Board of directors

1 **Mwahafar Ndakolute Ndilula**
Date of birth: 19 February 1950
Independent Non-executive Director
Appointed: November 2005
MPA / DDA – Liverpool University
Directorships: FNB Namibia Holdings Ltd, OUTsurance Insurance Company of Namibia Ltd (Chair), Swabou Life Assurance Company Ltd, Sovereign Asset Management (Pty) Ltd, Power Line 2000 (Pty) Ltd, Kemako Green Energy (Pty) Ltd , Icon Investment Ltd, Sovereign Investments (Pty) Ltd, Sovereign Capital (Pty) Ltd, Reho-Electrical (Pty) Ltd

2 **John Kienzley Macaskill**
Date of birth: 07 March 1950
Non-executive Director
Appointed: March 2003
BCom (BEM) – University of Pretoria; CAIB / AEP – UNISA
Directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, First National Bank of Swaziland Ltd, First National Bank of Botswana Ltd, First National Bank of Lesotho Ltd, Celpay Holdings Ltd

3 **Petrus Tukondjeni Nevonga**
Date of birth: 26 October 1968
Independent Non-executive Director
Appointed: May 2003
BTech (Business Administration) – Polytechnic of Namibia; Diploma in Human Resources Management – Polytechnic of Namibia
Directorships: FNB Namibia Holdings Ltd, Government Institutions Pension Fund (trustee), Namibia Grape Company (Pty) Ltd, Effort Investments

4 **Inge Ingenesia Zaamwani-Kamwi**
Date of birth: 11 November 1958
Independent Non-executive Director
Appointed: January 2000
LLB (Hons) – London; LLM – Dundee
Directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, Namdeb Diamond Corporation (Pty) Ltd (CEO), Namdeb Property (Pty) Ltd, NamGem Diamond Manufacturing (Pty) Ltd, Diamond Board of Namibia, Fishcor and Seaflower Lobster, NOSA Namibia, Zantang Investments (Pty) Ltd, UNAM Council, Namibia Nature Foundation, Namibia Institute of Mining and Technology, Chamber of Mines Council, Junior Achievement Namibia, Vocational and Training Board, Namibia Chamber of Commerce & Industry (President), NABCOA, XNET Trust Fund

5 **Hans-Dietrich Voigts**
Date of birth: 26 March 1938
Independent Non-executive Chairman
Appointed: February 1988
Directorships: FNB Namibia Holdings Ltd (Chair), First National Bank of Namibia Ltd (Chair), FNB Foundation, Swakop Textiles (Pty) Ltd, The Automobile Association of Namibia, Wecke & Voigts Investments (Pty) Ltd, Wecke & Voigts (Pty) Ltd, Windhoek Uitspan Sentrum (Edms) Bpk

6 **Jabulani Richard Khethe**
Date of birth: 26 March1963

Non-executive Director
Appointed: July 2007

BCom (Banking) – University of Pretoria; MBA – BOND University

Directorships: FNB Namibia Holdings Ltd, First National Bank of Swaziland Ltd, First National Bank of Botswana Ltd

7 **Herbert Waldemar Peter Böttger**
Date of birth: 07 September 1938

Independent Non-executive Director
Appointed: February 1988

LLB / BComm – University Stellenbosch; Attorney's admission to the Supreme Court in Windhoek in March 1965

Directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, OUTsurance Insurance Company of Namibia Ltd, HAB Investments (Pty) Ltd

8 **Claus Jürgen Hinrichsen**
Date of birth: 9 May 1943

Independent Non-executive Director
Appointed: March 2009

BA, LLB (Wits), BA Honours (UNISA), Admitted Legal Practitioner

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

Trusteeships: Namibia Legal Practitioners Trust, Goreangab Trust

9 **Christiaan Lilongeni Ranga Haikali**
Date of birth: 25 October 1968

Independent Non-executive Director
Appointed: November 2005

Directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, Prosperity Health, Africa Personnel Services, Namibia Stevedoring Services, HANU Investments cc, Preferred Management Services, APS Investments, Chappa "Al Investments (Pty) Ltd, Philco Twenty (Pty) Ltd, Namibia Liquid Fuel, Tulongeni Family Trust (founder trustee)

10 **Stuart Hilton Moir**
Date of birth: 23 June 1948

Independent Non-executive Director
Appointed: November 2005

PMD – Harvard University; CAIB (SA); B.Comm; CIS

Directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, Swabou Life Assurance Company Ltd (Chair), FNB Insurance Brokers (Namibia) Pty Ltd, Stimulus Investments Ltd

11 **Vekuii Reinhard Rukoro**
Date of birth: 11 November 1954

Chief Executive Officer
Appointed: March 2006

LLM (International Law); Utter Barrister's Degree; LLB (Hons); enrolled as Advocate of the High Court of Namibia in 1992

Directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, OUTsurance Insurance Company of Namibia Ltd, Swabou Life Assurance Company Ltd, FNB Foundation, RMB Asset Management (Namibia) (Pty) Ltd (Chair), Swabou Investments (Pty) Ltd, Namibia Chamber of Commerce & Industry, Board of Governors of the Fidelity Fund of the Law Society of Namibia (trustee), Khomas Education & Training Fund (Ministry of Education, Khomas Region) (trustee), Namibian Employers' Federation (president)

Group executive committee

1 **Sylvia Muller**
Head: Credit

2 **Etienne Brits**
Chief Executive Officer - Momentum Namibia

Chief Executive Officer - OUTsurance Namibia

3 **Erwin Tjipuka**
Group Chief Financial Officer

4 **Sarel van Zyl**
Head: Retail Banking

5 **Phillip Shiimi**
Treasurer

6 **Conville Britz**
Head: Risk Management

7 **Vekuii Rukoro**
Chief Executive Officer - FNB Namibia Group

8 **Stephen van Rhyn**
Head: Information Technology

9 **Gideon Cornelissen**
Group Chief Strategy Officer

10 **Dixon Norval**
Head: Strategic Marketing & Communications

11 **Andreas Mwoombola**
Head: Human Resources

12 **Yamillah Katjirua**
Group Company Secretary
Compliance Officer

13 **Greg Usher**
Head: Corporate & Commercial

14 **Ian Leyenaar**
Chief Executive Officer - First National Bank

15 **Brian Katjaerua**
Group Legal Advisor

16 **Rowan Yeomans**
Head: Internal Audit

Economic review

Global recession

The world has undergone what can be termed the most challenging economic slowdown since the Great Depression in terms of both scale and depth. In April 2009 the International Monetary Fund (IMF) projected that the global economy would shrink by 1.3% this year, having grown by 3.2% the previous year. The recession is a direct result of the slowdown that followed the collapse in global credit markets, culminating in the bankruptcy of Lehman Brothers and others.

The IMF projects that the USA economy will contract by 2.8% in 2009 after growing 1.1% in 2008; and that the Euro Area will contract by 4.2% after growing 0.9% the previous year. Emerging and developing economies are expected to experience slow growth of 1.6% in 2009. Debate continues about the shape and timing of the expected recovery in 2010. Some developing country economists are more pessimistic about the outlook than the IMF.

Namibia's economy slows significantly

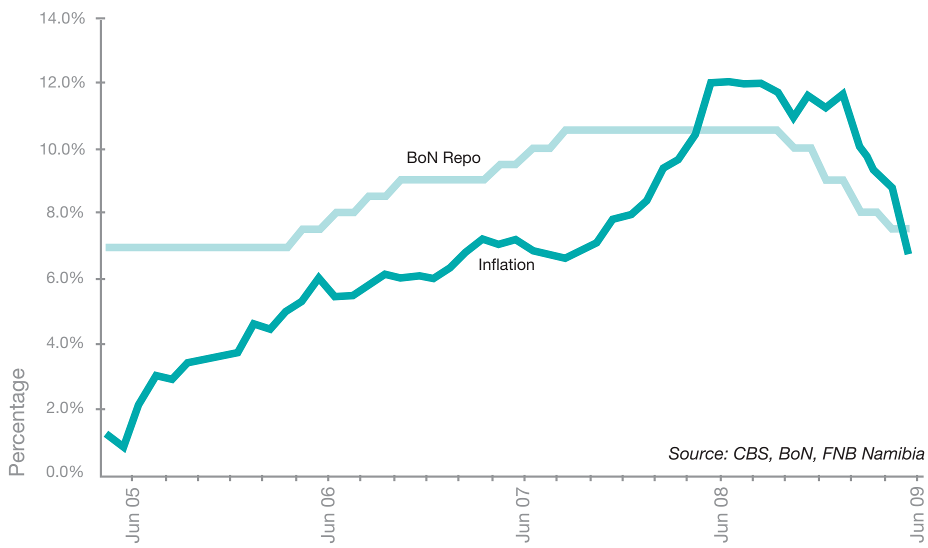
The global slowdown affected Namibia's major export destinations for key exports like diamonds and copper. Preliminary figures from the Central Bureau of Statistics, released in May 2009, show a mild expansion of 2.9% in 2008, mostly from construction and tertiary industries. This followed growth of 5.5% in 2007 according to revised figures.

The IMF expects real GDP for Namibia to shrink by 0.7% in 2009, followed by a mild recovery of 1.8% in 2010. This is more or less in line with our expectations. Some local economists are more pessimistic but expect a more robust V-shaped recovery in 2010. The divergent opinions reflect the uncertainty that prevails following the closure of copper mining and the introduction of a production holiday by Namdeb in the second half of the financial year. These actions led to a loss of about 1 200 jobs.

Namibia Real GDP

Source: CBS (2009)

Namibia CPI and Interest Rates



Inflation pressure eased

Inflation reached an annualised peak of 12% in August 2008 on the back of crude oil prices that rose to US$147 a barrel the previous month. But the pressure began to ease significantly in the second half of the financial year as food and transport inflation slowed. By the end of June 2009 annualised inflation stood at 9.1% as opposed to 10.4% in June 2008, showing that inflationary pressures were abating even though the levels remained high. At its peak in July 2008 both food and transport inflation stood at an annualised 18%. This – coupled with high interest rates - put tremendous strain on household disposable income despite the Bank of Namibia being less aggressive in raising interest rates than South Africa's Reserve Bank. Depressed household balance sheets in turn affected credit growth. The first rate cuts only occurred in December 2008. Given the lagged effect on real economic activity, we expect the rate cuts to have a meaningful effect in the new financial year.

Credit extension signals lacklustre recovery

Private sector credit extension entered a prolonged slowdown period in June 2006 and it will be a while before growth rates recover to historical levels. Bank of Namibia data show that total private sector borrowing grew by only about 6% in the first half of the FNB financial year. There has been some upward momentum in recent months; between January and May 2009 private sector credit extension grew at about 11% on an annualised basis. But we are just entering the final phase of the rate-cutting cycle so it is too early to draw conclusions. Because households have found their budgets stretched, most of the growth has been driven by non-financial sector borrowings. By May 2009 business increased their borrowing by an annualised 15.6% while credit extension to individuals moved sideways at 8.9%. Mortgage advances – accounting for nearly half the portfolio – remained subdued at best. The outlook for 2010 is slightly bullish in that it could allow balance sheet stability.

Economic outlook

Consensus is emerging that the world economy has been in serious recession since late 2008. For Namibia, significant recovery is not expected until 2010. New data signal that growth has been under pressure with new vehicle sales collapsing and house prices becoming increasingly volatile. We have revised our outlook for the 2009 calendar year and expect negative growth of about 0.2% with significant downward risk. Overall, we share the IMF view that the world economy will recover only mildly in 2010. Indications are that some economies will recover much more quickly than others. Emerging and developing economies could begin their recovery late this year.

Daniel Motinga
Group economist

Chairman's report

Introduction

The year under review was, to an extent, one that demanded consolidation. Not only did we have to deal with the competitive environment, but changes in the economic and regulatory environments forced the group to revisit many of its longer term plans. What remains true, however, is that FNB Namibia has further entrenched its position as Namibia's leading Financial Services Provider – and that it continues to play a constructive role in the development of Namibia.

While many past initiatives were developed further during the year, a number of innovative projects were launched in an effort to introduce extra-ordinary financial services to the Namibian market. These included the introduction of LifeStyle banking, a Tourism Division, Momentum's Myriad range of risk products, a bank account for small businesses, and an agreement with the Development Bank of Namibia to use our infra-structure to service SMEs.

The development of our staff - vital to ensure our customers are properly serviced - continued. Staff members were kept involved in the execution of our strategic initiatives through ongoing projects such as Aantu Yolela, which focuses on how we care for and grow our people. We also launched Project Sunrise to ensure that the vision, mission and values of the group were internalised throughout the organisation. Project Sunrise is a structured communication plan where staff had the opportunity to workshop our vision, mission, values and strategic imperatives and cascade it down to their respective levels of operation.

The FNB group also made a concerted effort to ensure that Namibia shares in the excitement and benefits of the FIFA 2010 World Cup.

Market environment

The world experienced what could be termed the most challenging economic slowdown since the Great Depression in terms of scale and depth. Latest IMF projections are that the global economy will shrink by 1.3% in 2009, after decelerating growth of 3.2% the previous year – a direct result of the collapse in global credit markets that culminated in the bankruptcy of Lehman Brothers and others. The USA economy is projected to contract by 2.8% in 2009, after growing 1.1% in 2008. In the Euro area, growth of 0.9% in 2008 is expected to be followed by a contraction of 4.2% this year. Emerging and developing economies are projected to experience slow growth of 1.6% during 2009.

