338
2 (2013: 2) cumulative convertible redeemable preference shares with a par value of N$0.005 per share		
Elimination		
-shares held by FNB Namibia share trusts	**(39)**	(41)
	1 299	1 297

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	**161 998**	174 167

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	2014	2013
OUTsurance Insurance Company of Namibia Ltd - Contingency reserve	**11 437**	8 395
	11 437	8 395

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

29. General risk reserves

N$'000	2014	2013
First National Bank of Namibia Limited - Credit risk reserve	**97 783**	75 367
	97 783	75 367

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

30. Remuneration schemes

N$'000	2014	2013
The statement of comprehensive income charge for share-based payments is as follows:		
FNB Share Incentive Trust	**6 262**	7 027
Total of share trusts	**6 262**	7 027
Employees with FirstRand share options and share appreciation rights	**4 974**	2 949
Charge against staff costs (note 6)	**11 236**	9 976

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 prior 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.

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

30. Remuneration schemes *continued*

Employee statistic assumptions:

- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested.

The number of iterations is the number to be used in the binomial model, which is limited to 500.

The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.

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	
	2014	2013	2014	2013
Weighted average share price (N$)	**721 - 1 932**	517 - 1 457	**700**	700
Expected volatility (%)	**4 - 17**	4 - 17	**7**	7
Expected option life (years)	**5**	5	**5**	5
Expected risk free rate (%)	**5.81 - 7.69**	7.05 - 9.47	**9**	9

	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2014	2013	2014	2013
Share option schemes				
Number of options in force at the beginning of the year ('000)	**9 045**	10 615	**35**	62
Granted at prices ranging between (cents)	**721 - 1 932**	517 - 1457	**517**	517
Number of options granted during the year ('000)	**2 697**	2 536		
Granted at prices ranging between (cents)	**1 932**	1 457		
Number of options exercised/released during the year ('000)	**(2 152)**	(3 075)	**(35)**	(27)
Market value range at the date of exercise/release (cents)	**1 912 - 2 274**	517-1226	**517**	517
Number of options cancelled/lapse during the year ('000)	**(758)**	(1 031)		
Granted at prices ranging between (cents)	**517 - 1932**	517 - 1457		
Number of options in force at the end of the year ('000)	**8 832**	9 045		35
Granted at prices ranging between (cents)	**721 - 1 932**	517 - 1457		517
Options are exercisable over the following periods:				
(first date able to release)				
Financial year 2014		2 909		35
Financial year 2015	2 542	1 726		
Financial year 2016	1 521	2 028		
Financial year 2017	2 356	1 620		
Financial year 2018	1 577	762		
Financial year 2019	836			
Total	**8 832**	9 045		35

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

31. Cash flow information

N$'000	2014	2013
31.1 Reconciliation of operating profit before tax to cash flow from operating activities		
Profit before tax	**1 170 824**	916 906
Adjusted for:		
– Share of earnings of associate companies after impairment losses	**(557)**	(1 971)
– Amortisation and impairment of intangibles	**9 125**	7 384
– Depreciation of property and equipment	**42 173**	37 409
– Transfer of work in progress to repairs and maintenance	**4 277**	1 454
– Share-based payment expenses	**11 236**	9 976
– (Impairment losses) / reversal of impairment of advances	**18 433**	23 366
– Provision for post-employment benefit obligations	**1 232**	(568)
– Other employment accruals	**6 178**	1 947
– Creation and revaluation of derivative financial instruments	**(16 376)**	523
– Policyholders fund and insurance fund transfers	**5 017**	2 328
– Transfer to provision for unintimated claims	**1 848**	1 072
– Non cash flow movements in interest accrual on financial liabilities	**(2 622)**	(2 620)
– Unwinding of discounted present value on non-performing loans	**(6 560)**	(4 716)
– Unwinding of discounted present value on off-market loans	**(1 649)**	(4 933)
– Net release of deferred fee and expenses	**(15 170)**	(11 277)
– Off-market staff loans amortisation	**1 649**	4 933
– Profit on sale of property and equipment	**229**	(2 139)
– Indirect tax	**21 971**	19 757
Cash flows from operating activities	**1 251 258**	998 832
31.2 Cash receipts from customers		
Interest and similar income	**1 886 143**	1 614 071
Other non-interest income	**1 071 204**	866 933
Net insurance premium received	**130 812**	102 054
	3 088 159	2 583 058
31.3 Cash paid to customers, suppliers and employees		
Interest expense and similar charges	**(774 141)**	(652 653)
Net claims and benefits paid	**(69 231)**	(49 843)
Total other operating expenses	**(993 529)**	(881 731)
	(1 836 901)	(1 584 227)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

31. Cash flow information *continued*

N$'000	2014	2013
31.4 Increase in income earning assets		
Due from banks and other financial institutions	**122 641**	36 774
Advances	**(3 021 157)**	(2 890 367)
Investment securities	**(560 394)**	(128 329)
Accounts receivable and similar accounts	**45 673**	23 735
Reinsurance assets	**(351)**	706
	(3 413 588)	(2 957 481)
31.5 Increase in deposits and other liabilities		
Deposits	**2 686 702**	2 597 203
Due to banks and other financial institutions	**493 880**	270 655
Accounts payable and similar accounts	**148 791**	(67 749)
	3 329 373	2 800 109
31.6 Income tax paid		
Amounts payable at beginning of the year	**(147 414)**	(164 768)
Indirect tax	**(21 971)**	(19 757)
Current tax charge	**(363 273)**	(281 189)
Amounts payable at end of the year	**71 619**	147 414
Total income tax paid	**(461 039)**	(318 300)
31.7 Capital expenses		
Purchase of property and equipment, settled in cash	**(222 072)**	(133 707)
31.8 Dividends paid		
Dividends approved and recognised in the group statement of changes in equity.	**(282 998)**	(692 004)
Total dividends paid	**(282 998)**	(692 004)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

32. Contingent liabilities and capital commitments

N$'000	2014	2013
Contingencies		
Guarantees *	**815 655**	780 063
Letters of credit	**179 041**	40 950
Total contingencies	**994 696**	821 013
Irrevocable unutilised facilities	**3 715 345**	3 557 298
Total contingencies and commitments	**4 710 041**	4 378 311

* Guarantees consist predominantly of endorsements and performance guarantees.

The fair value of guarantees approximates the face value as disclosed.

Legal proceedings

There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis.

Provision is made for all liabilities which are expected to materialise.

Commitments:

Commitments in respect of capital expenditure and long-term investments approved by directors:

	2014	2013
- Contracted for	**260 000**	390 396
- Not contracted for	**918**	918
Comprising of:		
- Capital commitments contracted for at the reporting date but not yet incurred are as follows:		
- Property and equipment	**260 000**	390 396
- Capital commitments not yet contracted for at the reporting date but have been approved by the directors:		
- Property and equipment	**918**	918

Funds to meet these commitments will be provided from group resources.

Group leasing arrangements:

N$'000	2014			2013		
	Next year	2nd to 5th year	After 5th year	Next year	2nd to 5th year	After 5th year
Office premises	**21 236**	**35 860**	**4 669**	15 820	25 605	460
	21 236	**35 860**	**4 669**	15 820	25 605	460

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% (2013: 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

33. Collateral

N$'000	2014	2013
33.1 Collateral taken possession of and recognised on the statement of financial position in accounts receivable note 15:		
Property	**5 568**	1 706
Total	**5 568**	1 706

33.2 Collateral pledged

The group has pledged assets as security for the following liabilities:

	2014	2013
Derivatives (note 11)		
Currency derivative	**79 277**	
Interest rate derivative	**19 290**	
	98 567	

The group pledges assets under the following terms and conditions:

Collateral in the form of cash and cash equivalents are pledged when the banking group utilises the RMB credit facility over the limit. These transactions are conducted under the terms and conditions that are usual and customary to standard credit facilities.

Assets pledged to secure the above liabilities are carried at and included under the following:

	2014	2013
Due by banks and other financial institutions (note 10.2)	**44 597**	

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	2014	2013
	Carrying value	
Included in advances	**538 583**	564 111

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

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% (2013: 58.4%) owned by FirstRand Emerging Markets, with its ultimate holding company FirstRand Limited, which is incorporated in South Africa, listed on the JSE Limited and on the NSX.