Debates are ongoing about the shape and therefore the timing of the recovery. The global slowdown affected Namibia's major exports like diamonds and copper. Revised figures for 2007 show growth of 5.5% for Namibia and preliminary figures from the Central Bureau of Statistics show a mild expansion of 2.9% in 2008. Most of the 2008 growth came from construction and tertiary industries. The IMF expects real GDP for Namibia to shrink by 0.7%, or N$353.59 million, in 2009, followed by a mild recovery of 1.8% in 2010. Some local economists are more pessimistic about the outlook for this year, but forecast a more robust V-shaped recovery in 2010. Nevertheless the divergent expectations reveal an underlying uncertainty, heightened by the closure of copper mining and the introduction of a production holiday by Namdeb for part of 2009. These last two developments led to 1,200 direct job losses.

Strategic initiatives

The strategic initiatives taken by FNB Namibia last year have proved to be prescient and appropriate. Market environment changes identified led the senior leadership team to reassess the tactical implementation of our strategic imperatives to cater for new challenges. We concluded that we would have to do business in an unusual fashion if we wanted to achieve our goal of becoming – in three years – not just the leading financial services group in Namibia but the preferred group.

We agreed to put certain projects on hold but took a deliberate decision to continue investing in initiatives and infrastructure that would ensure that we were ready to accelerate growth when the market environment returned to normal. This meant reviewing all three strategic pillars of the business: efficiencies, people and customers.

The group recently introduced a new brand to the Namibian market. It changed the name of Swabou Life to Momentum Namibia and simultaneously launched Myriad, a flagship range of Momentum risk products. The Swabou brand and products will still be fully supported and developed as a division of Momentum.

Our short-term insurance strategy has been extended. It now also caters for the indirect model as a result of acquiring a 40% stake in FNB Insurance Brokers (Namibia) (Pty) Ltd (formerly known as First Link). Our exposure to short-term insurance in the indirect market will be limited to a sales function (commissions). We take underwriting risk when we can assess the risk ourselves in the direct model through OUTsurance that was introduced two years ago. The acquisition will enhance our cross-selling ability and offer a wider range of choice to customers.

The group also established a balance sheet committee to position all assets and liabilities strategically from a risk-return perspective. The committee's decisions are based on a core economic view in terms of which the balance sheet is optimally positioned for global and local abnormalities as well as for cyclical movements.

Regulatory environment

FNB works with the authorities as far as possible in developing new regulatory provisions, supports them and will comply fully with them. The most prominent regulatory changes during the period under review include:

- A revised determination from the Bank of Namibia (BoN), bringing forward the implementation date for the localisation of Core Banking Systems to December 2009.
- The Financial Intelligence Centre Act 3 of 2007 which established a Financial Intelligence Centre (FIC) within the BoN to combat money laundering in the Namibian financial services industry. It is a comprehensive anti-money-laundering regime that will satisfy major FATF recommendations and FNB is obliged to verify the personal details of any customer, even for a single transaction. We have amended internal rules and customer acceptance requirements to ensure we comply, and have introduced intensive employee awareness training.
- The Income Tax Amendment Act 5 of 2007, which introduces a 10% withholding tax on interest income. It stipulates that all interest earned by individuals and foreign companies from investments in banks and unit trust companies is subject to payment of a 10% final tax.
- The Labour Act 11 of 2007 (replacing Act 2 of 1992) became partially operational. Mainly, it incorporates constitutional rights into labour relations, leave calculation and maternity and compassionate leave. It also introduces alternative dispute resolution processes (conciliation and arbitration) to resolve employment disputes and abolishes labour hire companies.
- The Competition Act 2 of 2003, which regulates competition in the Namibian market. Generally, it prohibits all practices that are aimed at, or are likely to, distort competition, such as agreements not to compete, price-fixing arrangements, setting minimum resale prices by suppliers and abuse of dominant position.
- The Financial Service Charter, which is a voluntary guide to the transformation of the financial sector and seeks to achieve two main objectives; Namibianisation of the sector and wider participation. The charter applies to all financial institutions and has a set timeframe. It addresses matters of human resource development, procurement and enterprise development, access to affordable products and services, ownership and control and corporate social investment. Its implementation would be monitored by a council, using scores and transformational targets set out in the charter.

In addition, the following two bills are receiving attention:

- The Banking Institutions Amendment Bill 2009 seeks to amend the current Banking Institutions Act 2 of 1998. It contains provisions that would, among other things, facilitate the introduction of foreign bank branches in Namibia; allow for the supervision of holding companies of banks; prohibit pyramid schemes; and revise the capital requirements of banks.
- The Financial Institutions and Markets Bill of 2008, which seeks to align Namibia's financial services laws with best international practice. The Bill consolidates regulation and supervision of financial institutions and financial services by revamping and merging outdated non-bank financial institutions. It grants the Namibia Financial Institutions Supervisory Authority powers to introduce prudential supervision across all sectors.

Corporate reporting

In 2008 FNB Namibia received the ICSA/JSE award for the best annual report for the third consecutive year in the category of regional listed companies outside South Africa. This endorsement confirms the group's continued commitment to ensuring disclosure meets investor requirements and keeps abreast with the most recent international standards.

Financial overview

We are pleased to report an increase of 7% in the group's headline earnings, from N$330 million to N$353 million. This is indeed a noteworthy achievement in the challenging economic circumstance currently being experienced.

Dividend

A final dividend (number 30) of 28 cents per ordinary share has been declared for year ended 30 June 2009. Together with the interim dividend declared in February 2009, ordinary shareholders will receive a total dividend payment of 56 cents (2008: 53 cents) for the year.

Appreciation

It is important to acknowledge the contribution of many stakeholders in such a challenging year. The Government of Namibia not only continued to create a climate conducive to business but vigorously protected the Namibian economy through a variety of projects and initiatives, mostly involving the private sector. In addition, we welcome the announced formulation of a strategy paper earlier in the year and budget provision aimed at stimulating the economy and trust it will be implemented shortly. We wish to thank our shareholders who continued to show faith in the way we managed the business in these extraordinary times.

My colleagues at the holdings board and management and staff at all levels deserve a special mention. They kept their focus on the strategic game plan and were always willing to go the extra mile when called upon. They have made a tangible contribution to the ongoing process of building the long-term sustainability of this resilient organisation.

H-D Voigts
Chairman

Corporate social responsibility report

Foreword by the acting chairperson

This is the 5th anniversary of the founding of the FNB Foundation by the FNB Namibia Holdings Board in August 2003. Sadly, this milestone is subdued by the untimely death of our chairperson, Jutta Rohwer, who passed away in February this year. Her death was not just a loss for the foundation and her fellow trustees, but for all Namibians, to whom she was known as the white angel of the poor.

Her visionary leadership left footprints which the foundation, in terms of its deed of trust, will continue to follow. Its mandate is to drive the group's corporate social responsibility programme, focusing on community upliftment initiatives countrywide.

The group directs one percent of its annual post-tax profits to non-profit-making community programmes. The foundation is sensitive to all requests for financial assistance and considered applications for funding from nearly all 13 regions in Namibia in the last year.

Projects and beneficiaries received widespread public relations exposure and media coverage, positioning the group as a caring organisation and, by the same token, touching the hearts and minds of many Namibians. The trustees committed funds to a number of projects some small, others involving at least a three-year commitment to ongoing support. This stretched the Foundation's budget significantly in the year under review.

I have pleasure in sharing the extent to which the foundation reached out to Namibia. On July 1, 2008 we had an opening balance of about N$300,000, most of it already committed to ongoing projects. The annual 1% post tax contribution from the group amounted to more than N$3.6 million. And the Foundation disbursed funding to projects valued in excess of N$3.2 million from the funds allocated to it.

We, as trustees, have no doubt that the group, through its foundation, made a contribution to communities striving to improve the quality of their lives. We remain committed to a vigorous process of extended and continuous support in the letter and spirit of our corporate philosophy: *How can we help you?*

Dieter Voigts
Acting Chairperson

2009 disbursements

	N$ thousand
Education	957
Environment and community care	272
Skills development	1 261
Primary health care	607
Job creation	378
Arts and culture	186
Total	3 661

Overview of major disbursements

Special Olympics Namibia

Special Olympics Namibia is a very special property of the FNB Group. It is the National Association for the mentally challenged Namibians. The Foundation supports various sport codes and has participated in various international sport events. Special Olympics gained recognition from the FIFA Project for Hope as a development partner that will be involved in a centre for the 2010 FIFA World Cup legacy to be constructed in Katutura. The FNB Foundation is thus proud to be associated with Special Olympics.

Youth Expo

The National Youth Expo operates as a youth programme of the National Youth Council, engaging all youth groups in Namibia to develop small SME projects and exhibit those at the Annual Youth Expo. The Expo is the centre stage of the National Youth Council drawing the youth of all regions to the weeklong exhibition taking in Windhoek, while preliminary exhibitions are held at regional level.

Motor Vehicle Accident Fund

The MVA Fund is one institution which the Foundation assists in making the roads of Namibia safe for everyone to use. The escalating accident rate is a course of serious concern and the Foundation was instrumental in assisting the MVA Fund to curb the continuous loss of valuable lives on our roads. We participated in the Christmas and Easter Road Safety campaigns.

UNAM

The University of Namibia is an important partner of the FNB Group in many respects. The FNB Foundation is the Founder sponsor of the University of Namibia and Maastricht School of Management MBA Programme operating since 2001 under the vanguard of the University of Namibia. The Foundation extended its support to the MBA programme's seventh intake. The programme has produced more than 170 of Namibian MBA graduates. The UNAM/Maastricht School of Management MBA Programme this year culminated in the formation of the Namibia School of Business. The Foundation also committed an annual sponsorship for the university's cultural festival.

Polytechnic of Namibia Cultural Festival

This year saw the 14th edition of the Cultural Festival of the Polytechnic of Namibia and FNB has been in the forefront in supporting this high profile student-driven arts and culture initiative. The sponsorship has grown in leaps and bounds over the years with various corporate sponsors, while FNB is the anchor sponsor.

Etameko

We remain a main partner together with Die Republikein, to produce a colourful and educational educational booklet that also promotes our bank's FutureSave and FutureForward brands to the youth market. The appreciation for the Foundation's involvement from all spheres of life in the first year was overwhelming.

Tennis development

The Foundation remains committed to the Namibia Tennis Association to reach out to less privileged communities in Namibia to help develop tennis in those communities. Sport development needs ongoing support and assistance to produce excellent tennis players coming through the ranks to ensure that Namibia participates at international events. The program was extended to include the central northern region of Namibia.

Spirit of Giving campaign

The third Spirit of Giving campaign drew plenty of interest with hundreds of good community-based projects submitted to the Foundation to be considered as excellent community work. Our customers nominated these projects and the Trustees selected three charities carrying strong motivations to receive a share of the N$100 000 funding. The sponsorship is divided into three portions: N$50 000 for Joint Compassion Keepers from Rundu, N$30 000 for DRC School Project at Swakopmund and N$20 000 for the Tutungeni Centre for Hope based in Rosh Pinah.

Herero dress-making project

The Annual Herero-Dress Making Competition grew from strength to strength in the third sponsorship of the FNB Foundation. SMEs in the Namibian textile industry intensified the awareness of the involvement of the FNB brand as main sponsor. The competition promotes the Namibian cultural heritage focussing on arts and culture in textile manufacturing.

Windhoek High School scholarship

The FNB/Windhoek High School scholarship programme assists 14 learners coming from less privileged economic backgrounds. These learners have shown great potential and have all indicated to pursue further studies at South African universities in the fields of commerce, science and other critical fields dearly required by the Namibian economy. The beneficiaries are in their final school year.

African Leadership Institute

The African Leadership Institute supported by the Foundation is for the transfer of leadership skills and expertise to school inspectors of education stationed in all 13 regions of the country. Schools' inspectors of education are expected to have full understanding of what is happening on the ground. Inspectors should enforce the guidelines and policies of education onto school principals and cascade that information further down to the classrooms.

FNB also secured the naming rights for the Inspector's Academy which is now the FNB Inspector's Academy.

SMEs Compete

SMEs Compete provides continuous training and development for SMEs funded by the FNB SME Business Unit in all areas of business. This is an initiative which sets FNB funded SMEs up for success to ensure that they grew and develop into fully-fledged profit making businesses.

CRIS

Criminals Return into Society plays an important role in keeping the youth active and busy with business related projects and initiatives. The focus of CRIS was on former inmates who spent years behind bars, while others were released ahead of time by presidential pardon. CRIS offers needlework and computer courses for the former inmates to enable them to look for employment opportunities or to create jobs for others.

Joint Presidency Committee

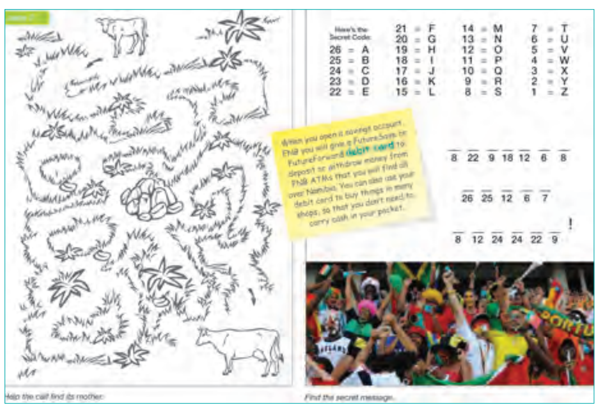
The Joint Presidency Committee is collaboration between the Namibia Agricultural Union and the Namibia National Farmers Union providing technical support, ongoing training and development to grow the output of this sector. The sponsorship goes towards the production of training manuals in all disciplines of agriculture to elevate communal farmer to commercial farming status.