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		Associate	
N$'000	**2014**	2013	**2014**	2013
Money at call and short notice				
Balance 1 July	**1 117 208**	1 254 317	**28 918**	
Advanced during year	**8 636**		**(2 748)**	32 600
Repayments during year	**(219 277)**	(137 109)		(3 682)
Balance 30 June	**906 567**	1 117 208	**26 170**	28 918
Derivative instrument: assets	**7 916**	32 441		
Other deposits and loans				
Balance 1 July	**(315 367)**	(29 976)		(7 873)
Received during year	**1 120 323**	(285 391)	**91 221**	
Repaid during year			**(90 914)**	7 873
Balance 30 June	**804 956**	(315 367)	**307**	
Derivative instrument: liabilities	**(99 637)**	(105 415)		

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

35. Related parties *continued*

35.3 Details of transactions with relevant related parties appear below *continued:*

	Groups that have significant influence over the group and their subsidiaries		Associate	
N$'000	**2014**	2013	**2014**	2013
Accounts receivable				
Balance 1 July	**50 000**	50 000		
Advanced during the year				
Repayments during year	**(50 000)**			
Balance 30 June		50 000		
Accounts payable				
Balance 1 July		(13 889)		
Received during the year				
Repaid during year		13 889		
Balance 30 June				
Interest received	**53 554**	46 891	**17**	507
Interest paid	**23 596**	1 045	**(1 401)**	(41)
Dividends paid	**165 271**	417 245		
Non-interest income				
Commission	**130**	4 034		
Fair value income		7 523		
Rental income				282
	130	11 557		282
Non-interest expenditure				
Computer and processing related costs	**94 245**	95 494		
Internal audit and compliance	**1 291**	1 500		
Insurance	**8 080**	7 181		
ATM processing costs	**2 511**	2 596		
Payroll processing	**6 183**	4 661		
Management fees	**16 254**	14 906		
Administration fee: OUTsurance SA	**24 168**	19 649		
Other sundry	**13 602**	13 189		
Clearing cost			**6 090**	5 466
	166 334	159 176	**6 090**	5 466

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

35. Related parties *continued*

35.4 Transactions with key management personnel:

N$'000	2014	2013
Advances		
Balance 1 July	**27 048**	30 292
Advanced during year	**7 820**	15 040
Repayments during year	**(9 598)**	(20 694)
Interest earned	**2 381**	2 410
Balance 30 June	**27 651**	27 048

No impairment has been recognised for loans granted to key management (2013: nil).
Mortgage loans are repayable monthly over 20 years.

N$'000	2014	2013
Current and credit card accounts		
Credit balance 1 July	**(11 844)**	(12 531)
Net deposits and withdrawals	**7 489**	637
Net service fees and bank charges	**200**	204
Interest income	**63**	81
Interest expense	**(69)**	(235)
Balance 30 June	**(4 161)**	(11 844)
Instalment finance		
Balance 1 July	**6 902**	4 202
Issued during year	**4 643**	7 031
Repayments during year	**(4 059)**	(4 910)
Interest earned	**557**	579
Balance 30 June	**8 043**	6 902
Investment products		
Opening balance	**8 461**	16 749
Deposits and withdrawals	**(4 275)**	(9 095)
Net investment return	**162**	811
Commission and other transaction fees	**(17)**	(4)
Fund closing balance	**4 331**	8 461

Shares and share options held

Directors holding in shares is disclosed in note 6.

N$'000	2014	2013
Aggregate details		
Share options held	**2 034**	2 034
Key management compensation		
Salaries and other short-term benefits	**30 867**	31 694
Contribution to defined contribution schemes	**3 050**	2 513
Share based payments	**5 333**	4 845
Total compensation	**39 250**	39 052

A listing of the board of directors of the group is detailed on page 4 of the annual report.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

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 % 2014	Effective holding % 2013
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 June 2003	Namibia	1,200 of N$1 each	100	100
Swabou Investments (Pty) Ltd	Home loan investment company	1 July 2003	Namibia	2 of N$0.05 each	100	100
Insurance operations:						
OUTsurance Insurance Company of Namibia Ltd	Short-term insurance	1 July 2003	Namibia	4,000,000 of N$1 each	51	51
Other:						
FNB Trust Services Namibia (Pty) Ltd	Estate and trust services	1 October 1996	Namibia	200 of N$1 each	100	100
FNB Insurance Brokers (Namibia) (Pty) Ltd	Short term insurance broker	1 July 2011	Namibia	100 of N$1 each	100	100
FNB Namibia Unit Trusts Ltd	Unit trusts management company	1 January 2006	Namibia	4,000,000 of N$1 each	100	100
Talas Properties (Windhoek) (Pty) Ltd	Property company	31 March 1988	Namibia	100 of N$1 each	100	100
RMB Investments (Pty) Ltd	Financial advisory services	14 November 2013	Namibia	100 of N$1 each	100	100

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

35. Related parties *continued*

35.6 Details of subsidiaries *continued*

N$ '000	Aggregate income of subsidiaries (before tax) 2014	2013	Total investment 2014	2013
First National Bank of Namibia Ltd	**1 039 975**	801 052	**1 142 792**	1 142 792
Swabou Investments (Pty) Ltd	**44 449**	44 208		
OUTsurance Insurance Company of Namibia Ltd	**33 587**	32 386	**6 511**	6 511
FNB Trust Services Namibia (Pty) Ltd	**1 796**	2 412		
FNB Insurance Brokers (Namibia) (Pty) Ltd	**4 834**	6 837	**27 904**	27 904
FNB Namibia Unit Trusts Ltd	**3 669**	2 690	**5 475**	5 475
Talas Properties (Windhoek) (Pty) Ltd	**(19 070)**	10 543	**2 967**	2 967
RMB Investments (Pty) Ltd	**162**	1 503		
	1 109 402	901 631	**1 185 649**	1 185 649

RMB Namibia (Pty) Ltd changed its name to RMB Investments (Pty) Ltd during the year under review.

Non-controlling interests

OUTsurance Insurance Company of Namibia Ltd is the subsidiary which has non-controling interests in the group. The voting rights of the non-controling interest is limited to their ownership percentage.

It is the group's investment strategy to limit the non-controlling interests in its subsidiary holdings. The group generally holds 100% interests in its key subsidiaries.

N$ '000	Non-controling interest 2014	2013
Interest owned by non-controlling interest	**49%**	49%
Voting rights owned by non-controlling interest	**49%**	49%
Profit or loss attributable to non-controlling interests	**11 438**	10 970
Accumulated balance of non-controlling interests	**31 261**	27 663
Dividends paid to non-controlling interests	**7 840**	4 900

The following balances have been included in the consolidated statement of financial position and statement of comprehensive income in respect of OUTsurance Insurance Company of Namibia Ltd :

Total Assets	**127 456**	112 841
Total Liabilities	**74 739**	64 810
Net interest income	**1 940**	1 682
Non interest revenue	**61 423**	54 378
Profit before tax	**33 588**	32 386
Total comprehensive income	**23 624**	22 276

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

36. Fair value measurements

36.1 Valuation methodology

In terms of IFRS, the group is required to or elects to measure certain assets and liabilities at fair value. The group has established control frameworks and processes to independently validate its valuation techniques and inputs used to determine its fair value measurements. Technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established at an overall group level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval by the required technical teams, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date i.e. an exit price. Fair value is therefore a market based measurement and when measuring fair value the group uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value it is presumed that the entity is a going concern and the fair value is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

Fair value measurements are determined by the group on both a recurring and non-recurring basis.

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets that the group measures at fair value at the end of each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (for example in a dealer market), the group uses the price within the bid-ask spread that is most representative of fair value in the circumstances. Although not a requirement, the group uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

When determining the fair value of a financial liability or the group's own equity instruments the quoted price for the transfer of an identical or similar liability or own equity instrument is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the liability or own equity instrument is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an inactive market for the identical item) or using another valuation technique.

Where the group has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where fair value less costs to sell is the recoverable amount, IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date, and IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under point 36.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

36. Fair value measurements *continued*

36.2 Fair value hierarchy and measurements

The group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the group include, inter alia, 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.

Where a valuation model is applied and the group cannot mark-to-market, it applies a mark-to-model approach, subject to prudent valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. When applying mark-to-model, an extra degree of conservatism is applied. The group will consider the following in assessing whether a mark-to-model valuation is appropriate:

- As far as possible, market inputs are sourced in line with market prices;
- Generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- Where a model has been developed in-house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;
- Formal change control procedures are in place;
- Awareness of the weaknesses of the models used and appropriate reflection in the valuation output;
- The model is subject to periodic review to determine the accuracy of its performance; and
- Valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation.

Level 1
Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities where this is readily available and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This category may include listed bonds and equity.

Level 2
Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly such as quoted prices for similar items in an active market or for an identical item in an inactive market, or valuation models using observable inputs or inputs derived from observable market data. This category may include loans and advances to customers, equities listed in an inactive market, certain debt instruments, private equity investments, non-recourse investments and deposits, over the counter derivatives, deposits, other liabilities, Tier 2 liabilities, commodities which are not exchange-traded and investment properties.

Level 3
Fair value is determined using a valuation technique and significant inputs that are not based on observable market data (i.e. unobservable inputs) such as an entity's own assumptions about what market participants would assume in pricing assets and liabilities. The assumptions applied by the group are set out in the table below. This category includes certain loans and advances to customers, private equity investments.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

36. Fair value measurements *continued*

36.2 Fair value hierarchy and measurements *continued*

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as Level 2 and Level 3 in the fair value hierarchy:

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Derivative financial instruments					
- Option contracts	Level 2 and Level 3	Option pricing model	The Black Scholes model is used.	Strike price of the option; market related discount rate; forward rate and cap and floor volatility.	Volatilities
- Swaps	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and curves	Not applicable
- Forward rate agreements	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and curves	Not applicable
- Forward contracts	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

36. Fair value measurements *continued*

36.2 Fair value hierarchy and measurements *continued*

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Loans and advances to customers					
- Investment banking book*	Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Market interest rates and curves	Credit inputs
- Other loans and advances	Level 2 and Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Investment securities and other investments					
- Equities/ bonds listed in an inactive market	Level 2	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. Level 1). However if the market is not active and the listed price is not representative of fair value, these are classified as Level 2 and a valuation technique is used, for example the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
- Unlisted bonds	Level 2 and Level 3	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
- Unlisted equities	Level 2 and Level 3	Price earnings ("P/E") model	For unlisted equities, 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. 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 that have taken place.	Market transactions	Growth rates and P/E ratios
- Negotiable certificates of deposit	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
- Treasury Bills	Level 2	BESA bond pricing model	The BESA bond pricing model uses the BESA mark to market bond yield.	Market interest rates and curves	Not applicable

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

36. Fair value measurements *continued*

36.2 Fair value hierarchy and measurements *continued*

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Deposits					
- Call and non-term deposits	Level 2	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed	Not applicable
- Deposits that represent collateral on credit linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs on related advance
- Other deposits	Level 2 and Level 3	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs
Other liabilities and Tier 2 liabilities					
	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed					
	Level 2 and Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

* *The group has elected to designate certain investment banking book advances at fair value through profit or loss. The designation is on a deal basis. Credit risk is not observable and has a significant impact on the fair value measurement of these advances and as such, these advances are classified as Level 3 on the fair value hierarchy.*

For non-recurring fair value measurements, the fair value measurements are determined on a case by case basis as they occur within each reporting period. The fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to or a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes. There were no such transactions for the current year.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

36. Fair value measurements *continued*

36.3 Fair value hierarchy and measurements

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

N$'000	2014 Level 1	Level 2	Level 3	Total carrying amount
Assets				
Available-for-sale financial assets				
Investment securities (note 14)		2 561 198	11 530	2 572 728
Financial assets designated at fair value through profit or loss				
Advances (note 12)			538 583	538 583
Investment securities (note 14)		153 070		153 070
Financial assets held for trading				
Derivative financial instruments (note 11)		92 031		92 031
Investment securities (note 14)		31 781		31 781
Total financial assets		2 838 080	550 113	3 388 193
Liabilities				
Financial liabilities held for trading				
Derivative financial instruments (note 11)		109 281		109 281
Total financial liabilities		109 281		109 281

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

During the reporting period ending 30 June 2014 (30 June 2013), 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

36. Fair value measurements *continued*

36.3 Fair value hierarchy and measurements *continued*

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives

Fair values of financial instruments recognised in the financial statements may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. In these instances, the net fair value recorded in the financial statements is the sum of three components:

(i) the value given by application of a valuation model, based upon the group's best estimate of the most appropriate model inputs;
(ii) any fair value adjustments to account for market features not included within valuation model (for example, bid mid spreads, counterparty credit spreads and / or market data uncertainty); and
(iii) day one profit or loss, or an unamortised element thereof, not recognised immediately in the income statement in accordance with the group's accounting policy, and separately detailed within the derivative note above.

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.

Changes in level 3 fair value instruments

N$'000	Fair value on June 2013	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2014
Assets					
Advances (note 12)	564 111	51 699		(77 227)	538 583
Investment securities (note 14)			1 954	9 576	11 530
Total financial assets at fair value	564 111	51 699	1 954	(67 651)	550 113

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

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$605 124 (2013:N$620 522) and using more negative reasonable possible assumptions to N$495 102 (2013:N$507 700). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

36. Fair value measurements *continued*

36.3 Fair value hierarchy and measurements *continued*

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.

	2014			2013		
N$'000	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Total gains or loss	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Total gains or loss
Assets						
Advances	**51 699**		**51 699**	32 891		32 891
Investment securities		**1 954**	**1 954**			
Total	**51 699**	**1 954**	**53 653**	32 891		32 891

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.

	2014			2013	
N$'000	Carrying value	Fair value	Fair value hierarchy	Carrying value	Fair value
Assets					
Total advances at amortised cost (note 12)	**19 452 199**	**21 578 324**	**Level 2**	16 400 568	16 797 850
Total investments at amortised cost (note 14)	**75 567**	**74 870**	**Level 2**		
Total financial assets at amortised cost	**19 527 766**	**21 653 194**		16 400 568	16 797 850
Liabilities					
Total deposits at amortised cost (note 21)	**21 522 377**	**21 487 673**	**Level 2**	18 835 676	18 805 304
Tier two liabilities (note 26)	**392 622**	**393 874**	**Level 2**	392 620	395 233
Total financial liabilities at amortised cost	**21 914 999**	**21 881 547**		19 228 296	19 200 537

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

36. Fair value measurements *continued*

36.3 Fair value hierarchy and measurements *continued*

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 through 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:

N$'000	2014	2013
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	**(3 693)**	(2 371)
Unrecognised profit at the end of the year	**12 280**	15 973

37. Financial instruments subject to offsetting, master netting arrangements (MNA) and similar agreements

In accordance with IAS 32 the group offsets financial assets and financial liabilities and presents the net amount in the statement of financial position only if there is both a legally enforceable right to offset and there is an intention to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously.

The group is subject to a MNA in the form of an ISDA agreement with a derivative counterparty. Due to the fact that ISDA agreements under which derivatives are traded are not legally enforceable within Namibia, in the normal course of business or on bankruptcy, the IAS 32 set-off requirements of legal enforceability is not met thus no financial assets and financial liabilities have been presented on the net amount in the statement of financial position.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

38. Structured entities

38.1 Consolidated structured entities

The group assess whether it has control over structured entities in terms of IFRS 10. Where the group has control over a structured entity it is consolidated in terms of IFRS 10.

38.2 Interests in unconsolidated structured entities

The group has financial interests in other structured entities that expose the group to the variable income of those entities without resulting in control. Below are set out the nature of those relationships and the impact that those relationships have had on the financial position and performance of the group.

Fund management
The group manages a number of unit trust funds, ranging from income funds to equity funds, which are managed by a third party assets managers. Unit trusts are regulated by the Namibia Financial Institution Supervisory Board and the Unit Trust Control Act of 1981. The group's interest is generally restricted to fund service and admistration fees. The group may hold direct interests in a number of the funds; however the magnitude of such interest varies with sufficient regularity. The group earns service and admistration fees from its admistration of the funds, as well as unrealised gains and losses as a result of revaluations of the units held directly in the funds.

Impact on statement of financial position

N$'000	2014	2013
Investments and other securities		
Unit trust investments	**134 122**	110 136
Maximum exposure to loss	**134 122**	110 136
Total size of unit trust funds	**1 932 237**	1 806 806

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

39. Segment information

39.1 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

39. Segment information *continued*

39.2 Reportable segments *continued*

Statement of comprehensive income
for the year ended 30 June

N$'000	Group 2014	Group 2013	Banking operations 2014	Banking operations 2013	Short-term insurance 2014	Short-term insurance 2013	Other 2014	Other 2013
Net interest income	**1 138 002**	984 964	**1 136 911**	977 345	**1 940**	1 682	**(849)**	5 937
Net interest income – external	**1 138 002**	984 964	**1 134 727**	984 964	**1 709**		**1 566**	
Net interest income – internal			**2 184**	(7 619)	**231**	1 682	**(2 415)**	5 937
Impairment losses of advances	**(18 433)**	(23 366)	**(18 433)**	(23 366)				
Net interest income after impairment of advances	**1 119 569**	961 598	**1 118 478**	953 979	**1 940**	1 682	**(849)**	5 937
Non-interest income	**1 087 351**	868 549	**1 002 815**	802 190	**6 707**	5 568	**77 829**	60 791
Net insurance premium income	**125 795**	99 725			**125 795**	99 725		
Net claims and benefits paid	**(71 079)**	(50 915)			**(71 079)**	(50 915)		
Income from operations	**2 261 636**	1 878 957	**2 121 293**	1 756 169	**63 363**	56 060	**76 980**	66 728
Operating expenses	**(1 069 398)**	(944 265)	**(1 005 279)**	(892 899)	**(29 775)**	(23 674)	**(34 344)**	(23 818)
Net income from operations	**1 192 238**	934 692	**1 116 014**	863 270	**33 588**	32 386	**42 636**	42 910
Share of profit from associates	**557**	1 971	**557**	(159)				2 130
Income before tax	**1 192 795**	936 663	**1 116 571**	863 111	**33 588**	32 386	**42 636**	45 040
Indirect tax	**(21 971)**	(19 757)	**(21 394)**	(19 104)			**(577)**	(653)
Profit before tax	**1 170 824**	916 906	**1 095 177**	844 007	**33 588**	32 386	**42 059**	44 387
Direct tax	**(386 216)**	(309 285)	**(364 588)**	(285 133)	**(9 964)**	(10 110)	**(11 664)**	(15 320)
Profit for the year	**784 608**	607 621	**730 589**	558 874	**23 624**	22 276	**30 395**	29 067
Attributable to:								
Ordinary shareholders	**773 170**	596 651	**730 589**	558 874	**23 624**	22 276	**18 957**	29 067
Equity holders of the parent	**773 170**	596 651	**730 589**	558 874	**12 186**	11 306	**30 395**	29 067
Non-controlling interests	**11 438**	10 970			**11 438**	10 970		
Profit for the year	**784 608**	607 621	**730 589**	558 874	**23 624**	22 276	**30 395**	29 067
Headline earnings (note 8)	**765 205**	594 696	**730 589**	556 921	**12 186**	11 306	**22 430**	29 067
Other information								
Depreciation and amortisation	**(51 298)**	(44 793)	**(60 553)**	(56 944)	**(32)**	(24)	**9 287**	12 175
Rental income							**10 857**	10 053
Rental expense			**(10 857)**	(10 053)		(68)		
Capital expenditure	**222 072**	145 996	**221 243**	(142 945)			**829**	3 051