Namibia Schools' Debating Federation

This project involves secondary school entering teams to compete in regional, national and even international debating competitions. This property is good to build the intellectual capacity of young children and exposing them to various topics of politics, the economy and the social fabrics of not only Namibia, but the region, African and the world out there. The FNB Foundation is a proud sponsor of the Namibia Schools' Debating Federation.

Adoption of the maternity ward at the Windhoek Central Hospital

The maternity ward of the Windhoek Central Hospital is undergoing a major facelift. FNB, at the request of the Minister of Health and Social Services agreed to adopt the maternity ward at the Windhoek Central Hospital. Following the completion of the maternity ward, FNB will replace the old linen with brand new linen for the maternity ward ranging from towels, pillows, pillow cover, duvet and covers, to the value of N$540,000. FNB Foundation committed to sponsor this project and in an effort to reduce the incidents of theft of hospital linen, the linen is fully branded with the powerful brand of the Ministry and FNB.



Chief executive officer's report

Preparing for the future, even if the future takes a completely unexpected course due to external global events, remains vital to securing a company's sustainability. To this end the strategic plan put in place by the FNB Namibia Holdings Group of Companies (the group) became decisive this year. Focus on the strategic pillars of customers, people and efficiencies remains in place. Even though we were forced to review tactics, we were able to select carefully those initiatives that we could put on hold for now without needlessly stemming future growth. And progress was enhanced by the solid foundation we created with staff. "Project Sunrise" and our "Aantu Yolela" people's project have ensured good understanding of our vision, mission and values across all our people.

We were also able to pursue the essence of our aim: to move from the 'leading' to the 'preferred' financial institution in Namibia in three years - L2Pin3. Little did we know that a global meltdown would prove how right we were to adopt a 'Business Unusual' approach to set us apart from the rest. The approach ensured that we could make the adjustments demanded by changes in our economic environment and focus today on those initiatives that will help us to thrive tomorrow. Deciding to observe the most basic of business principles - fairness and prudence - showed its worth when the economy slowed down and the public found it increasingly difficult to cope with the pressures. The controllable impact on our business has been minimal thus far.

The FNB Namibia Holdings Group continued to be a partner in development of the Namibian Government's efforts to grow the Namibian economy as envisaged in Vision 2030. We have supported this national strategy by, among other things, establishing business units that focus on specialised banking to priority government sectors of agriculture, tourism and SMEs; driving towards affordable banking for all; educating customers; and providing products that encourage a culture of saving.

The group achieved reasonable business growth in a challenging and even hostile business environment during the period under review. Factors beyond our control such as margin squeeze due to successive cuts in interest rates, unavoidable costs of localising our core banking system together with the drop in economic activity, impacted on performance.

People

Focusing on our people is one of the group's three major strategic imperatives. To better understand the level of engagement between staff and company, the group embarked on a culture survey.

Two years ago we began a programme to involve staff in reviewing human resource policies. Five work streams have completed action plans dealing with five main aspects: recruitment and selection; performance management; training and development; values and cultures; and retaining staff. All policies and guidelines related to these areas have been finalised and are being implemented.

A process to help staff understand the strategic direction of the group, and its vision, mission and values, was successfully rolled out. Called "Project Sunrise", it was facilitated by business unit heads and will continue in the year ahead.

The physical, social, psychological and mental wellness of staff is vital for long-term success. Hence we participated in a survey on HIV/AIDS with other commercial banks. The final results are being scrutinised by co-ordinators and strategies will be crafted for implementation. A number of staff wellness initiatives have also been introduced and are appreciated by staff. Dr. Richard Kamwi, Honourable Minister of Health and Social Services, has accepted our invitation to become our Wellness Patron.

To meet the acute skills shortage in the banking industry, the group's human resources department has continued to focus on training programmes designed to fill gaps identified by internal audits, branches and business units.

A management and leadership audit led to initiatives like a formal managers development programme (MDP) and a senior management development programme (SMDP) in association with the University of Stellenbosch. The group currently provides full bursaries, totalling some N$450,000 a year, to eight Namibian students studying at local and SA institutions of higher learning. Three managers were awarded full MBA scholarships. All branch administrators attended leadership and management training and 75 employees attended a junior or senior credit development programme. An accelerated trainee programme was designed to create a pool of high-performance individuals with potential for senior management and other key jobs. An internship policy has been approved and is being used as basis for recruitment of graduates from institutions of higher learning to do their practical training within the group.

Succession planning also received special attention. An integrated strategy now guides our management of talent and career development.

Our performance management process has been amended in accordance with the Care and Growth model rolled out in the previous review period. It emphasises employee accountabilities that are incorporated in unique individual performance agreements. Ongoing training continues to be provided.

With service supremacy being a key strategic initiative, more than half the group's staff attended tailor-made training courses designed to improve sales and service. The best service provider of the month in each business unit or branch receives an FNB branded gift.

Efficiencies

The last year has been a challenging one on the information technology ("IT") front. In August 2008, the Bank of Namibia issued a determination requiring all banks to localise their Core Banking Systems in Namibia by the end of December 2009. While we continued to keep our IT infrastructure relevant, our focus moved to achieving this deadline. FNB Namibia decided to localise the current Hogan mainframe application from FirstRand South Africa.

A non-negotiable objective was to introduce the change throughout the group in a short time without putting the business or customer service at risk. In collaboration with IBM, we invested in two IBM Z10 business mainframes that will run the Hogan application. The new disaster recovery data centre is currently under construction and will compare with the most modern and technologically advanced in the world.

FNB Namibia's IT Division has been ranked as the best in the FNB Africa group by an internal audit team, with zero high-risk exceptions for the year. It is also ranked among the top IT business units in FirstRand Bank South Africa. This alone should reassure our valued customers that our IT team is more than ready for any teething troubles. Any potential disruption will be minimal.

Looking ahead, the focus of our IT will be on mobility. This is what we believe our customers will require in future.

Group pricing decisions took the current economic downturn into account. Many fees remained unchanged and we tried to keep the overall increase in line with inflation. Changes were extensively communicated to customers through a variety of media. Price increases and volume growth will, we expect, result in the expected growth of non interest income revenue.

Customers

We approach group customers in an integrated manner to ensure that our sales and service activities are correctly received and positioned in the market and to extract as much sustainable value as possible across the entire network. One major drive was to reposition and rename our current account range. LifeStyle

accounts clearly have an attraction for customers and the growth in this sector has been outstanding.

Independent surveys confirm that the FNB brand remains the most recognised financial services brand in Namibia. It is important to maintain a high level of brand visibility and we follow a concerted strategy to improve brand equity by focusing our marketing investments on initiatives designed to engage customers and the public emotionally. Thus FNB continues to emphasise sport as a means to build brand equity and drive sales.

A major change took place when the Namibia Football Consortium, of which FNB formed part, dissolved after members differed over how best to develop the game. This allowed us to change our approach, which is now aimed at partnering with five Namibia Premier League clubs, namely Eleven Arrows, African Stars, Black Africa, WesBank Tigers and FNB Oshakati City. Our sponsorship is comprehensive. We assist with management training, help build club brands and provide new-look sporting kits.

Another sport property launched by FNB last year is Classic Clashes. It has been a runaway success. We started with six clashes last year: three rugby, two soccer and one netball, primarily in Windhoek. This year there will be no less than 18 Classic Clashes across the country.

Another group-wide initiative was the launch of a FIFA 2010 World Cup campaign in association with VISA. It was designed to remind Namibians that the 2010 World Cup is an African event, not only a South African one. The campaign gives FNB Namibia customers with VISA cards an opportunity to win match tickets or World Cup souvenirs. In addition, customers are able to swap existing VISA debit cards for a unique World Cup card - a promotion that has pleased old customers and attracted new ones. A spin-off benefit has been to encourage customers to use more affordable electronic channels, relieving pressure on branches. Customers earn “goals” when they use electronic channels. This gives them a place in a draw to win 2010 tickets and commemorative soccer balls.

The Namib Desert Dash is another annual sporting event that FNB has bought into and is growing exponentially. It is the longest single-leg endurance mountain bike race in the world. It takes place between Windhoek and Swakopmund in December, and attracts riders from across the world.

Our Research and Development Department monitors the economic and competitive environment and has been studying how to improve customer satisfaction and loyalty. Research shows satisfaction is high, but there is work to be done to turn more customers into FNB ambassadors.

First National Bank of Namibia (the bank)

The bank continues to offer a wide range of solutions in the form of products and services through 50 points of representation, as well as more than 212 ATMs, almost 2 000 point of sale devices and full service online and cellphone banking across Namibia.

Retail banking

The challenge of realising L2Pin3 was taken up seriously and a service vision of being “excessively obsessed to satisfy customer needs and requests, whatever it takes” was adopted. Our Retail Banking Division has introduced a Process Improvement Committee which assesses all current procedures and recommends ways to make the bank even more customer-friendly and operationally efficient without increasing risk.

To focus on what we do best, which is to provide financial solutions for customers, we have successfully outsourced some non-core activities to specialist external providers. These activities include printing and distribution of statements and selected customer letters. This has already created cost efficiencies and released capacity within the bank.

During the year FNB Namibia embarked on a policy of zero tolerance for any form of non-performance or non-compliance with procedures and policies. This includes poor audit outcomes at branches, teller's differences, lapses affecting our drive to “Service Supremacy”, and failure to observe our Golden Rules. For external stakeholders we maintained ongoing awareness via media communications on current and new crime matters.

Electronic business

Our SpeedPoint Merchant Acquiring Business Unit remains the leading provider of card-based product services in Namibia. This position was enhanced by providing GPRS connectivity to merchants, increasing representation points. The device cuts phone costs, gives faster connectivity and speeds up turn-around times for card-holders. The service will grow as the Namibian cellphone network improves capacity.

The Namswitch system was implemented during the year. By managing the change efficiently, we were able to grow business and gain merchants from competitors.

Our online banking technology allowed the bank to remain leaders in this field and to show growth in personal and business customers. The fact that pricing has not increased significantly over the last two years and that electronic technology remains one of the most affordable options for transactions, has contributed to its popularity. The new corporate online banking system has proved highly successful.

Safety and security features on products constantly need to be enhanced. Online fraud (especially phishing) has increased significantly over the last two years. One of the best ways to prevent this is to communicate with clients regularly, and make them aware of the risks of online transactions.

An overwhelming growth in new cellphone banking registrations this financial year proves the growing popularity of this innovative banking channel. Cellphone banking is available to all FNB customers, providing an affordable, secure and easy alternative to banking hall visits. Ongoing improvements make it increasingly more convenient.

Agri division

The Agri Division has continued to grow strongly, driven by personalised service and specialised products. We appointed an expert to strengthen FNB Agri's position, and this gave rise to the introduction of the AgriFin financial analysis model in January 2009. This model helps screen agricultural applications more efficiently, and assists in customer support through value-added services.

FNB played a leading role in implementing the Meatco Financing Scheme, introducing a new approach to agricultural financing. The opening of the Old Power Station Branch in the heart of the agricultural area in May 2009 will be a platform to provide financial services to a growing number of part-time farmers.

Home loans

Namibia's mortgage market was not immune to the global slowdown and experienced one of the toughest periods in its history. Pressure on interest rate margins intensified as competition increased. As new business slowed, banks became more focussed on switching loans from competitors.

The prudent granting of home loans and the focus on collections, has resulted in a year-on-year reduction in arrears. The level of non-performing loans was below the industry norm, helped by our valuation methodology. This methodology helped us win a PMR award (Professional Management Review Africa) for doing the most in the sector to stimulate economic growth.

Our home loans book grew to well above N$5 billion, amounting to a 38% share of the Namibian market.

The superior value of the FlexiBond product, launched last year, was proved during the year and remains best-of-breed. It was enhanced by substantial discounts on goods and services that FNB home loan customers enjoy at no extra charge.

WesBank

Despite the slow down in vehicle sales and decrease in disposable income, WesBank has remained market leader in a highly aggressive competitive environment. This has been achieved without compromising the quality of its lending, keeping bad debts at an acceptable level and controlling expenditure.

Superior customer service and teamwork have been paramount in reaching our targets. Sales were enhanced by offering options allowing for a winning solution for customer and bank. We changed our slogan to "We know how", supported by a new media campaign.

WesBank has worked closely with the bank's relationship

managers to target the corporate market. And it is well positioned to exploit tender opportunities by including the excellent range of products across the group - a professional package.

Corporate and commercial banking

On the corporate side, demand for credit was surprisingly strong from private and public sectors. A notable change was that clients increasingly opted for term debt to fund capital expenditure. The decline in interest rates has, to some extent, created greater demand towards the close of the financial year. There has been significant growth in transactional volumes, both from electronic banking and cash deposits by clients.

Public sector banking offers products and services for national and local government (including agencies) and state-owned enterprises, non-governmental organisations and foreign missions.

Our public sector banking unit had a successful year with strong asset growth and good client acquisition. It won the tender for the Millennium Challenge Account.

The commercial portfolio experienced a definite slowdown in asset growth, both in overdrafts and term loans. This was due to tighter economic conditions, prepayment of loans and a general slowdown in commercial property developments.

A pleasing aspect, given the difficult economic circumstances, was the low level of bad debts and defaults. We continue to focus on managing this aspect.

Credit card

It was a year of major changes for our credit card business as we migrated consumer and business cards from South Africa to Namibia. This change allows us to offer improved service and better turnaround time on queries and applications.

Utilisation of credit cards was driven through campaigns such as tickets to the Confederation Cup. It will extend to the 2010 World Cup.