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

39. Segment information *continued*

39.2 Reportable segments *continued*

Statement of financial position
as at 30 June

N$'000	Group 2014	Group 2013	Banking operations 2014	Banking operations 2013	Short-term insurance 2014	Short-term insurance 2013	Other 2014	Other 2013
Assets								
Cash and cash equivalents	**867 579**	690 340	**830 189**	664 060	**43 184**	34 408	**(5 794)**	(8 128)
Due from banks and other financial institutions	**1 766 327**	1 888 968	**1 766 327**	1 888 968				
Derivative financial instruments	**92 031**	94 987	**92 031**	94 987				
Advances	**19 990 782**	16 964 679	**20 067 544**	17 033 405			**(76 762)**	(68 726)
Investment securities	**2 833 146**	2 272 753	**2 687 376**	2 162 618	**77 577**	70 012	**68 193**	40 123
Investments in associates	**3 168**	3 994	**3 168**	2 610				1 384
Other assets	**702 794**	583 720	**782 293**	670 106	**6 695**	8 421	**(86 194)**	(94 807)
Total assets	**26 255 827**	22 499 441	**26 228 928**	22 516 754	**127 456**	112 841	**(100 557)**	(130 154)
Equity and liabilities								
Liabilities								
Deposits	**21 522 377**	18 835 676	**21 603 390**	18 921 791			**(81 013)**	(86 115)
Due to banks and other financial institutions	**812 964**	319 084	**813 409**	319 084			**(445)**	
Derivative financial instruments	**109 281**	128 612	**109 281**	128 612				
Other liabilities	**641 411**	533 741	**542 974**	455 330	**74 739**	64 810	**23 698**	13 601
Tier two liabilities	**392 622**	392 620	**392 622**	392 620				
Total liabilities	**23 478 655**	20 209 733	**23 461 676**	20 217 437	**74 739**	64 810	**(57 760)**	(72 514)
Equity								
Capital and reserves attributable to ordinary equity holders								
Ordinary shares	**1 299**	1 297	**1**	1	**4 000**	4 000	**(2 702)**	(2 704)
Share premium	**161 998**	174 167	**1 142 791**	1 142 791	**213**		**(981 006)**	(968 624)
Reserves	**2 582 614**	2 086 581	**1 624 460**	1 156 525	**48 504**	44 031	**909 650**	886 025
Capital and reserves attributable to ordinary equity holders	**2 745 911**	2 262 045	**2 767 252**	2 299 317	**52 717**	48 031	**(74 058)**	(85 303)
Non-controlling interests	**31 261**	27 663					**31 261**	27 663
Total equity	**2 777 172**	2 289 708	**2 767 252**	2 299 317	**52 717**	48 031	**(42 797)**	(57 640)
Total equity and liabilities	**26 255 827**	22 499 441	**26 228 928**	22 516 754	**127 456**	112 841	**(100 557)**	(130 154)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

40. 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. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year.

40.1 Credit impairment losses on loans and advances

The group continuously assesses its credit portfolios for impairment. In determining whether an impairment loss should be recognised in the income statement, 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 impairment provision on the performing portfolio is split into two parts:

(i) The first 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. An 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.

(ii) The second part consists of the portfolio specific impairment (PSI) to reflect the decrease in estimated future cash flows for the sub segment of the performing portfolio where there is objective evidence of impairment. 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.

The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset. In the FNB 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 FNB 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 (includes RMB Investment Banking and RMB Corporate Banking) portfolio assessment includes a judgemental review of individual industries for objective signs of distress.

(b) Non-performing loans

Retail loans are individually impaired if amounts are due and unpaid for three or more months, or if there is evidence before this that the customer is unlikely to repay his obligations in full. 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 FNB 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.

40.2 Impairment of available-for-sale equity instruments

The group determines that available-for-sale equity instruments are impaired and the impairment recognised 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

40. Critical accounting estimates and judgements in applying accounting policies *continued*

40.3 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, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Refer to note 7 and 19 for more information regarding the income tax expense and deferred income tax charges, assets and liabilities.

40.4 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 or fair value less cost to sell. The value in use is calculated as 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.

40.5 Employee benefit liabilities

The cost of the benefits and the present value of the defined benefit pension funds 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.

The assumptions related to the expected return on plan assets are determined on a uniform basis, considering long term historical returns, asset allocation and future estimations of long term investment returns. The group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of the expected cash outflows required to settle the pension and post-retirement medical obligations. In determining the appropriate discount rate, the group considers the interest rate on high quality corporate bonds and government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The expected salary and pension increase rates are based on inflation rates, adjusted for salary scales and country specific conditions. The inflation rate used is a rate within the government's monetary policy target for inflation and is calculated as the difference between the yields on portfolios of fixed interest government bonds and a portfolio of index linked bonds of a similar term.

Additional information is provided in the note 23.

40.6 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.

40.7 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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

40. Critical accounting estimates and judgements in applying accounting policies *continued*

40.7 Valuation of policyholders liabilities under insurance contracts *continued*

- 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.

40.8 Subsidiaries and controlled structured entities

When assessing whether or not control exists the group considers all of the existing rights that it has as well as the existing rights that other investors have that result in the ability to direct the relevant activities of the investee. Only one party can have control over an investee, therefore if another investor has substantive rights that give them the current ability to direct the relevant activities of the investee then the group cannot have control over the investee. When the group assesses its rights specific consideration is given to the group's holding of voting rights relative to the dispersion of holdings of other investors that hold voting rights. In instances where it is not immediately clear who has power over the investee the group considers whether there is any evidence that it has the practical ability to direct the relevant activities of the investee unilaterally.

It is common business practice in many funding arrangements for the lender to have rights that allow it to restrict the borrower from undertaking activities that could significantly change it's credit risk to the detriment of the lender. These rights are known as protective rights and are designed to protect the lender's interests and not to give the lender power over the relevant activities of the borrower. Where the group has lending arrangements that contain protective rights these protective rights are not considered to give the group the current ability to direct the relevant activities of the borrower.

The Memorandum and Articles of association or shareholders agreements for many companies include provisions that are designed to protect the rights of the non-controlling shareholders. These rights may require a certain percentage of votes to be received before certain decision can be taken or they may require the non-controlling interests to approve certain decisions. The purpose of these rights is to protect the interests of the non-controlling shareholders and to ensure that the controlling shareholders don't act in a manner that prejudices the non-controlling shareholders. These rights are protective in nature and do not give the non-controlling shareholders power over the relevant activities of the entity. Where the group is a non-controlling shareholder and has such rights these rights alone are not considered sufficient to give the group power over the relevant activities of the investee.

When voting rights do not have a significant effect on the investee's returns the investee is considered to be a structured entity. When assessing whether the group has control over a structured entity specific consideration is given to the purpose and design of the structured entity and whether the group has power over decisions that relate to activities that the entity was designed to conduct.

When assessing whether the group has exposure or rights to variable returns and how variable those returns are the group considers the substance of the agreement regardless of the legal form of the returns. For example depending on the terms of the agreement preference shares that the group holds may give the group rights to fixed dividends similar to an interest return or they may give the group the right to participate in the residual profits of the investee.

The group only considers substantive rights that it or other investors have in relation to an investee when assessing control. Substantive rights are those rights that the group or other investor have the practical ability to exercise. Rights that are held by the group in an agency capacity are not considered to be substantive rights. The group considers the relationship between itself and the other investors when assessing whether it is acting as an agent, including the rights that another investor may have to remove the group from the relationship, i.e. the ability that the other investors may have to replace the group as an agent.

40.9 Associates

The group is presumed to have significant influence over an investee if it owns more than 20% of the voting rights and does not have control or joint control.

Significant influence may also arise from rights other than voting rights. These rights include, but are not limited to, the ability to appoint key management personnel and the ability to participate in the decision making processes of the investee.

The group considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

41. 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 16 (amended)	**Property, Plant and Equipment – Depreciation Method**	
	IAS 16 was amended to clarify that a depreciation method that is based on revenue generated by an activity that is not appropriate. This is because such a method reflects the pattern of the generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. The amendment is not expected to have an impact on the group as the group does not apply a revenue-based depreciation approach.	Annual periods commencing on or after 1 January 2016
IAS 16 (amended)	**Property, Plant and Equipment – Bearer Plants**	
	The amendment changes the financial reporting for bearer plants and indicates that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendment includes them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The amendment falls outside the scope of the group's operations and will have no impact on the group.	Annual periods commencing on or after 1 January 2016
IAS 19	**Employee Benefits**	
	IAS 19 was amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendment permits contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employees or third parties that are not linked to service, should be attributed to periods of service using the plan's contribution formula or on a straight-line basis. The amendments have been assessed and are not expected to have a significant impact on the group.	Annual periods commencing on or after 1 July 2014
IAS 27 (amended)	**Separate Financial Statements**	
	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 32	**Financial Instruments: Presentation**	
	The amendments to IAS 32 clarify 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 indicate that the effect is unlikely to result in significant changes in presentation for the group.	Annual periods commencing on or after 1 January 2014

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

41. Standards and interpretations issued but not yet effective *continued*

		Effective date
IAS 36 (amended)	**Impairment of Assets**	
	IAS 36 was amended to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed and clarifies the disclosures required. It also introduces an explicit requirement to disclose the discount rate used in determining impairment or impairment reversals where the recoverable amount, that is calculated based on fair value less costs of disposal, is determined using a present value technique. The amendment addresses disclosure in the annual financial statements and not recognition and measurement. The amendment will, therefore, have no impact on the group's results but may result in additional disclosure.	Annual periods commencing on or after 1 January 2014

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.	Annual periods commencing on or after 1 January 2014

IAS 38	**Intangible Assets**	
	IAS 38 is amended to introduce a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons as in IAS 16. There are limited circumstances when the presumption can be overcome. The amendment is not expected to have an impact on the group as the group does not apply a revenue-based amortisation approach.	Annual periods beginning on or after 1 January 2016

IAS 39 (amended)	**Financial Instruments: Recognition and Measurement**	
	IAS 39 has been amended to clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty must happen as a consequence of a change in laws or regulations or the introduction of laws or regulations. 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 2014

IAS 41 (amended)	**Agriculture**	
	The amendment changes the financial reporting for bearer plants and indicates that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendment includes them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The amendment falls outside the scope of the group's operations and will have no impact on the group.	Annual periods commencing on or after 1 January 2016

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

41. Standards and interpretations issued but not yet effective *continued*

		Effective date
IFRS 9	**Financial Instruments**	
	IFRS 9 was issued in its entirety for the first time on 24 July 2014. The final version of the standard incorporates amendments to the classification and measurement guidance as well as the accounting requirements for the impairment of financial assets measured at amortised cost. Prior to the final version of IFRS 9 being issued, the standard already contained some classification and measurement guidance: guidance on hedge accounting and guidance on the presentation of changes in own credit risk in respect of financial liabilities designated at fair value. These elements of the final standard are discussed in detail below: # The classification and measurement of financial instruments under IFRS 9 is based on both the business model and the rationale for holding the instruments as well as the contractual characteristics of the instruments. # Impairments in terms of IFRS 9 will be determined based on an expected loss model that considers the significant changes to the assets' credit risk and the expected loss that will arise in the event of default. # IFRS 9 allows financial liabilities not held for trading to be measured at either amortised cost or fair value. If fair value is elected then changes in the fair value as a result of changes in own credit risk should be recognised in other comprehensive income. # The hedge accounting requirements under IFRS 9 are closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Hedge effectiveness will now be proved based on management's risk management objectives rather than the 80%-125% band that was previously stipulated. IFRS 9 also allows for rebalancing of the hedge and the deferral of costs of hedging. The final standard was issued on 24 July 2014. The group will now initiate a process to determine the impact of the standard on the group's statement of financial position and performance. Until the process has been completed the group is unable to quantify the expected impact of the standard.	No stated effective date

IFRS 10 (amended)	**Consolidated Financial Statements**	
	Amendments issued in October 2012 provide investment entities an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measures the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39. 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 12 (amended)	**Disclosure of Interests in Other Entities**	
	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, the nature of the relationship and certain transactions between the investment entity and its subsidiaries. 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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

41. Standards and interpretations issued but not yet effective *continued*

		Effective date
IFRS 14	**Regulatory Deferral Accounts**	
	IFRS 14 permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The standard falls outside the scope of the group's operations and will have no impact on the group.	Annual periods commencing on or after 1 January 2016

IFRS 15	**Revenue**	
	IFRS 15 provides a single, principle-based model to be applied to all contracts with customers. The new standard requires companies to recognise revenue to depict the transfer of goods or services to customers that reflects the consideration to which the company expects to be entitled to in exchange for those goods or services. The new standard will also provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The standard also introduces enhanced disclosures about revenue. The group is in the process of assessing the impact that IFRS 15 will have on the financial statements. Until the process has been completed, the group is unable to determine the significance of the impact.	Annual periods commencing on or after 1 January 2017

IFRIC 21	**Levies**	
	This interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. Guidance provided indicates that the liability is recognised progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The interpretation falls outside the scope of the group's operations and will have no impact on the group.	Annual periods commencing on or after 1 July 2014

Annual Improvements	**Improvements to IFRS**	
	The IASB issued the Annual Improvements 2010-2012 Cycle and the Annual Improvements 2011-2013 Cycle in December 2013, as its latest set of annual improvements to various accounting standards. The collection of amendments to IFRS is in response to six issues addressed during the 2010-2012 cycle and four issues addressed during the 2011-2013 cycle. The annual improvement project's aim is to clarify and improve accounting standards. The improvements include terminology and editorial changes which have a 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 July 2014

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management

The risk report of the group appears on page 48 to 56 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.

42.1 Maximum exposure to credit risk

Total exposure (items where credit risk exposure exist)

N$'000	2014	2013
Cash and cash equivalents	**477 620**	358 224
- Balances with other banks	**43 184**	40 406
- Balances with central bank	**434 436**	317 817
Due from banks and other financial institutions	**1 766 327**	1 888 968
Advances	**19 990 782**	16 964 679
- Overdraft and cash managed accounts	**2 072 897**	2 016 526
- Card loans	**154 065**	130 684
- Instalment sales and hire purchase agreements	**2 783 263**	2 422 283
- Lease payments receivables	**214 022**	171 490
- Home loans	**9 647 724**	8 424 185
- Term loans	**4 326 788**	3 086 025
- Preference share advances	**28 818**	
- Investment bank term loans	**576 659**	564 111
- Other	**186 546**	149 375
Derivative financial instruments	**92 031**	94 987
Debt investment securities	**2 821 616**	2 272 754
- Listed investment securities	**423 947**	331 730
- Unlisted investment securities	**2 397 669**	1 941 023
Accounts receivable	**96 762**	147 924
Reinsurance assets	**572**	221
Amounts not recognised (on the statement of financial position)	**4 710 041**	4 378 311
- Guarantees	**815 655**	780 063
- Letters of credit	**179 041**	40 950
- Irrevocable commitments	**3 715 345**	3 557 298
Total	**29 955 751**	26 106 066

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.2 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.

42.3 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 42.2 for the FR rating mapping to international and national rating scales):

	2014								
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	Preference share advance	Other
FR 28 - 91	**19 502 086**	**140 334**	**2 097 985**	**2 973 199**	**9 249 346**	**4 249 199**	**576 659**	**28 818**	**186 546**
Above FR 92	**101 155**	**865**	**1 760**	**7 281**	**65 833**	**25 416**			
Total	**19 603 241**	**141 199**	**2 099 745**	**2 980 480**	**9 315 179**	**4 274 615**	**576 659**	**28 818**	**186 546**

	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	Preference share advance	Other
FR 28 - 91	16 634 492	126 466	2 001 534	2 572 762	8 135 278	3 084 966	564 111		149 375
Above FR 92	98 748	4 429	39 649	6 574	43 417	4 679			
Total	16 733 240	130 895	2 041 183	2 579 336	8 178 695	3 089 645	564 111		149 375

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.3 Credit quality *continued*

	2014					
N$'000	Investment securities	Derivative financial instruments	Cash and cash equivalents	Due from banks and other financial institutions	Accounts receivable	Total
Credit quality of financial assets other than advances neither past due nor impaired						
International scale mapping (National equivalent):						
AAA to BB- (A to BBB)	**2 602 617**	**92 031**	**477 620**	**1 766 327**	**63 697**	**5 002 292**
Unrated	**230 529**					**230 529**
Total	**2 833 146**	**92 031**	**477 620**	**1 766 327**	**63 697**	**5 232 821**

	2013					
N$'000	Investment securities	Derivative financial instruments	Cash and cash equivalents	Due from banks and other financial institutions	Accounts receivable	Total
Credit quality of financial assets other than advances neither past due nor impaired						
International scale mapping (National equivalent):						
AAA to BB- (A to BBB)	2 063 436	94 987	358 223	1 888 968	108 717	4 514 331
Unrated	209 317					209 317
Total	2 272 753	94 987	358 223	1 888 968	108 717	4 723 648

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.3 Credit quality *continued*

N$'000 Age analysis	2014 Neither past due nor impaired	2014 Past due but not impaired: One instalment	2014 Past due but not impaired: Two instalments	2014 Impaired	2014 Total
Advances					
– Card loans	**141 199**			**1 043**	**142 242**
– Home loans	**9 315 179**	**290 252**	**46 863**	**97 089**	**9 749 383**
– Instalment sales and lease payments receivables	**2 980 481**			**15 740**	**2 996 221**
– Investment bank term loans	**576 659**				**576 659**
– Overdraft and cash managed accounts	**2 099 745**	**10 876**	**2 963**	**9 593**	**2 123 177**
– Preference share advance	**28 818**				**28 818**
– Term loans	**4 274 614**	**38 397**	**3 998**	**17 586**	**4 334 595**
– Other	**186 546**				**186 546**
	19 603 240	**339 525**	**53 824**	**141 051**	**20 137 640**
Accounts receivable					
– Items in transit	**31 751**				**31 751**
– Deferred staff cost	**43 684**				**43 684**
– Other accounts receivable	**65 010**				**65 010**
	140 445				**140 445**
Reinsurance assets	**572**				**572**
Total	**19 744 257**	**339 525**	**53 824**	**141 051**	**20 278 657**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.3 Credit quality *continued*

N$'000 Age analysis	2013 Neither past due nor impaired	2013 Past due but not impaired: One instalment	2013 Past due but not impaired: Two instalments	2013 Impaired	2013 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

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.4 Liquidity cash flow analysis (undiscounted cash flow)

Maturity analysis of liabilities based on undiscounted amount of the contractual payment.