SME business unit

The small and medium enterprise (SME) sector remains an important engine for economic growth in Namibia. It has the potential to create jobs at a time when corporate Namibia is shedding them.

Our SME Business Unit continues to grow by offering value propositions and much-needed financial services and capacity building. Key initiatives include expanding SME financial services via the entire FNB network, ensuring adequate staffing of the unit, and expanding mentorship and training programmes throughout the country.

Last year we started a joint venture with Pupkewitz Megabuild and SMEs Compete to provide technical and business management training to developing builders. The venture has paid off. Builders have been provided with lines of credit to enable them to handle contracts. We have also agreed with the Ministry of Mines & Energy and UNDP to introduce a loan scheme for affordable renewable energy. The benefits will accrue in the new financial year.

We have expanded our client base through reduced and preferential interest rates and have supported many SMEs who needed financing to start up or expand. Through mentorship and training, FNB helps entrepreneurs to turn business ideas into functioning ventures.

Our partnership agreement with the Development Bank of Namibia, in existence for close to 12 months, has yielded positive results. More than 60 SMEs have benefited and more than 600 jobs created. An initiative with NORSAD Agency guarantees 50% of loans to SMEs. It has benefited a large number of our SME clients who lack collateral or security. Without it, many entrepreneurs with good ideas might never have been able to get off the ground. Through our FNB Foundation and the German Development Services (DED), substantial investment in training and mentoring has enabled SMEs Compete to reach out to more than 500 SMEs in the past year. Many had little or no business management experience or skills to launch new products or enter new markets. We are proud to say that they have been given these skills, and are thriving.

Tourism division

Namibia draws an increasing number of visitors every year.

Tourism has grown rapidly since independence and has become a key economic sector. FNB Namibia made a conscious decision to prioritise this sector. It established a dedicated Tourism Desk, staffed by specialists in tourism and the special financing needs of the industry to offer customised packages to suit various needs. The division was launched at a Tourism Expo in May. Again, it was a first by a Namibian bank.

We value our partnership with the tourism industry and the chance to strengthen relationships with tourist associations like FENATA, TASA, HAN and AAN, making us the preferred financial services partner of the industry.

Treasury

Volatile interest rates during the year served as a good test of our ALM (asset and liability management) modelling. The interest rate risk inherent in the banking book, due to a natural mismatch in asset and liability products, has been mitigated by employing appropriate risk management strategies.

Volatility in currency markets provided opportunities to increase the volume of transactions traded. Foreign exchange earnings ended well ahead of target. Positive results from an expanded Treasury sales team and increased activity in non-vanilla treasury products also played an important role. In addition, our Treasury Division implemented a new system to serve clients better by improving settlements and reconciliations.

Revenue generated through our trade finance offering also exceeded expectations. This was assisted by our International Business Centre (IBC) that has established itself as a key partner for international trade finance through an extensive range of customised products. Trade finance, traditionally facilitated by documentary collections or documentary letters of credit, are now supported by more advanced methods of financing, and gained momentum during the year. This enables us to offer tailor-made solutions in collaboration with the group's Structured Trade Finance Desk.

Customer Foreign Currency (CFC) accounts maintained by the business centre have also recorded significant growth, and our professional consultants are conducting increased consultations on exchange control.

Our custody business recorded growth well in excess of target. The popularity of this service was illustrated by the additional portfolio mandates obtained, among them mandates from a major local client and a major asset manager. Existing clients have demonstrated their confidence by giving us more portfolios to manage.

Swabou Life

Swabou Life and the life industry in general were adversely affected by volatile stock markets during the year. After an excellent growth phase over the last few years, the global financial crisis brought negative returns on equity markets and a material decrease in the company's earnings in 2008/2009.

We are pleased to report that Swabou Life has not experienced an increase in cancelled policies but rather an increase in recurring new business premiums. In addition, our in-house agency sales force exceeded expectations with a substantial annual premium income growth year on year.

The rationale for the Swabou Life/Momentum transaction was to unlock synergies. Namibian brokers and their clients can benefit from Momentum's superior product range and by having Momentum as a strategic shareholding partner. These advantages materialised during the review period, and the company's name was changed to Momentum Namibia.

While Swabou built loyalty in the entry and middle segments of the market over many years, Momentum built a strong reputation in the high net-worth market. The Swabou brand will continue to focus on its original market segments while the Momentum brand will compete in the top end of a fierce and competitive life insurance market. Its flagship risk product, Myriad, was launched in June 2009. We believe this will bring a much needed alternative to high-end quality products.

The challenge in the year ahead is to educate Namibian consumers. This requires working not in competition but together as an industry, and with Namfisa. A comprehensive education

programme needs to address the absence of a savings culture in Namibia, the need for long-term savings, the benefits of life assurance, how life assurance products work, risk management and service expectations.

RMB Asset Management Namibia

At the end of June 2009 RMB Asset Management Namibia (RMBAM Namibia) managed assets of approximately N$2.4 billion. The Government Institutions Pension Fund remains a key client.

The business has not been without challenges this year, with the global financial crisis and the resignation at year end of the CEO of RMBAM Namibia, Martin Mwinga. He played an important role in establishing and growing the company and we wish him well with his future plans.

FNB Namibia Unit Trust

The drop in interest rates put pressure on money market returns but with equity markets showing signs of recovery we expect inflows to the FNB Equity Fund.

A concerted effort to improve efficiency during the year focused on cost savings, new processes, systems and improved ways of working. The unit trust administration was moved from RMB Unit Trust systems to Momentum Wealth systems to enhance service delivery. We localised the unit trust functionality on the Hogan system to operate during South African public holidays.

An important milestone was reached when FNB Namibia Unit Trust grew its funds to more than N$1 billion.

OUTsurance

This was the first full year in which OUTsurance Namibia offered both car and household contents insurance cover (launched in January 2008) and homeowner's insurance cover (available since July 2007). The name of the company was changed early in 2009 to OUTsurance Insurance Company of Namibia Limited.

OUTsurance has benefited a great deal from the support and expertise of counterparts in South Africa. By using the South African call centre, OUTsurance has been able to reduce operating costs to the benefit of consumers. The Namibian operation is committed to fast, fair and efficient claims settlement. It works directly with clients, not brokers, saving customers money. Administrative and support functions such as those offered by assessors are provided locally.

Floods in northern Namibia resulted in clients suffering losses. We assisted clients to process their claims quickly and efficiently and provided much-needed humanitarian assistance.

Trust services

Although the trust company experienced a slow growth in the number of new wills written, there was an improvement in the quality. The average balance sheet of clients has passed the N$1 million mark.

We are proud to announce that, according to the Government Gazette, we retained our leadership position in the market throughout the year. Procedures are continuously reviewed to ensure customer satisfaction. Closer collaboration with other business units in the group contributes to our success.

Prospects

A number of extraordinary factors impacted on our business during the year, and will likely continue to do so for some time. Yet we believe that we are still poised to realise the potential for growth that comes from current actions and the introduction of new value propositions.

Recent regulatory changes do not only bring restrictions, they will also assist in boosting capital market activity in Namibia. We will therefore continue to identify, develop and utilize opportunities in this exciting area of the financial market space.

There are current pressures on the banking sector to reduce the margin spread between the BoN repo rate and the prime lending rate. This is an industry-wide issue that needs to be resolved responsibly on the basis of mutual agreement as the only sure way to avoid negative unintended consequences for the industry, and perhaps, the broader economy. We have engaged with the BoN to fully understand its intention in seeking a reduced

margin, and to ensure that the implications for the banking sector are fully understood. The composition of our balance sheet is such that we will have to use different mechanisms to narrow the spread for different asset classes to fairly reflect the relationship of pricing for risk, relative to our prime lending rate, which is driven by the actual cost of our funds.

Communicating to, and educating, our staff and customer base will remain important in everything we do. A big challenge continues to be to convince customers to use more affordable and convenient electronic banking, adding value for all parties concerned. We are pleased that, through our association with FNB South Africa and VISA, we have been able to include Namibians in the excitement of the FIFA 2010 World Cup, and to use this partnership to achieve our own objectives. Based on the overwhelming response, we have further plans to build on this opportunity to enhance the FNB brand and our business.

Appreciation

To the Namibian Government and particularly the Ministry of Finance, other state organs, our regulators, the Bank of Namibia and Namfisa, we appreciate the role you play in safeguarding the financial services sector in Namibia and commit ourselves to remain your partners in this endeavour.

We thank our BEE partners and other shareholders and the Board they appointed for the confidence shown in the FNB Namibia team and undertake to continue our efforts to secure a fair and sustainable return on your investment.

I would like to acknowledge the support and contribution of Leonard Haynes, the FNB Namibia Bank CEO who ended his tenure in January 2009. To Ian Leyenaar, who replaces Leonard, we welcome you and are sure that you will play an equally important role during your term.

To my senior leadership as well as the entire FNB team, you have proved your mettle during these challenging times. The visionary leadership of the FNB Namibia Holdings Board must also be acknowledged. We had some tough deliberations and your established wisdom allowed us to keep a clear view on the long-term advantages of our decisions.

Finally, to the Namibian people out there that entrust their finances to us, we promise to continue to seek the best possible solutions for you and to strive to improve the way in which we service your needs.

Thank you.

Adv. Vekuii Rukoro
Group Chief Executive Officer

Group chief financial officer's report

The group increased headline earnings for the year by 7% to N$353 million (2008: N$330 million). Profit decreased by 10% to N$367 million (2008: N$409 million), mainly as a result of a squeeze on interest margins and equity losses incurred by Swabou Life on the shareholders' investment portfolio. However, direct comparison with the previous year cannot be made because profits in that year were enhanced by non-recurring transactions. The impact of these is summarised below:

N$ million	change	2009	2008
Profit for the year as reported	(10)	**367**	**409**
attributable to preference shareholders		(1)	(1)
attributable to minority interest	(50)	(12)	(24)
attributable to equity holders of the group	(8)	354	384
Headline earnings adjustment			
Loss or profit on revaluation of investment properties			1
Loss or profit on sale of property and equipment			1
Reversal/impairment of associates			(4)
Realised gains on available-for-sale financial assets		(1)	(2)
Profit on sale of shares in subsidiaries			(34)
Gains on initial recognition of VISA shares			(16)
Headline earnings	7	**353**	**330**

Earnings per ordinary share decreased by 6% to 136.1 cents (2008: 145.2 cents). Return on average equity was 23% (2008: 28%). The group's cost income ratio remained at an acceptable level, ending the year at 50% (2008: 46%). The reduced ratios were a direct result of the factors that impacted on profit.

The group comprises three main operating entities: the FNB Namibia Banking Group ("banking group"); Swabou Life Assurance Company Ltd ("Swabou Life"); and OUTsurance Insurance Company of Namibia Limited ("OUTsurance"). All three entities were profitable.

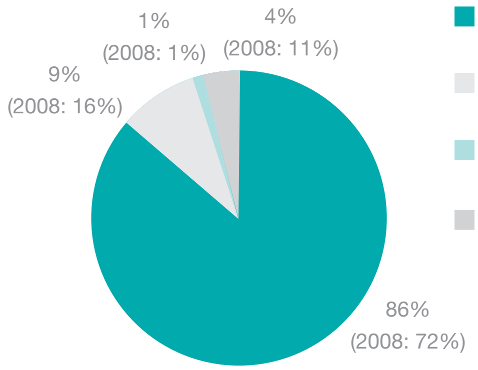
The banking group grew profit by 8% to N$317 million from N$294 million. Normalised earnings grew by 15%.

Swabou Life's profit decreased from N$65 million to N$33 million, mainly as a result of equity losses on the shareholders' portfolio and the N$100 million special dividend paid in October 2008 that reduced the investment income earning base.

OUTsurance's profit decreased to N$2 million (2008: N$5 million), affected by the cost of introducing new personal lines products. This diversification of product lines positions it well for the future.

The chart following illustrates the relative contribution by each segment to after-tax profit. The "other" segment reflects other group companies and group accounting consolidations.

Segment contribution to profit



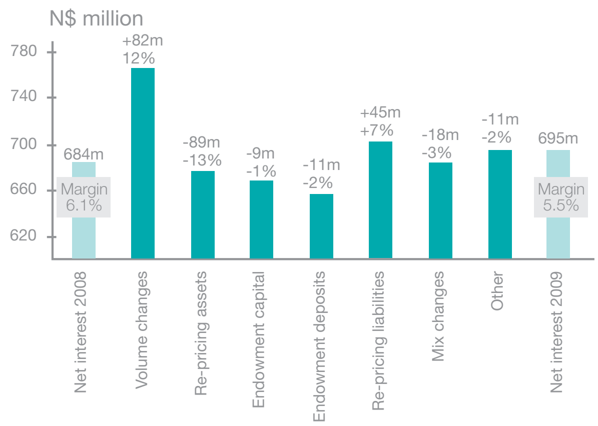
Income statement

Interest income

Net interest income before impairment of advances increased 2% to N$743 million (2008: N$729 million). The growth does not mirror the 15% increase in advances, reflecting the considerable pressure on interest margins. The cost of longer-term funding and the repo rate differential, combined with the negative endowment effect of a decreasing interest rate contributed to margin pressure. Both the timing and the extent of the rate cuts accentuated the margin contraction. The first reduction - 50 basis points - was in December 2008. The remaining 325 basis points came in the last six months of this reporting period. The banking group contributed 94% (2008: 94%) to the group's net interest revenue.

Alongside is an analysis of the movement in the components of the banking group's net increase in interest income.