N$'000	2014			
	Term to maturity			
	Total	**Call - 3 months**	**4 - 12 months**	**Over 12 months**
Liabilities				
Deposits	22 023 774	13 836 316	2 820 754	5 366 704
Due to banks and other financial institutions	996 075	87 759	104 964	803 352
Derivative financial instruments	109 281	109 281		
Creditors and accruals	60 921	60 921		
Other liabilities	6 298	1 050	4 198	1 050
Tier two liabilities	632 627	10 117	20 582	601 928
Financial liabilities	23 828 976	14 105 444	2 950 498	6 773 034
Off statement of financial position				
Financial and other guarantees	994 696	471 235	523 461	
Undrawn facilities	3 715 345	3 715 345		

N$'000	2013			
	Term to maturity			
	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		

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.4 Liquidity cash flow analysis (discounted cash flow)

The table below represents the contractual discounted cash flows of assets and liabilities.

N$'000	2014			
	Term to maturity			
	Carrying amount	**Call - 3 months**	**4 - 12 months**	**Over 12 months**
Assets				
Cash and cash equivalents	867 579	867 579		
Due from banks and other financial institutions	1 766 327	1 766 327		
Derivative financial instruments	92 031	92 031		
Advances	19 990 782	1 919 051	851 837	17 219 894
Investment securities	2 833 146	1 325 867	1 053 948	453 331
Accounts receivable	63 697	63 697		
Financial assets	25 613 562	6 034 552	1 905 785	17 673 225
Non-financial assets	642 265			
Total assets	26 255 827			
Liabilities				
Deposits	21 522 377	16 155 674	3 527 674	1 839 030
Due to banks and other financial institutions	812 964	86 463	74 322	652 179
Derivative financial instruments	109 281	109 281		
Creditors and accruals	60 921	60 921		
Other liabilities	6 030	1 024	3 097	1 908
Tier two liabilities	392 622	2 622		390 000
Financial liabilities	22 904 195	16 415 985	3 605 093	2 883 117
Non-financial liabilities	574 460			
Total liabilities	23 478 655			
Total equity	2 777 172			
Total equity and liabilities	26 255 827			
Net liquidity gap		(10 381 430)	(1 699 308)	14 790 108
Cumulative liquidity gap		(10 381 430)	(12 080 738)	2 709 370

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.4 Liquidity cash flow analysis (discounted cash flow)

N$'000	2013			
		Term to maturity		
	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	108 717	69 056	681	38 980
Financial assets	22 020 444	5 776 666	2 131 006	14 112 772
Non-financial assets	478 997			
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		(8 609 135)	(891 202)	11 782 326
Cumulative liquidity gap		(8 609 135)	(9 500 337)	2 281 989

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.4 Liquidity cash flow analysis (discounted cash flow) *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.

42.5 Repricing profile

N$'000	2014				
	Carrying amount	**< 3 months**	**> 3 but ≤ 12 months**	**> 12 months**	**Non rate sensitive**
Total assets	**26 255 827**	**23 298 738**	**1 115 557**	**472 914**	**1 386 618**
Total equity and liabilities	**26 255 827**	**19 964 281**	**2 492 037**	**267 807**	**3 531 702**
Net repricing gap		**3 334 459**	**(1 376 480)**	**205 107**	**(2 163 086)**
Cumulative repricing gap		**3 334 459**	**1 957 979**	**2 163 086**	

N$'000	2013				
	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	

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.6 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.

	2014				
N$'000	Total	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	867 579	802 234	59 456	5 160	730
Due from banks and other financial institutions	1 766 327	984 457	727 836	51 128	2 907
Derivative financial instruments	92 031	4 911	51 005	8 372	27 742
Advances	19 990 782	19 239 360	751 421		
Investment securities	2 833 146	2 833 146			
Accounts receivable	63 697	63 697			
Financial assets	25 613 562	23 927 805	1 589 718	64 660	31 378
Non-financial assets	642 265	642 265			
Total assets	26 255 827	24 570 070	1 589 718	64 660	31 378
Liabilities					
Deposits	21 522 377	20 830 623	639 126	51 299	1 329
Due to banks and other financial institutions	812 964	62 037	750 927		
Derivative financial instruments	109 281	22 945	50 910	7 848	27 578
Creditors and accruals	60 921	60 921			
Other liabilities	6 030	6 030			
Tier two liabilities	392 622	392 622			
Financial liabilities	22 904 195	21 375 178	1 440 963	59 147	28 907
Non-financial liabilities	574 460	574 460			
Total liabilities	23 478 655	21 949 638	1 440 963	59 147	28 907
Total equity	2 777 172	2 777 172			
Total equity and liabilities	26 255 827	24 726 809	1 440 964	59 147	28 907

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.6 Foreign currency risk *continued*

	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	108 717	108 717			
Financial assets	22 020 444	20 998 015	915 405	87 731	19 293
Non-financial assets	478 997	478 997			
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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.7 Average balances and effective interest rates

N$'000	2014 Average balance N$'000	2014 Average rate %	2014 Interest income/ expense N$'000	2013 Average balance N$'000	2013 Average rate %	2013 Interest income/ expense N$'000
Assets						
Cash and cash equivalents, balance with banks	**2 957 711**	**2.6**	**76 232**	2 454 220	2.7	66 083
Advances	**18 397 661**	**9.2**	**1 685 713**	15 499 077	9.3	1 437 920
Investment securities	**2 664 879**	**5.5**	**147 299**	2 348 309	5.5	130 145
Interest-earning assets	**24 020 251**	**7.9**	**1 909 244**	20 301 606	8.0	1 634 148
Non-interest-earning assets	**601 193**			527 414		
Total assets	**24 621 444**	**7.8**	**1 909 244**	20 829 020	7.8	1 634 148
Liabilities						
Deposits, balance due to banks	**21 221 584**	**3.5**	**741 522**	17 628 158	3.5	620 442
Tier two liabilities	**393 868**	**7.4**	**29 259**	393 748	7.4	29 022
Other interest			**738**			568
Interest-earning liabilities	**21 615 452**	**3.6**	**771 519**	18 021 906	3.6	650 032
Non-interest-earning bearing liabilities	**501 522**			617 840		
Total liabilities	**22 116 974**	**3.5**	**771 519**	18 639 746	3.5	650 032
Total equity	**2 504 470**			2 189 274		
Total equity and liabilities	**24 621 444**	**3.1**	**771 519**	20 829 020	3.1	650 032

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

42. Risk management *continued*

42.8 Sensitivity analysis

Banking market risk

Net interest income sensitivity

Assuming no management intervention, a parallel 200 (2013:200) basis point increase in all yield curves would increase the forecast net interest income for the next year by N$181.75 million (2013: N$103.34 million), while a parallel decrease in all yield curves would decrease the forecast income by N$181.75 million (2013: N$103.34 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.

Equity price risk sensitivity

The table below illustrates the market sensitivity for all non-trading equity investments assuming a 10% shift in the fair value, the analysis is before tax.

N$'000	2014 10% reduction in fair value	2014 10% increase in fair value
Impact on equity (available-for-sale-reserve)	**1 153**	**(1 153)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

43. Restatement of 30 June 2013 results

43.1 Description of restatements

IAS 19

Amendments to IAS 19 require that all actuarial gains and losses in respect of defined benefit post-employment plans are recognised in other comprehensive income. In addition the standard no longer requires the expected return on plan assets to be recognised in profit or loss, rather that a net interest income/expense be recognised on the net asset or liability. All other re-measurements relating to plan assets are also recognised in other comprehensive income.

43.2 Statement of comprehensive income

N$'000	30 June 2013 As previously reported	30 June 2013 IAS 19	30 June 2013 Restated
Interest and similar income	1 634 997		1 634 997
Interest expense and similar charges	(650 033)		(650 033)
Net interest income before impairment of advances	984 964		984 964
Impairment of advances	(23 366)		(23 366)
Net interest income after impairment of advances	961 598		961 598
Non-interest income	868 549		868 549
Net insurance premium income	99 725		99 725
Net claims and benefits paid	(50 915)		(50 915)
Income from operations	1 878 957		1 878 957
Operating expenses	(940 391)	(3 874)	(944 265)
Net income from operations	938 566	(3 874)	934 692
Share of profit of associates after tax	1 971		1 971
Income before tax	940 537	(3 874)	936 663
Indirect tax	(19 757)		(19 757)
Profit before tax	920 780	(3 874)	916 906
Income tax expense	(310 563)	1 278	(309 285)
Profit for the year	610 217	(2 596)	607 621
Other comprehensive income			
Available-for-sale financial assets			
(Losses)/gains arising during the year	(7 427)		(7 427)
Deferred income tax	474		474
Items that may not be subsequently reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit post-employment plans			
Gains/(losses) arising during the year		3 874	3 874
Deferred income tax		(1 278)	(1 278)
Other comprehensive income for the year	(6 953)	2 596	(4 357)
Total comprehensive income for the year	603 264		603 264

No restatements impacted the statement of financial position

ANNUAL FINANCIAL STATEMENTS
FNB NAMIBIA HOLDINGS LIMITED

CONTENTS

FNB NAMIBIA HOLDINGS LIMITED
COMPANY STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June

N$'000	Note	2014	2013
Interest and similar income	2	**592**	7 617
Net interest income		**592**	7 617
Non-interest income			
– gains less losses from investing activities	3	**302 152**	377 841
– other income			1 040
Income from operations		**302 744**	386 498
Operating expenses	4	**(1 302)**	(1 429)
Income before tax		**301 442**	385 069
Indirect tax	5	**(159)**	(247)
Profit before tax		**301 283**	384 822
Direct tax	5	**(90)**	(2 313)
Profit for the year		**301 193**	382 509
Items that will subsequently be reclassified to profit and loss			
Available-for-sale financial assets			
Gains and losses arising during the year		**1 954**	
Other comprehensive income for the year		**1 954**	
Total comprehensive income for the year		**303 147**	382 509
Profit for the year attributable to:			
Equity holders of the parent		**301 193**	382 509
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**303 147**	382 509

FNB NAMIBIA HOLDINGS LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
as at 30 June

N$'000	Note	2014	2013
Assets			
Accounts receivable		**19 507**	22 330
Loan to group company	7	**1 325**	13 089
Investment securities	8	**28 601**	3 646
Investments in associates	9		263
Investments in subsidiaries	10	**1 185 649**	1 185 649
Total assets		**1 235 082**	1 224 977
Equity and liabilities			
Liabilities			
Tax liability		**6**	1 384
Creditors and accruals		**1 262**	1 250
Total liabilities		**1 268**	2 634
Equity			
Ordinary shares	11	**1 338**	1 338
Share premium	11	**280 810**	280 810
Reserves		**951 666**	940 195
Capital and reserves attributable to ordinary equity holders		**1 233 814**	1 222 343
Total equity and liabilities		**1 235 082**	1 224 977

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	Available-for-sale reserve	Retained earnings	Total ordinary shareholders' funds
Balance at 1 July 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					(714 474)	(714 474)
Balance at 30 June 2013	1 338	280 810	282 148		940 195	1 222 343
Total comprehensive income for the year				**1 954**	**301 193**	**303 147**
Ordinary dividends					**(291 676)**	**(291 676)**
Balance at 30 June 2014	**1 338**	**280 810**	**282 148**	**1 954**	**949 712**	**1 233 814**

FNB NAMIBIA HOLDINGS LIMITED
COMPANY STATEMENT OF CASH FLOWS
for the year ended 30 June

N$'000	Note	2014	2013
Cash flows from operating activities			
Cash generated from operations*		**292 113**	384 892
Working capital changes			
- Increase/decrease in accounts receivable		**2 824**	3 836
- Increase/decrease in accounts payable		**11**	(5 556)
Net cash generated from operations		**294 948**	383 172
Indirect tax paid	5	**(159)**	(247)
Income tax paid **		**(1 467)**	(1 012)
Net cash flow from operating activities		**293 322**	381 913
Cash flows from investing activities			
Net decrease / (increase) in loan to group company		**11 764**	332 563
Sale / (purchase) of investment securities		**(13 410)**	(2)
Net cash flow from investing activities		**(1 646)**	332 561
Cash flows from financing activities			
Dividends paid		**(291 676)**	(714 474)
Net cash flow from financing activities		**(291 676)**	(714 474)
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**

		2014	2013
Income before tax		**301 442**	385 069
Adjusted for:			
- Revaluation of investment securities		**(16)**	(177)
- Net profit realised on deemed disposal of interest in asscoiate		**(9 313)**	
		292 113	384 892
****Income tax paid**			
Amounts payable/ (receivable) at beginning of the year		**(1 384)**	(83)
Current tax per comprehensive income		**(90)**	(2 313)
Amounts payable at end of the year		**7**	1 384
Total income tax paid		**(1 467)**	(1 012)

FNB NAMIBIA HOLDINGS LIMITED
NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June

N$'000	2014	2013

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 63 to 81 of this annual report.

2. Analysis of interest income and expenses

	Amortised cost	
Interest received: loan account with group company	**270**	6 822
Unwinding of discounted present value on accounts receivable	**322**	795
	592	7 617

3. Non-interest income

	2014	2013
Gains less losses from investing activities		
- Dividends received		
- Subsidiaries	**290 434**	375 782
- Associates		1 880
- Unit trust investments	**409**	2
- Equities	**1 980**	
- Revaluation of investment securities through profit or loss	**16**	177
- Net profit realised on deemed disposal of interest in asscoiate (note 16 of the group financial statements)	**9 313**	
Gross gains less losses from investing activities	**302 152**	377 841

4. Operating expenses

	2014	2013
Auditors' remuneration		
- Audit fees	**1 149**	953
Professional fees	**40**	105
Other operating costs		
- Other operating expenses	**113**	371
Total operating expenses	**1 302**	1 429

FNB NAMIBIA HOLDINGS LIMITED
NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

5. Tax

N$'000	2014	2013
Indirect tax		
Value added tax	**159**	247
Total indirect tax	**159**	247
Direct tax		
Namibian normal tax		
- Current year	**90**	2 313
	90	2 313

The company provided for tax at 33% (2013: 34%) of the taxable income (interest income).
The effective tax rate is 0.03% (2013: 0.60%).

6. Dividends

	2014	2013
Special dividend (16 August 2012: 180 cents)		481 668
Final dividend (16 August 2013 : 54 cents), (16 August 2012: 41 cents)	**144 500**	109 713
Interim dividend (13 February 2014 : 55 cents), (13 February 2013: 46 cents)	**147 176**	123 093
	291 676	714 474

Final dividend of 67 cents (2013: 54 cents) per share was declared subsequent to year-end.

7. Loan to / (from) group company

Balances with Talas Properties (Windhoek) (Pty) Ltd

	2014	2013
Balance at 1 July	**13 089**	345 652
Decrease / increase during the year	**(11 764)**	(332 563)
Balance at 30 June	**1 325**	13 089

Refer to note 2 for the interest received.

FNB NAMIBIA HOLDINGS LIMITED
NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

N$'000	2014	2013
8. Investment securities		
Unlisted		
Unit trust investments	17 071	3 646
Equity investment	11 530	
Total	28 601	3 646

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.

	2014			
	Level 1	Level 2	Level 3	Total carrying amount
Available-for-sale financial assets				
Investment securities			11 530	11 530
Financial assets designated at fair value through profit or loss				
Investment securities		17 071		17 071
		17 071	11 530	28 601

	2013			
	Level 1	Level 2	Level 3	Total carrying amount
Financial assets designated at fair value through profit or loss				
Investment securities		3 646		3 646

Changes in level 3 fair value instruments

FNB NAMIBIA HOLDINGS LIMITED
NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

8. Investment securities *continued*

8.1 Fair value hierarchy disclosure *continued*

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	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Purchases/ (sales)/ issues/ (settlements)	Fair value on June 2014
Assets				
Investment securities		1 954	9 576	11 530
Total financial assets at fair value		1 954	9 576	11 530

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$12 683 and using more negative reasonable possible assumptions to N$10 377. 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.

2014	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Total gains or loss
Assets			
Investment securities		1 954	1 954
Total		1 954	1 954

FNB NAMIBIA HOLDINGS LIMITED
NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

N$'000	2014	2013
9. Investments in associates		
Unlisted investments		
Carrying value at beginning of the year	**263**	263
Transfer to investment securities of Avril Payment Solutions (Pty) Ltd	**(263)**	
Carrying value at end of the year		263
The list of associates are:		
Avril Payment Solutions (Pty) Ltd		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.

N$'000	2014	2013
10. Investments in subsidiaries		
Unlisted investments		
Carrying value at beginning of the year	**1 185 649**	1 185 649
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 Investments (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

*RMB Namibia (Pty) Ltd changed its name to RMB Investments (Pty) Ltd during the year under review.

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.