Interest margin analysis



Impairment losses

Despite continued adverse market conditions, the banking group's prudent lending criteria together with the diligent collection of non-performing loans resulted in the impairment charge reducing from the already relatively low charge in the prior year. Total impairments decreased by 47% to N$38 million (2008: N$72 million), which is 0.4% (2008: 0.8%) of total average advances. The impairment charge comprises the following components:

	2009		2008	
	N$ million	% of average advances	N$ million	% of average advances
Specific impairment on non-performing loans	16.1	0.1%	18.2	0.2%
Present value of security of non-performing loans	17.2	0.2%	21.1	0.2%
Total specific impairment	**33.3**	**0.3%**	**39.3**	**0.4%**
Portfolio impairment	5.1	0.1%	33.1	0.4%
Total impairment charge	**38.4**	**0.4%**	**72.4**	**0.8%**

Non interest income

Non interest income increased by 7.5% to N$433 million (2008: N$403 million). The banking group increased non interest income by 31% to N$491 million (2008: N$376 million). For the group as a whole, this was trimmed by a loss of N$94 million (2008: N$36 million loss) when investment portfolios of the insurance operations were revalued to reflect market movements in listed equities.

Fees and commission income increased by 24% to N$405 million (2008: N$326 million), with banking specific fee and commission income contributing the largest part. The migration of the credit card book from First National Bank South Africa to FNB Namibia in November 2008 contributed to the sharp increase. But even without this additional income, year on year growth was 17%, only 5% of which came from price increases. Penalty fees (costs clients could avoid) in the banking group fell by 28%, a pleasing change in consumer behaviour.

Fair value income increased by N$55 million to N$85 million, with N$60 million (2008: N$43 million) attributable to foreign exchange trading income. The significant growth came from a continued focus on sales in a buoyant currency market.

In addition, the prior year included the negative effect of derivative financial instrument revaluations of N$13 million. This became a positive N$24 million in the current year. The corresponding negative fair value adjustment of N$26 million (2008: N$16 million positive) is reflected under *Fair value adjustment to financial liabilities*.

Gains and losses from investment activities include dividends and realised and unrealised investment gains, predominantly from Swabou Life.

Swabou Life's investment portfolio reflects the sharp decline in global equity markets. Fair value losses on revaluation of portfolio investments were N$94 million (2008: N$36 million loss). Of this, the shareholders' portfolio accounted for N$22 million (2008: N$3 million loss). Exposure to equities on the shareholders' portfolio has been reduced subsequently. Losses on policyholders' portfolio were largely countered by a reduction in policyholders' liabilities as liabilities are matched by assets to a significant degree.

In 2008 *Gains and losses from investment activities* included a once-off N$34 million profit resulting from the sale of shares in subsidiaries.

Other non interest income decreased by N$16 million, an amount matching the once-off capital gain that came from the initial recognition of Visa shares in the previous year.

Net insurance premium income grew by 16%.

Swabou Life contributed 76% to net insurance premium income. Swabou Life's premium income increased by 6%, reflecting the net effect of the mature Momentum book and the Swabou Life book that grew at 18%. OUTsurance premiums increased by 58% reflecting increased business resulting from the roll-out of personal lines products.

Net claims and benefits paid increased by 6% to

N$125 million (2008: N$117 million). Swabou Life – once again comprising the bulk of this value – reflected a small decrease, while OUTsurance increased to N$29 million (2008: N$8 million).

Fair value adjustment to financial liabilities

decreased by N$42 million to a loss of N$26 million, reflecting the market movement of listed fixed rate subordinated bonds issued by the banking group as second tier capital in 2007. The bonds are classified as a financial liability carried at fair value through profit and loss. The corresponding N$24 million (2008: N$13 million loss) hedging income is included under *Fair value income*.

Operating expenses

The year on year increase of 12% in operating costs from N$618 million to N$694 million, needs to be viewed in context. It included costs relating to the core banking system currently being localised as required by the Bank of Namibia, as well as FNB Card costs which were not included in the previous year's figure. The adjusted year on year increase in operating costs was 8%, indicating that expenses remained well managed, considering that average inflation dropped to single digit figures only in May 2009 and was at 9% in June 2009.

Tax

Indirect tax decreased by N$6 million to N$12 million, mainly as a result of the relatively lower increase in interest income as against non interest income. This increased the Value Added Tax apportionment ratio of the banking group.

The group's effective tax rate increased from 28% to 33% because of non-taxable capital profits included in the prior year.

Balance sheet

Total assets increased by N$698 million to N$14.1 billion – a year on year growth of 5%.

The large decrease in balances from banks and other financial institutions from N$1 billion to N$479 million reflects the excess liquidity experienced in the previous year. The position has now normalised.

Derivative financial instruments increased by N$92 million to N$130 million. It is in line with the N$54 million increase in the derivative liability to N$116 million, as these are entered on a back to back basis. The difference between the assets and liabilities are mainly the group's own hedges. The growth reflects increased client trading activities in interest rate swaps and forward foreign exchange contracts.

Gross advances increased by a healthy 15%, compared to private sector credit extension of 9.5%. Average advances grew at a slightly more conservative 11%, with a bulge towards the end of the financial year. The growth was mainly driven by overdrafts and managed accounts as well as term loans that grew at 18%. Despite a moderate growth of 9% in property and vehicle finance, the group maintained its position as market leader in both asset classes.

Once again it is pleasing to report that the healthy profile of the advances book was maintained. The impairment charge as a percentage of gross average advances dropped to 0.4% (2008: 0.8%), and average non performing loans as a percentage of gross average advances was at 3.2% (2008: 2.9%). Non performing loans increased by 9%. The difference between a low level income statement charge and a 3.2% non performing loan ratio illustrated the high level of secured lending.

Investment securities reflected the liquid asset requirements of the banking group and Swabou Life investments. The banking group's portfolio was diversified into deposits that also qualified as liquid assets and as a result decreased by 2% to N$920 million. Swabou Life's portfolio decreased by 16% to N$954 million, in line with the general decline in global equity markets.

Deposits increased by 10% - in line with the growth in average advances. Wholesale funding continued to be the dominant source of funding.

Policyholder liabilities decreased in line with the value of insurance assets, following the fall in value of Swabou Life assets.

The post-retirement benefit liability decreased by 42% to N$22 million (2008: N$38 million) after employees were given a choice between receiving early settlement and cancelling premium subsidies or maintaining the benefit. A total of 296 employees accepted the offer and 112 employees remain covered.

Dividend policy

The group has maintained the 2.4 times dividend cover on profit attributable to ordinary shareholders.

Capital management

Banking Group

The optimal level of capital in a banking institution is determined by balancing the requirements of the Regulator, the shareholders, deposit holders and debt holders.

Principles

For a banking institution, capital serves as a foundation for growth and a cushion against unexpected losses. It mitigates economic risk that might otherwise threaten its continuation or lead to loss of faith by stakeholders. It is the policy of the bank to be capitalised at the higher figure of economic capital or regulatory capital inclusive of a buffer.

Economic capital is defined as the capital which the Banking Group must hold, commensurate with its risk profile, under severe stress conditions, to give comfort to third party stakeholders that it will be able to discharge its obligations in accordance with an indicated degree of certainty even under stress conditions, and would continue to operate as a going concern. Tests are performed regularly to assess whether the bank is appropriately capitalised.

Demand for capital

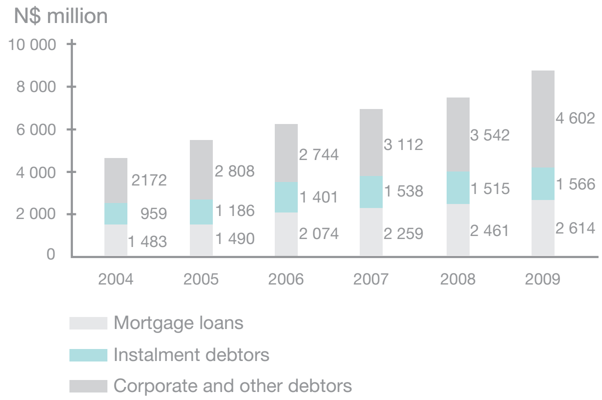
The Bank of Namibia requires banking institutions to hold a minimum amount of capital equal to, or more than, 10% of the calculated risk weighted assets. Furthermore, as a subsidiary of FirstRand Bank Holdings Limited, regulated by the South African Reserve Bank ("SARB"), the Group needs to abide by regulations currently requiring a minimum of 9.5% by the SARB method of calculating risk weighted assets.

Current capital requirements in the Banking Institutions Act 1998 (No. 2 of 1998) are based on the International Capital Accord of the Basel Committee established in 1988. This capital accord has been revised and Basel II, as adapted by the Bank of Namibia, will be effective from 1 January 2010.

The main changes lie in the calculation of risk weighted assets and the closer alignment of capital levels to true underlying economic risks. As a subsidiary of a South African Banking Group, where the principles of Basel II were adopted on 1 January 2008, First National Bank of Namibia Limited has complied with the standardised approach to calculate capital for credit, market and operational risks.

Indications are that compliance with Basel II will not require a material increase in our current economic capital estimates or minimum regulatory levels. The following graph depicts the growth in the major classes of risk weighted assets since the merger with Swabou in 2003/2004:

Growth in the major classes of risk weighted assets



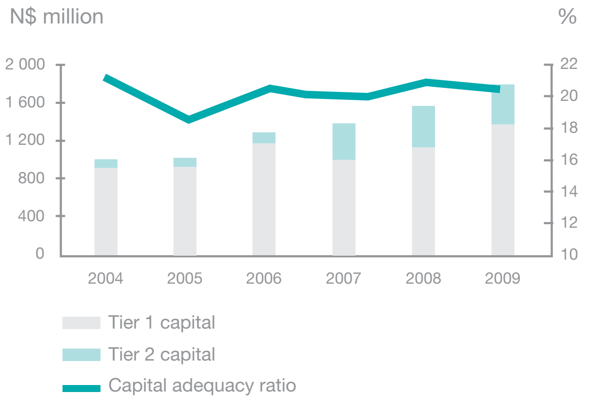
Supply of capital

As the bank generates earnings that are adequate to meet new capital requirements, the focus of management is on arriving at the most cost-effective capital structure. The relatively higher cost of capital, as against debt, means capital levels have to be managed to the minimum required, thus increasing the true economic value added to shareholders.

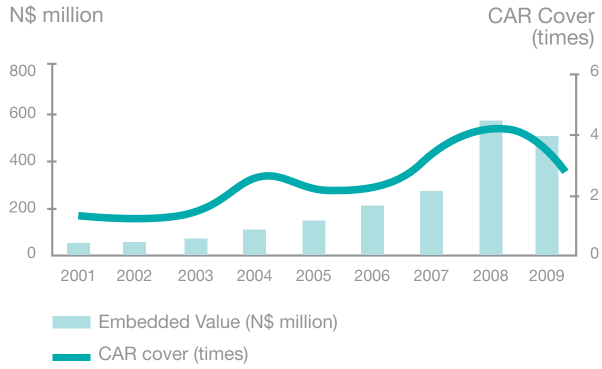
The Bank of Namibia allows the appropriation of current year profits to capital only on audited results. Maximum exposures to single borrowers are linked to the capital base. This results in the determination of maximum exposure being reviewed only at year-end and could impede balance sheet growth during the year. Upon implementation of Basel II based regulations, current year profit will form part of qualifying capital once appropriated by the board.

The board of directors approved a 5.5% buffer above the 10% minimum level determined by the Bank of Namibia. This is

Qualifying capital and capital adequacy ratio



Embedded value versus CAR cover of Swabou Life



mainly to allow for growth until the next financial year's profits are appropriated to capital. The buffer is also influenced by economic capital requirements. The above graph depicts the growth in qualifying capital as well as the capital adequacy ratio.

Dividend payment

The banking group declared an interim dividend of N$74 million in February 2009 and a final dividend will be declared taking into consideration the group's dividend payment requirements as well as the group's policy of a 2.4 times dividend cover.

Insurance operations

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 solvency margin at 30 June 2009 was 42% (2008: 59%), a sound and healthy position.

Swabou Life's policy is to invest capital required for the capital adequacy requirement (CAR) in cash or near cash instruments. The objective is to ensure a sufficient excess of assets over liabilities to guard against severely negative conditions in future. When the Momentum transaction was approved, the court determined that Swabou Life must maintain a CAR cover of 2 times. In terms of the capital management framework of Swabou Life, the company will maintain a buffer of 0.5 times above that minimum.

The CAR of Swabou Life is N$94.8 million (30 June 2008: N$68.3 million). Free reserves cover the capital adequacy requirement 3.0 times (30 June 2008: 5.1 times).

The embedded value decreased to N$526 million (2008: N$589 million restated). The embedded value decreased as result of the payment of the total dividend payment of N$100 million. The value of in-force increased by 10% to N$301 million (30 June 2008: N$274 million) and the value of new business was N$59 million (30 June 2008: N$69 million).

Conclusion

The group is cautiously optimistic about performance in the 2009/2010 year. It recognises the more benign local economic outlook - with lower interest rates and inflation – but acknowledges the negative impact of global recession.

It does not expect consumer spending to recover fully until the second half of 2010, specifically in the financing of property and vehicles. Therefore it continues to position itself strategically in carefully selected markets to achieve sustainable growth.

Focus will remain on improving efficiencies and cost management to counter continued pressure on both interest and non interest income, as well as increased computer costs expected to arise from localising the core banking system.