FNB NAMIBIA HOLDINGS LIMITED
NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June *continued*

N$'000	2014	2013
11. Share capital		
Authorised		
990 000 000 (2013: 990 000 000) ordinary shares with a par value of N$0.005 per share	**4 950**	4 950
10 000 000 (2013: 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 (2013: 267 593 250) ordinary shares with a par value of N$0.005 per share	**1 338**	1 338
2 (2013: 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

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$ 17 million (2013 N$20 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

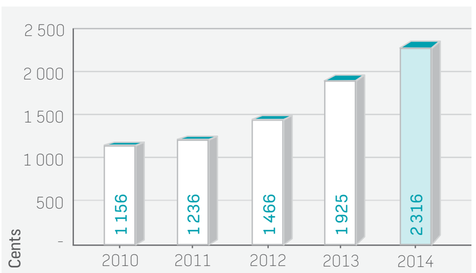
Shareholders' diary

Financial year end	30 June
Declaration of final dividend	8 August 2014
Announcement of results	4 September 2014
Publication of annual financial statements	5 September 2014
Last record date	20 September 2014
Payment of final dividend	3 October 2014
Annual general meeting	30 October 2014
Publication of interim results	February
Declaration of interim dividend	February
Payment of interim dividend	April

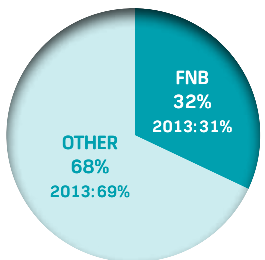
Stock exchange performance

	2014	2013
Share price (cents)		
- high for the year	**2 316**	1 925
- low for the year	**1 925**	1 467
- closing price per share	**2 316**	1 925
Number of shares traded (000's)	**1 801**	1 683
Value of shares traded (N$ '000's)	**37 858**	28 301
Number of shares traded as percentage of issued shares (%)	**0.67**	0.63
Average price of shares traded	**2 102**	1 682

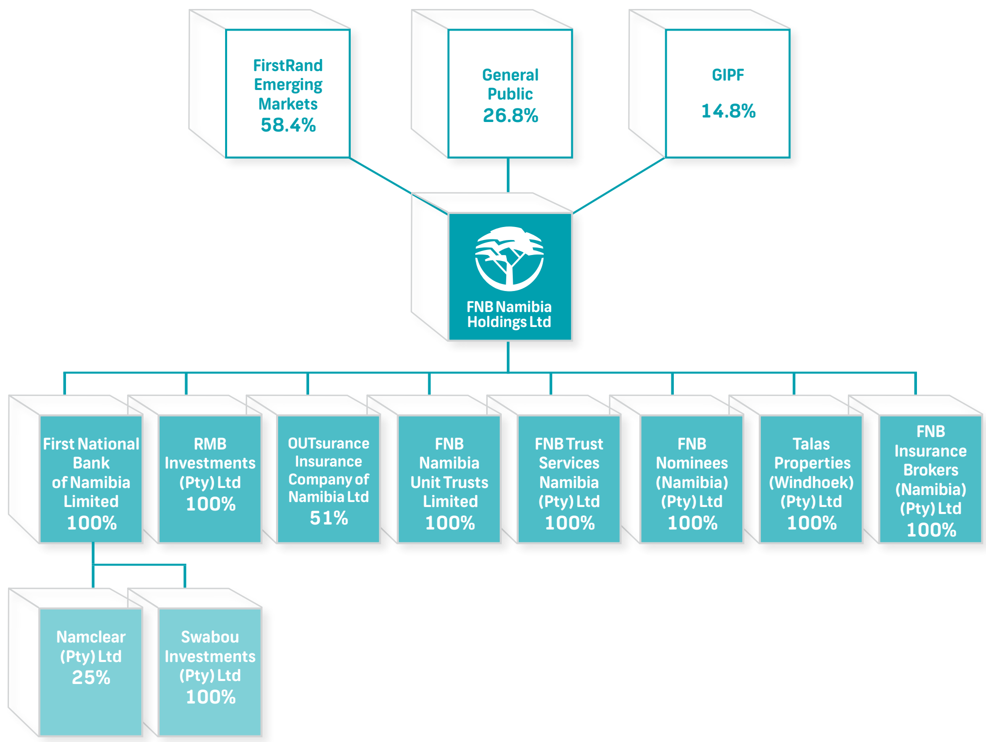
Closing share price – Ordinary (cents)



NSX market capitalisation: FNB vs all locally listed companies



GROUP STRUCTURE OF FNB NAMIBIA GROUP



GROUP CORPORATE INFORMATION

Company name	Holdings %	Registration number
FNB Namibia Holdings Ltd		88/024
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 Investments (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

Analysis of ordinary shareholders

	Number of shareholders	%	Number of shares	%
Shareholder range				
1 - 999	1 100	43.7	398 644	0.1
1 000 - 1 999	389	15.5	500 042	0.2
2 000 - 2 999	185	7.4	448 975	0.2
3 000 - 3 999	90	3.6	306 701	0.1
4 000 - 4 999	59	2.3	260 214	0.1
5 000 - 9 999	203	8.0	1 373 371	0.5
over 10 000	492	19.5	264 305 303	98.8
Total	**2 518**	**100.0**	**267 593 250**	**100.0**
Shareholder type				
Corporate bodies	26	1.0	165 184 471	61.7
Nominee companies	23	0.9	77 623 115	29.0
Private individuals	2 444	97.1	15 827 248	5.9
Trusts	25	1.0	8 958 416	3.4
Total	**2 518**	**100.0**	**267 593 250**	**100.0**
Geographic ownership				
Namibian including unknown	2 401	95.0	103 811 331	38.8
Other Africa	101	4.0	157 174 195	58.7
International	16	1.0	6 607 724	2.5
Total	**2518**	**100.0**	**267 593 250**	**100.0**
Ten major shareholders				
FirstRand EMA Holdings Limited			156 271 536	58.4
Government Institutions Pension Fund			39 639 153	14.8
FNB Employee Share Incentive Trust			7 307 724	2.7
Sovereign Capital (Pty) Ltd			5 749 989	2.1
Old Mutual Life Assurance Company Namibia (Pty) Ltd			5 741 361	2.1
Northern Trust Global Services Ltd			5 589 401	2.1
Allan Gray Namibia Balanced Fund			5 588 267	2.1
Chappa'ai Investments Forty Two (Pty) Ltd			3 011 899	1.1
Rossing Pension Fund			2 588 842	1.0
SANLAM Life Namibia Limited			2 530 649	0.9

Two issued preference shares were in existence at 30 June 2014 (2013: 2). These are 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-seventh (27th) 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 30 October 2014 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 2014 be adopted.

3. **Ordinary resolution number 3:**
   RESOLVED THAT the final dividend declared on 8 August 2014 of 67 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 6 to 7 of the annual report.

4.1 Mr. Christian Lilongeni Ranga Haikali
Independent non-executive director

4.2 Mr. Petrus Tukondjeni Nevonga
Independent non-executive director

5. **Ordinary resolution number 5:**
   To re-elect the following director in terms of clause 21.3 of the Articles of Association of the company:

5.1 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 has considered and has 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.

6. **Ordinary resolution number 6:**
   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.

7. **Ordinary resolution number 7:**
   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.

8. **Ordinary resolution number 8:**
   RESOLVED THAT Deloitte & Touche be reappointed as auditors of the company and authorise the directors to determine the remuneration of the auditors.

9. **Ordinary resolution number 9:**
   RESOLVED THAT the annual fees of the non-executive directors, as reflected below be approved for the 2014/15 financial year:

	N$
FNB Holdings Board	
Member	48 804.00
Chairman	85 407.00
Audit Committee	
Member	62 748.00
Chairman	170 814.00
Risk, Capital and Compliance Committee	
Member	52 290.00
Chairman	78 435.00
Remuneration Committee	
Member	21 961.80
Chairman	32 942.70
Directors' Affairs and Governance Committee	
Member	31 374.00
Chair	54 904.50
Senior Credit Risk Committee	
Member	209 160.00
First National Bank of Namibia Board	
Member	97 608.00
Chairman	195 216.00

The fee proposed represents a 7.00% increase on those paid in respect of the financial year ended 30 June 2014. Adjustments have been made to the preparation and meeting times following an assessment of actual time spent and comparison to other group companies.

10. Ordinary resolution number 10:
RESOLVED THAT the remuneration policy as set out in the Remuneration Committee Report be approved.

11. Ordinary resolution number 11:
RESOLVED THAT the following directors be re-appointed as members of the Audit Committee

11.1 Stuart Hilton Moir *(Chairperson)*
11.2 Jennifer Juanita Comalie
11.3 Leonard Jack Haynes
11.4 Inge Ingenesia Zaamwani-Kamwi

12. Ordinary resolution number 12:
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, 27 October 2014.

By order of the board FNB Namibia Holdings Limited

Yamillah Katjirua
Company Secretary
5 September 2014

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, 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 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 overleaf):

	Insert an X or the number of votes exercisable (one vote per ordinary share)		
	For*	Against*	Abstain*
1. Ordinary resolution 1: Approval of minutes of previous annual general meeting			
2. Ordinary resolution 2: Adoption of annual financial statements for 30 June 2014			
3. Ordinary resolution 3: Approval of final dividend declared			
4. Ordinary resolution 4: Re-election of directors by way of separate resolutions:			
4.1 Christian Lilongeni Ranga Haikali, independent non-executive director			
4.2 Petrus Tukondjeni Nevonga, independent non-executive director			
5. Ordinary resolution 5: Re-election of director who has reached aged of 70			
5.1 Claus Jürgen Hinrichsen Independent non-executive chairman			
6. Ordinary resolution 6: Control of FNB Employee Share Incentive Scheme ordinary shares			
7. Ordinary resolution 7: Control of authorised but unissued shares			
8. Ordinary resolution 8: Re-appointment of external auditors and determine their remuneration			
9. Ordinary resolution 9: Approval of non-executive director remuneration			
10. Ordinary resolution 10: Approval of remuneration policy			
11. Ordinary resolution 11: Re-appointment of audit committee members			
11.1 Stuart Hilton Moir (Chairperson)			
11.2 Jennifer Juanita Comalie			
11.3 Leonard Jack Haynes			
11.4 Inge Ingenesia Zaamwani-Kamwi			
12. Ordinary resolution 12: Authority to sign documents			

Signed at .... this .... day of 2014

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 Berg Street), Windhoek (PO Box 2401) Windhoek, Namibia by no later than 15:00 on Monday, 27 October 2014. 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, 27 October 2014.

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 initialed 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

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