Erwin Tjipuka
Group Chief Financial Officer

Capital adequacy of the banking group

N$ million	Balance 2009	Balance 2008	Risk weight %	Risk adjusted balance 2009	Risk adjusted balance 2008
Risk-adjusted assets and off-balance sheet exposures					
Cash, including foreign currency, claims on government and Bank of Namibia	1 198	1 171			
Public sector body advances	536	290	10	54	29
Other bank advances and letters of credit	634	1 210	20	127	242
Mortgage advances (excluding commercial)	5 229	4 922	50	2 614	2 461
Other assets and advances	5 987	4 786	100	5 987	4 786
Total	13 584	12 379		8 782	7 518

N$ million	2009	2008
Regulatory capital		
Tier 1		
Share capital and share premium	1 143	1 143
Retained profits	491	282
Capital impairment: Intangible assets	(261)	(283)
Total tier 1	1 373	1 142
Tier 2		
Eligible subordinated term debt (limited to 50% of total Tier 1 capital)	260	260
General risk reserve, including portfolio impairment	152	147
Revaluation reserves		10
Total tier 2	412	417
Total tier 1 and tier 2 capital	1 785	1 559
Risk-weighted capital ratios		
Tier 1	15.6%	15.2%
Tier 2	4.7%	5.5%
Total	20.3%	20.7%

Nine year review: income statement

N$ million	2009	2008	2007	2006	2005	2004	2003	2002	2001
Interest and similar income	**1 582**	1 504	1 212	926	815	780	608	472	420
Interest expense and similar charges	**(839)**	(775)	(601)	(443)	(392)	(382)	(299)	(202)	(175)
Net interest income before impairments	**743**	729	611	483	423	398	309	270	245
Impairment of advances	**(38)**	(72)	(68)	(29)	(23)	(23)	(12)	(5)	(3)
Net interest income after impairments	**705**	657	543	454	400	375	297	265	242
Non interest income	**433**	403	380	344	281	218	184	158	131
Net insurance premium income	**185**	160	120	108	89	78			
Net claims and benefits paid	**(125)**	(117)	(44)	(42)	(30)	(27)			
Change in policyholder liabilities: insurance contracts	**73**	84	(38)	(37)	(29)	(17)			
Change in policyholder liabilities: investment contracts	**11**	(4)		2	(2)				
Fair value adjustments to financial liabilities	**(26)**	16	8						
Income from operations	**1 256**	1 199	969	829	709	627	481	423	373
Operating expenses	**(694)**	(618)	(521)	(454)	(400)	(380)	(226)	(188)	(176)
Share of profit / (loss) from associates	**2**	6	(1)	(3)	1				
Income before tax	**564**	587	447	372	310	247	255	235	197
Indirect tax	**(12)**	(18)	(13)	(13)	(3)	(4)	(7)	(6)	(2)
Profit before tax	**552**	569	434	359	307	243	248	229	195
Direct tax	**(185)**	(160)	(130)	(102)	(91)	(78)	(7)	(73)	(63)
Profit for the year	**367**	409	304	257	216	165	241	156	132
Earnings to minorities	**12**	24							
Earnings to preference shareholders	**1**	1	1	1	5				
Earnings to equity holders of the group	**354**	384	303	256	211	165	241	156	132
Reconciliation of earnings attributable to ordinary shareholders and headline earnings									
Earnings attributable to ordinary shareholders	**354**	384	303	256	211	165	241	156	132
Headline earnings adjustments									
Loss / Profit on sale of fixed assets		1		(1)	(6)	(1)	(2)		
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	**(1)**	(2)	(4)	(3)					
Profit on sale of shares in subsidiaries		(34)							
Gains on initial recognition of VISA shares		(16)							
Headline earnings	**353**	330	300	254	204	164	239	156	132
Reconciliation of headline earnings and core operational earnings									
Headline earnings	**353**	330	300	254	204	164	239	156	132
Plus : Merger expenses						10			
Less : Once-off tax asset created on restructuring							(80)		
Core operational earnings	**353**	330	300	254	204	174	159	156	132

Nine year review: balance sheet

N$ million	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	Namibian GAAP 2004	Namibian GAAP 2003	Namibian GAAP 2002	Namibian GAAP 2001
Assets									
Cash and short term funds	**357**	345	226	208	203	280	453	703	305
Due from banks and other financial institutions	**479**	1 004	116	170					
Derivative financial instruments	**130**	38	22	39	5				
Advances	**10 486**	9 142	8 726	7 862	6 709	5 827	3 555	2 932	2 633
Investment securities	**1 899**	2 068	1 152	967	839	637	350	277	222
Accounts receivable	**116**	95	155	102	182	97	250	99	58
Policy loans on investment contracts	**23**	19	3	1					
Reinsurance assets	**287**	390	8	8	3				
Investment in associates	**21**	5			6	3	3		
Tax asset	**1**	17			8	41			
Deferred tax asset	**1**	20	34	39	35	46	40	2	2
Property and equipment	**236**	188	164	158	152	142	81	59	56
Investment properties		4	6	6	12	18			
Intangible assets	**59**	67	62	71	79	109			
Non current assets held for sale	**5**								
Total assets	**14 100**	13 402	10 674	9 631	8 233	7 200	4 732	4 072	3 276
Equity and liabilities									
Liabilities									
Deposit and current accounts	**10 601**	9 676	7 817	7 812	6 706	5 884	3 950	3 271	2 628
Due to banks and other financial institutions	**23**	354	831	124					
Derivative financial instruments	**116**	62	33	40	4	17			
Creditors and accruals	**297**	247	152	114	133	102	162	135	64
Gross outstanding claims	**11**	1	2	7	3	3			
Gross unearned premium	**18**	16	20	17	10	15			
Provision for unintimated claims	**3**	2	2	2	2	2			
Policyholder liabilities under insurance contracts	**927**	1 104	188	147	109	77			
Policyholder liabilities under investment contracts	**36**	38							
Post retirement medical liability	**22**	38	34	30	28	26	22	21	20
Tax liability	**5**	1	104	1	17				
Deferred tax liability	**18**			35	46	36		51	42
Long term liabilities	**261**	236	251						
Total liabilities	**12 338**	11 775	9 434	8 329	7 058	6 162	4 134	3 478	2 754
Equity									
Ordinary shares	**1**	1	1	1	1	1	1	1	1
Share premium	**195**	258	264	266	267	302	18	11	11
Reserves	**1 444**	1 224	975	1 035	907	735	579	582	510
Capital and reserves - ordinary equity holders	**1 640**	1 483	1 240	1 302	1 175	1 038	598	594	522
Minority interest	**122**	144							
Total equity	**1 762**	1 627	1 240	1 302	1 175	1 038	598	594	522
Total equity and liabilities	**14 100**	13 402	10 674	9 631	8 233	7 200	4 732	4 072	3 276

Nine year review:
ratios and selected financial information

	2009	2008	2007	2006	2005	2004	2003	2002	2001
Number of ordinary shares issued ('000)	**267 593**	267 593	267 593	267 593	267 593	260 771	201 700	200 000	200 000
Ordinary shares issued after share trust eliminated ('000)	**258 395**	264 384	264 323	264 347	264 347	259 071	200 000	200 000	200 000
Weighted number of ordinary shares in issue ('000)	**260 226**	264 384	264 331	264 347	258 496	259 071	200 000	200 000	200 000
Number of preference shares in issue	**2**	2	2	2	2	27.2mill			
Number of preference shares expected to convert						14.5mill			
Earnings per ordinary share (cents)	**136.1**	145.2	114.7	96.7	81.6	63.7	120.4	78.2	66.0
Headline earnings per share (cents)	**135.6**	124.6	113.5	95.0	78.7	63.4	119.6	78.2	66.0
Diluted earnings per share (cents)	**136.1**	145.2	114.7	96.7	81.6	60.4	120.4	78.2	66.0
Core operational earnings per share (cents)	**135.6**	124.6	113.5	95.0	78.7	67.3	79.6	78.2	66.0
Diluted core operational earnings per share (cents)	**135.6**	124.6	113.5	95.0	78.7	63.7	79.6	78.2	66.0
Return on assets (earnings on average assets) (%)	**2.6**	3.2	3.0	2.9	2.7	2.8	5.5	4.2	4.2
Return on equity (earnings on average equity) (%)	**22.7**	28.2	23.9	20.6	19.1	20.2	40.4	28.0	28.2
Core operational earnings on average assets (%)	**2.6**	2.7	3.0	2.8	2.6	2.9	3.6	4.2	4.2
Core operational earnings on average equity (%)	**22.6**	24.2	23.6	20.5	18.4	21.3	26.7	28.0	28.2
Cost to income ratio (%)	**50.5**	48.1	48.0	49.0	49.8	52.2	45.9	44.0	46.7
Critical mass (%) (excluding merger expenses in 2004)	**4.9**	4.6	4.9	4.7	4.9	5.3	4.8	4.6	5.4
Net asset value per share (cents)	**634.9**	561.0	469.3	492.7	444.6	400.7	298.9	297.2	261.1
Market capitalisation	**3 158**	2 665	2 119	1 873	1 606	1 200	900	790	672
Price to Book	**1.9**	1.8	1.7	1.4	1.4	1.2	1.5	1.3	1.3
Dividend information:									
Dividends per share - ordinary dividend declared (cents) *	**56.0**	53.0	47.0	40.0	32.0	25.0	25.0	42.0	33.0
* based on current year profits									
Dividends per share - ordinary dividend paid (cents) **	**55.0**	48.0	44.0	34.0	28.5	11.5	25.0	42.0	33.0
** based on dividends paid within financial year									
Dividend per share - special dividend (cents)			93.0				95.0		
Dividend yield - ordinary dividend (%)	**4.7**	5.3	5.9	5.7	5.3	5.4	5.6	10.6	9.8
Dividend yield - special dividend (%)			11.7				21.3		
Dividend cover (times) based on total dividends	**2.4**	2.4	0.8	2.4	2.5	2.5	1.0	1.9	2.0
Earnings yield (%)	**11.5**	14.6	14.5	13.8	13.6	13.9	27.0	19.8	19.7
Closing share price - ordinary (cents)	**1 180**	996	792	700	600	460	446	395	336
Price / Earnings ratio	**8.7**	6.9	6.9	7.2	7.4	7.2	3.7	5.1	5.1
Capital adequacy									
Banking group	**20.3**	20.7	20.0	20.3	18.4	21.2	19.9	24.4	22.8
Swabou Life (CAR) (times)	**3.0**	5.1	4.6	2.8	2.5	3.1	1.3		
OUTsurance - solvency margin	**42.2**	59.3	85.2	77.7	83.9	75.0			

Glossary of terms

Amortised cost The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Available-for-sale financial assets Non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables; held-to-maturity; or financial assets at fair value through profit or loss.

Bank rate The interest rate at which the Bank of Namibia lends to banks.

BEE An abbreviation for black economic empowerment which is a formal initiative aimed at addressing the past exclusion of previously disadvantaged persons from the formal economy.

BoN Bank of Namibia

Capital adequacy requirement ("CAR") This is the minimum amount of capital required to be held, as determined by the regulating authority.

CAR cover The CAR cover refers to the multiple by which an insurer's free assets exceeds its CAR, expressed as a ratio of free assets to CAR.

Cost to income ratio (%) Operating expenditure, excluding insurance risk related payments, and indirect taxes, divided by total income excluding unrealised gains and losses on the insurance investment portfolio.

Critical mass Operating expenditure as a percentage of total assets.

Derivatives Products on which value derives largely from the price, price fluctuations and price expectations of an underlying instrument. Derivatives include swaps, options and futures.

Embedded value (EV) Embedded value equals the net asset value of the company, plus the present value of the projected stream of future after-tax profits on in-force insurance contracts, less the cost of capital at risk.

Endowment effect The endowment effect refers to a change in interest margin which occurs when market interest rates change and the assets and liabilities re-price in different ways. In both the up and down interest rate cycles, assets re-price more than liabilities, therefore margins compress in a downward cycle and opens in an upward cycle.

Fair value Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial asset Cash or a contractual right to receive cash or another financial asset or to exchange financial assets or liabilities with another entity under potentially favourable conditions.

Financial liability A contractual obligation to deliver cash or another financial asset and exchange financial assets or liabilities with another entity under potentially unfavourable conditions.

Financial soundness valuation Methodology intended to provide a prudently realistic picture of the overall financial position of a long-term insurer, allowing explicitly for actual premiums that will be received and future experience that may be expected in respect of interest rates, expenses, mortality, morbidity and other relevant factors.

GAAP Namibian Statements of Generally Accepted Accounting Practice in use prior to IFRS being adopted.

General risk reserve The prescribed minimum provisions by Bank of Namibia on performing advances and allocations to this reserve is made from after tax distributable reserves.

Headline earnings Earnings attributable to ordinary shareholders from trading operations, excluding goodwill gain or losses, capital profits and losses and recycled profits or losses on available-for-sale financial instruments. Headline earnings do not measure sustainable earnings.

Hedge A risk management technique used to insulate financial results from market, interest or foreign currency exchange risk arising from normal banking operations. The elimination or reduction of such exposure is accomplished by establishing offsetting positions. For example, assets denominated in foreign currencies can be offset by liabilities in the same currencies or through use of foreign exchange hedging instruments such as options or foreign exchange contracts.

Held to maturity A non-derivative financial assets with fixed payments and fixed maturity that an entity has intention to hold to maturity other than those designated as fair value through profit and loss; available for sale; and meet the definition of loans and receivables.

IAS International Accounting Standards.

IFRS International Financial Reporting Standards, as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Reporting Interpretations Committee (IFRIC) of the IASB.

Impairment of advances Advances are impaired (provided for) where the present value of the future cash flows on advances is less than the current carrying value in the records.

Interest in suspense Contractual interest suspended on non performing loans.

Interest margin on average advances (%) Net interest income (before deducting the impairment on doubtful advances) divided by gross average advances.

Interest margin on average total assets (%) Net interest income (before deducting the impairment on doubtful advances) divided by average total assets.

Market capitalisation The group's closing share price multiplied by the number of shares in issue.

Mark-to-market Valuation at an appropriate market price, set at arms length between informed, knowledgeable parties, with unrealised profit and losses reflected in income or equity depending on the classification of the instrument.

Non performing loan ("NPL") A loan on which the recovery of the contractual interest and capital is doubtful.

Notional value The principal amount stated in a contract on which future payments will be made or benefits be received.

Off market loans Loans granted to staff members at lower than market related rates.

Organic growth Non-acquisition growth.

Portfolio impairments Impairments to a specific portfolio within the performing lending book, exposed to similar risks.

Present value ("PV") The present value of future cash flow discounted at a specific discounting rate.

Return on average equity (ROE) (%) Earnings attributable to ordinary shareholders divided by average ordinary shareholders' funds.

Return on average total assets (ROA) (%) Earnings attributable to ordinary shareholders divided by average total assets.

Share based payments Transfers of a company's equity instruments by its shareholders to parties that have supplied goods or services to the company (including employees).

SME Small and medium enterprise.

Strike price The price at which beneficiaries who have been allocated share options, can buy their shares from the share incentive trust.

Unintimated claims Unintimated claims represent claims relating to incidents occurred before year-end and only reported to the insurance company after year-end.

Namibia Holdings

2009
Annual financial statements

Contents

Directors' responsibility statement

To the members of FNB Namibia Holdings Limited

These consolidated annual financial statements are the responsibility of the company's directors. We also acknowledge responsibility for establishing accounting procedures that provide for the maintenance of documentation sufficient to support the consolidated annual financial statements. These consolidated annual financial statements present fairly the financial position, results of operations and cash flows of the group and company in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of Namibia and have been prepared on bases consistent with those of the prior year, except where specifically disclosed in the consolidated annual financial statements. The consolidated annual financial statements incorporate full and responsible disclosure in line with the group's philosophy on corporate governance and as required by the Namibian Stock Exchange. The directors have reviewed the appropriateness of the accounting policies, and concluded that estimates and judgements are prudent. The directors report that the group's internal controls are designed to provide reasonable assurance as to the integrity and reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets and to prevent and detect fraudulent financial reporting. Such controls are based on established written policies and procedures. They are implemented by trained, skilled personnel with an appropriate segregation of duties and are monitored throughout the group.

The board members and employees are required to maintain the highest ethical standards and the group's business practices are required to be conducted in a manner that is above reproach. The board has adopted and is committed to the principles in the King II 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 2010. 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 41. The consolidated annual financial statements of the group and company, which appear on pages 36 to 137 have been approved by the board of directors and are signed on its behalf by:

H-D Voigts
Chairman

Adv. Vekuii Rukoro
Group Chief Executive Officer

Windhoek
19 August 2009

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. This committee assists the board in observing its responsibility for ensuring that the group's financial and computer systems provide reliable, accurate and up-to-date information to support the current financial position and that the published consolidated annual financial statements represent a fair reflection of its financial position. It also ensures that appropriate accounting policies, control and compliance procedures are in place. The internal and external auditors attend its meetings and have unrestricted access to the chairman of the committee.

The primary objectives of the committee are:

1. To assist the board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in the day-to-day management of the business;

2. To provide a forum for communication between the board of directors, management and the internal and external auditors; and

3. 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 weakness in controls, and is satisfied with the level of disclosure to it and to the stakeholders.

H W P Böttger
Chairman

Windhoek
18 August 2009

Statement of actuarial values of Swabou Life Assurance Company Limited

N$'000	2009	2008
A brief summary of the financial position as at this date is as follows:		
Policyholders' fund	678 324	753 280
Other liabilities	37 248	30 055
Capital adequacy requirement	94 840	68 329
Free assets	191 519	288 170
Total funds (at actuarial value)	1 001 931	1 139 834
The above split may also be represented by the following items:		
Financial soundness liabilities	715 572	783 335
Free reserves for published financials	286 359	356 499
Total funds (at actuarial value)	1 001 931	1 139 834

The movement in the free reserves is an decrease of N$70 140 000 (2008: N$234 248 000 increase.)

Certification

I have conducted an actuarial valuation of the Swabou Life Assurance Company Limited according to generally accepted actuarial standards as at 30 June 2009, and certify that the company was financially sound at that date

I am satisfied that the statement of actuarial values of assets and liabilities, read together with the financial statements, fairly presents the financial position of the company.

Jacques Malan
B.Sc, FASSA, FIA, ASA
4 August 2009

In my capacity as Statutory Actuary of Swabou Life and as CEO of Jacques Malan Consultants and Actuaries (Namibia) (Pty) Ltd.

For the purpose of professional regulation the primary professional regulator applicable to all actuaries employed by Jacques Malan Consultants and Actuaries is the Actuarial Society of South Africa.

Independent auditor's report to the members of FNB Namibia Holdings Limited

We have audited the group annual financial statements and the annual financial statements of FNB Namibia Holdings Limited, which comprise the consolidated and separate balance sheets as at 30 June 2009, the consolidated and separate income statements, the consolidated and separate statements of changes in equity, the consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 42 to 137.

Directors' responsibility for the financial statements

The directors of the Company 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 in Namibia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 management, 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, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of FNB Namibia Holdings Limited at 30 June 2009, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in Namibia.

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

Per J Kock
Partner
PO Box 47, Windhoek, Namibia
7 September 2009

Regional executives:
GG Gelink (Chief Executive), A Swiegers (Chief Operating Officer), GM Pinnock

Resident partners:
VJ Mungunda (Managing Partner), RH McDonald, J Kock, H de Bruin

Directors' report

The directors present their annual report, which forms part of the annual financial statements of the group and of the company for the year ended 30 June 2009.

Nature of business

The Company acts as an investment holding company and the main investments, unchanged from the prior year, are the shareholding in:

First National Bank of Namibia Limited: a registered bank offering a full range of banking services	100%
Swabou Life Assurance Company Limited: a life assurance company	65%
OUTsurance Insurance Company of Namibia Limited (formerly Swabou Insurance Company Limited): a short-term insurance company	51%
Talas Properties (Windhoek) (Propriety) Limited: a property-owning company	100%
First National Asset Management and Trust Company of Namibia (Proprietary) Limited: a registered trust company involved in the administration of deceased estates	100%
RMB Asset Management (Namibia) (Proprietary) Limited: a registered asset management company	50%
FNB Namibia Unit Trusts Limited: a unit trusts management 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 (2008: 990 000 000) ordinary shares of 0,5 cents each and 10 000 000 (2008: 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 25 November 2009, 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 Bank Holdings Limited	59.8%	(2008: 58.3%)
Government Institutions Pension Fund	14.5%	(2008: 16.6%)

A detailed analysis of shareholders is set out on page 152.

Share analysis – preference shares

RMB-SI Investments (Proprietary) Limited	100%	(2008: 100%)

FNB Share Incentive Scheme (the trust)

No new shares were allocated during the year by the company to the trust (2008: nil), while the trust bought 5 510 969 new shares in the open market during the year (2008: 14 458). Staff exercised options on 21 700 (2008: 75 432) shares during the year. The total number of shares held by the trust at 30 June 2009 amounts to 8 698 667 (2008: 3 209 398).

Also refer to notes 8.2 and 32 of the annual financial statements in this regard.

Directors interest in FNB Namibia Holdings Limited

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

Interest of directors

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

Group results

The financial statements on pages 64 to 137 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 our financial results on pages 11 to 30.

Directors' emoluments

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

Management by third parties

None of the business of the company or of any subsidiary has been managed by a third party or by a company in which a director had an 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 Bank Holdings Limited and its ultimate holding company is FirstRand Limited, both of which are incorporated in the Republic of South Africa.

Dividends

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

Subsidiaries

Interest in and aggregate profits of subsidiaries are set out in note 18 to the annual financial statements.

Directorate

At the group's annual general meeting held on 26 November 2008, Messrs C L R Haikali, J R Khethe and P T Nevonga, 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:

H-D Voigts (Chairman)
H W P Böttger
C L R Haikali
C J Hinrichsen (appointed 1 March 2009) #
J R Khethe*
J K Macaskill *
S H Moir *
M N Ndilula
P T Nevonga
Adv VR Rukoro (Chief Executive Officer)
I I Zaamwani-Kamwi (Ms)

 # German ** South African*

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

Company secretary and registered offices

Company secretary: C R Britz (resigned 3 September 2008)
Y Katjirua (appointed 3 September 2008)

Registered office: 209 Independence Avenue, Windhoek
Postal address: P O Box 195, Windhoek, Namibia

Subsequent events

Subsequent to the balance sheet date Swabou Life Assurance Company Limited changed its name to Momentum Namibia Limited with effect from 23 July 2009.

N$'000	2009	2008
Ordinary dividends		
Dividend No 27 of 25 cents per ordinary share to shareholders registered on 17 March 2008.		66 898
Dividend No 28 of 28 cents per ordinary share to shareholders registered on 23 September 2008.		74 926
Dividend No 29 of 28 cents per ordinary share to shareholders registered on 6 March 2009.	74 926	
Dividend No 30 of 28 cents per ordinary share to shareholders registered on 2 October 2009.	74 926	
Total distribution for the 12 months of 56 cents per ordinary share (2008: 53 cents per ordinary share)	149 852	141 824
Preference dividends		
Dividend No. 4		1 279
Dividend No. 5	315	

Accounting policies

1. Introduction

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

The principal accounting policies are consistent in all material aspects with those adopted in the previous year, except for the adoption of:

- IFRIC 12 Service Concession Arrangements which is effective for annual periods beginning on or after 1 January 2008. The Interpretation provides guidance on the treatment of assets arising from service concession arrangements. The interpretation does not have any impact on the group's results, as the group does not have any service concession arrangements.
- IFRIC 13 Customer Loyalty Programmes which is effective for annual periods beginning on or after 1 July 2008. The Interpretation applies to the accounting for customer loyalty award credits that the entity grants to its customers that customers can redeem in future. The interpretation does not have any impact on the group's results, as the group does not have any material customer loyalty programmes.
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction is effective for annual periods beginning on or after 1 January 2008. This interpretation provides guidance on the measurement of defined benefit assets. As a result of the fact that the group has not recognised a defined benefit asset the interpretation does not have any impact on the group's results.

2. Basis of presentation

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 at fair value through profit and loss;
- investment properties valued at fair value; and
- policyholder liabilities under insurance contracts that are valued in terms of Financial Soundness Valuation (FSV) basis as outlined below.

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

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

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

The group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company 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.

4. Associates

Associates are entities in which the group holds an equity interest of between 20% and 50% or over which it has the ability to exercise significant influence, but does not control. Investments acquired and held exclusively with the view of disposal in the near future (12 months) are not accounted for using the equity accounting method, but carried at fair value less cost to sell in terms of the requirements of IFRS 5.

The group includes the results of associates in its consolidated annual financial statements using the equity accounting method, from the effective date of acquisition to the effective date of disposal. The investment is initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Earnings attributable to ordinary shareholders include the group's share of earnings of associates. Reserves include the group's share of post-acquisition movements in reserves of associates. The cumulative post-acquisition movements are adjusted against the cost of the investment in the associate.

The group discontinues equity accounting when the carrying amount of the investment in an associate reaches zero, unless it has incurred obligations or guaranteed obligations in favour of the associated undertaking.

After discontinuing equity accounting the group applies the requirements of IAS 39 to determine whether it is necessary to recognise any additional impairment loss with respect to the net investment in the associate as well as other exposures to the investee. Goodwill included in the carrying amount of the investment in associate is assessed for impairment in accordance with IAS 36 as part of the entire carrying value of the investment in the associate.

The group increases the carrying amount of investments with its share of the associate's income when equity accounting is resumed.

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

5. Interest income and interest expense

The group recognises interest income and interest expense in the income statement 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.

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.

6. 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.

Accounting policies

7. 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 revenue.

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.

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.

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 Dollars ("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 the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities at fair value through profit or loss, are reported as part of the fair value gain or loss.

Foreign currency translation differences on monetary items classified as available-for-sale, such as foreign currency bonds designated as available-for-sale, are not reported as part of the fair value gain or loss in equity, but are recognised as a translation gain or loss in the income statement when incurred.

Translation differences on non-monetary items, classified as available-for-sale, such as equities are included in the fair value reserve in equity when incurred.

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 income statement.

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 balance sheet date, in each particular jurisdiction within which the group operates.

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 balance sheet 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.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement 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.

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.

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 cash flow statement, cash and cash equivalents comprise:

- coins and bank notes;
- money at call and short notice;
- balances with central banks;
- balances guaranteed by 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 balance sheet include all assets and liabilities, including derivative instruments, but exclude investments in associates and joint ventures, commodities, property and equipment, deferred tax, tax payable, intangible assets, inventory and post-retirement liabilities. The group shall recognise a financial asset or a financial liability on its balance sheet when and only when, the entity becomes a party to the contractual provision 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.

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment. Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement as gains and losses from investment securities. However, interest calculated on available-for-sale financial assets using the effective interest method is recognised in the income statement as part of interest income. Dividends on available-for-sale equity instruments are recognised in the income statement 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. Otherwise such transactions are treated as derivatives until settlement.

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, it 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.

15.1.1 Financial instruments assets at fair value through profit or loss

This category has two sub-categories: financial instruments held for trading, and those designated at fair value through profit or loss at inception.

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 as effective hedges.

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:

(i) 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

(ii) 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

(iii) Is a financial asset or liability containing significant embedded derivatives that clearly require bifurcation.

The main financial assets and liabilities designated at fair value through profit and loss under criteria (i) are:

- Long-term liability/bond issued by the banking group as part of Tier II capital. The long-term liability has been designated to eliminate the accounting mismatch between the long-term liability and the underlying derivative. If the long-term liability/bond was not designated at fair value, the mismatch would be as a result of the long-term liability being recognised at amortised cost and the derivative being recognised at fair value.
- Policyholder assets and liabilities under investment contracts. The liabilities under linked investment contracts have cash flows that are contractually determined with reference to the performance of the underlying assets. The changes in fair value of assets held in linked funds are recognised in the income statement. Liabilities to customers under other types of investments contracts are measured at amortised cost. If these assets were not designated on initial recognition, they would be classified as available-for-sale and the changes in their fair value would be recognised directly in equity. This would result in a significant accounting mismatch, as the movements in the fair value of the policyholder liability are recognised directly in the income statement.

Financial instruments designated under criteria (ii), include:

- Financial assets held to meet liabilities under insurance contracts.

The amount of change during the period and cumulatively, in the fair value of designated loans and receivables and designated financial liabilities that is attributable to changes in their credit risk, is determined as the amount of 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.

The group recognises fair value adjustments on financial assets and liabilities designated as at fair value through profit and loss in trading income/loss.

15.1.2 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 entity upon initial recognition designates as at fair value through profit or loss;
- those that the banking group upon initial recognition designates as available for sale; or

- deterioration, which shall be classified 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

15.1.3 Held-to-maturity

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

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

15.1.4 Available-for-sale

Available-for-sale investments are non-derivative financial assets that are intended to be held for an indefinite period of time, 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 assets, in equity. It recognises interest income on these assets as part of interest income, based on the instrument's original effective interest rate. Interest income is excluded from the fair value gains and losses reported in equity. When the advances and receivables or investment securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

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.

15.2 Financial liabilities at amortised cost

Financial liabilities are measured at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

15.2.1 Policyholder liabilities under investment contracts

The group accounts for policyholder liabilities under investment contracts at fair value through profit and loss. Refer to sections below for a detailed description of the valuation of policyholder liabilities under investment contracts.

15.3 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; and
- the host contract is not carried at fair value, with gains and losses reported in income.

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

15.4 Derecognising of assets and liabilities

The group derecognises a financial asset when:

- the contractual rights to the financial asset expires or forfeited by the group; or
- where there is a transfer of the contractual rights that comprise the financial asset; or
- the group retains the contractual rights of the financial assets but assumes a corresponding financial liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits 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.

If a transfer does not result in derecognition because the group has retained substantially all the risks and rewards of ownership of the transferred asset, the group continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the group recognises any income on the transferred asset and any expense incurred on the financial liability.

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 recognise 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 expires.

15.5 Offsetting financial instruments

The group offsets financial assets and liabilities and reports the net balance in the balance sheet where:

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

16. 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 balance sheet 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.

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 the income statement. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

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

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

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

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 income statement.

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 days past due is referenced to the earliest due date of the loan.

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 or impaired that have been renegotiated, are classified as neither past due nor impaired assets. Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, the bank granted a concession where original terms and conditions of the facility were amended. Where the advances were reclassified as neither past due nor impaired, the adherence to the new terms and conditions are closely monitored. These assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

16.3 Available-for-sale financial assets

The group assesses at each balance sheet 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 income statement, is removed from equity and recognised in the income statement. 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 the income statement, the impairment loss is reversed through the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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 balance sheet at fair value. Derivatives are subsequently re-measured at their fair value with all movements in fair value recognised in the income statement, unless it is a designated and effective hedging instrument.

The fair value of publicly traded derivatives are based on quoted bid prices for assets held or liabilities to be issued, and current offer prices for assets to be acquired and liabilities held.

The fair value of non-traded derivatives is based on discounted cash flow models and option pricing models as appropriate, the group recognises derivatives as assets when the fair value is positive and as liabilities when the fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the group recognises profits or losses on day one.

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

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

The group designates certain derivatives as either:

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

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

Hedge accounting is used for derivatives designated in this

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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 the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

17.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the non-distributable reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

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 existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Where the forecasted transaction or a foreign currency firm commitment results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability. For financial assets and liabilities, the group transfers amounts deferred in equity to the income statement and classifies them as revenue or expense in the periods during which the hedged firm commitment or forecasted transaction affects the income statement.

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 the income statement 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 periods of depreciation used are as follows:

• 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 atms)	3 years
• Furniture and fittings	10 years
• Motor vehicles	5 years
• Office equipment	4 years

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

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

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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 carried 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.

Fair value adjustments on investment properties are included in the income statement as net fair value gains on assets at fair value through profit and loss. 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 income statement 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.

20.1.2 Operating leases

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

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

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. The difference between the gross receivable and the present value of the receivable represents unearned finance income. Lease income is recognised 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. It depreciates these assets over their expected useful lives on a basis consistent with similar owned property and equipment. Contingent rentals are expensed in the period incurred. Rental income is recognised on a straight-line basis over the lease term.

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.

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21. Intangible assets

21.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the attributable fair value of the group's share of the net assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For impairment purposes goodwill is allocated to the lowest components 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 a primary business or reporting segment as contemplated below.

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, but not exceeding three years. Management reviews the carrying value wherever objective evidence of impairment exists. The carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the income statement when incurred.

21.3 Other intangible assets

The group generally expenses the costs incurred on internally generated intangible assets such as trademarks, concessions, patents and similar rights and assets, to the income statement in the period in which the costs are incurred. Internally generated intangible assets which are separately identifiable, where the costs can be reliably measured and where the group is expected to derive a future benefit for more than one accounting period is capitalised.

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 amortisation and any impairments. It amortises these assets at a rate applicable to the expected useful life of the asset, but not exceeding 20 years. Management reviews the carrying value whenever objective evidence of impairment exists. Carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the income statement when incurred. Amortisation and impairments of intangible assets are reflected under operating expenses in the income statement.

21.4 Agency Force

As a result of certain acquisitions and the application of purchase accounting, the group carries an agency force intangible asset representing the value of the agency force acquired in the acquisition. The value of the agency force is determined by estimating the future value of the new business generated by the agents acquired. The group amortises the agency force over its expected useful life.

21.5 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 balance sheet at fair value less any accumulated amortisation and impairment losses.

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. The pension plan is generally funded by payments from employees and the relevant group companies, taking account of the recommendations of independent qualified actuaries. For defined benefit plan the pension accounting costs are assessed using the projected unit credit method.

The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

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

The group recognises current service costs immediately, while it expenses past service costs, experience adjustments, changes in actuarial assumptions and plan amendments over the expected remaining working lives of employees. The costs are expensed immediately in the case of retired employees.

The Pension Fund is registered in terms of the Pension Funds Act, 1956, and membership is compulsory for all group employees. Qualified actuaries perform annual valuations.

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

22.2 Post-retirement medical benefits

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

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.

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

22.3 Termination benefits

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

22.4 Leave pay accrual

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 probably that the economic benefits will be paid and the amount can be reliably measured.

22.6 Recognition of actuarial gains and losses

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

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

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

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

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

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 the income statement 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 balance sheet and any difference between the carrying amount of the liability and the consideration paid is included in trading income.

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24. Share Capital

24.1 Share issue costs

Shares 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. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

24.2 Dividends paid

Dividends on ordinary shares and non-cumulative non-redeemable preference shares are recognised against equity in the period in which they are approved by the company's shareholder. Dividends declared after the balance sheet date are not recognised but disclosed as a post balance sheet event.

24.3 Shares held by employee share trusts

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

25. Segment reporting

The group defines a segment as a distinguishable component or business that provides either:

- unique products or services ("business segments"); or
- products or services within a particular economic environment ("geographical segments")

subject to risks and rewards that are different from those of other segments.

Segments with a majority of revenue earned from charges to external customers and whose revenue, results or assets are 10% or more of al 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. Fiduciary activities

The group excludes assets and the income thereon, together with related undertakings to return such assets to customers, from these financial statements where it acts in a fiduciary capacity such as nominee, trustee or agent.

27. Share based payment transactions

The group operates 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 balance sheet 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 the income statement, with a corresponding adjustment to 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.

28. Disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This classification is only met 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 measurement (carrying amount) of 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 recognised at the lower of carrying amount and fair value less costs to sell.

Any impairment losses on initial classification to held for sale are recognised in the income statement.

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

29. Insurance and investment contracts

This section outlines the main lines of business that forms part of the group's in-force policy book.

The main product groupings currently on the books of the group are:

- Universal life smoothed-bonus policies: These policies have unit accounts, similar to unit trust investments. The policies might offer additional life or disability cover. The benefit structure might have a discretionary participating feature ("DPF"), or unit-linked to the fair value of the assets supporting the liabilities. On expiry of the contracts, the fair value of units is paid to policyholders.
- Pure risk products, which are intended to provide insurance against death, disability or medical contingencies and do not offer early termination values.
- Company risk business: The main products on offer within this category are Group Permanent Health Insurance (PHI) cover and Group Life Assurance (GLA), which provides regular annuity benefits while an insured is disabled, as well as lump sum death and disability benefits.
- Conventional (reversionary bonus or non-profit) policies: These policies do not have unit accounts like universal life products, but rather provide a guaranteed sum assured at death or maturity. The guaranteed payment is augmented by discretionary bonuses if the contract has DPF features. The difference between conventional and universal life DPF policy types is that, on universal life policies, annual bonus additions are made to the policy's investment account, whereas additions of bonuses on conventional policies are made to the lump sum payable on death or maturity.
- Health insurance products: These plans typically cover a variety of covers ranging from hospital benefits, outpatient surgery and day to day visits to physician offices.

Overview of discretionary participation features

A discretionary participating feature ("DPF") entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. These additional benefits have the following features:

- The benefits constitutes a significant portion of the total contractual benefits payable under each policy;
- The timing and amount of the benefits are at the discretion of the group.

Terminology that is commonly used in the Namibian insurance industry also refers to contracts with discretionary participating features as "with-profit" or "smoothed bonus" policies.

Distributions of bonuses on DPF contracts are performed annually. Bonuses are used as a mechanism to smooth returns distributed to policyholders, in order to reduce their uncertainty of benefit payments. The smoothing mechanism operates in such a way that the bonuses declared are normally lower than actual investment returns in buoyant market conditions, whereas declared bonuses normally exceed the actual investment returns during depressed market conditions. In buoyant market conditions, any investment returns which are not declared as bonuses in the year are transferred to a bonus stabilisation account, after the deduction of tax and management charges. This liability is held for future distribution to policyholders. The smoothing mechanism results in a degree of cross-subsidisation of investment returns and benefit payments between different classes and generations of DPF policyholders.

The factors which are considered in determining the discretionary bonus declared by are the investment return achieved on underlying assets in the period, the group's bonus philosophy as regards to the intended level of smoothing for policyholders, the type of DPF contract under consideration and the existence of any contractual minimum bonus rate guarantees.

In addition, DPF contracts may incorporate embedded options including minimum guaranteed rate of bonus additions credited to a policy over its lifetime. These embedded options are accounted for in terms of the companies accounting policy for embedded derivatives.

29.1 Classification of contracts

The contracts issued by the group transfer insurance risk; financial risk or both. As a result of the differing risks transferred by contracts, for the purposes of valuation and profit recognition, contracts are divided into investment and insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk to the group, whereas investment contracts transfer financial risk.

The classification of contracts is performed at the origination of each contract. The classification of the contract at inception 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.

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29.1.1 Insurance contracts

An insurance contract is one that transfers significant insurance risk to the group. Significant insurance risk exists when it is expected that the present value of benefits payable in terms of the policy on the occurrence of an insured event will materially differ from the amounts 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. If the difference between the benefit payable on an insured event and a non-insured event arises solely from an early termination penalty, the contract is not classified as an insurance contract.

Insurance contracts may transfer financial risk as well as insurance risk. However, in all instances where significant insurance risk is transferred, the contract is classified as an insurance contract.

The following typical type of contracts issued by the group are classified as insurance contracts:

- Insurance policies providing lump sum benefits on death or disability of the policyholder. These contracts are issued for either a defined period or for the whole life of the policyholder.
- Life annuity policies where the policyholder transfers the risk of longevity to the group;
- Policies which provide for retrenchment or funeral cover; and
- Policies providing Permanent Health Insurance (PHI).

The terms of these contracts may also allow for embedded options. These include minimum guaranteed rates of investment return resulting in a minimum level of benefit payable at expiry of the contractual term, after allowing for the cost of risk cover. These embedded options are treated in terms of the group's policies in respect of embedded derivatives.

Insurance contracts and Insurance contract with DPF are within the scope of IFRS4 and therefore accounted for in terms of the requirements of IFRS 4- Insurance contracts.

29.1.2 Investment contracts

These are contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate; financial instrument price; commodity price; foreign exchange rate; index prices or other variable.

Investment contracts with discretionary participating features (DPF). These contracts fall within the scope of IFRS 4 and therefore are accounted for in terms of the requirements of IFRS 4.

A DPF entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. These additional benefits have the following features:

- The benefits constitutes a significant portion of the total contractual benefits payable under each policy;
- The timing and amount of the benefits are at the discretion of the group;

The following types of contracts issued by the group are classified as investment contracts with DPF:

- Universal life smoothed bonus policies, where discretionary bonuses are added to the investment account annually.
- Reversionary bonus policies, where discretionary bonuses are added to a guaranteed sum assured payable at the end of the contract term.

The carrying amounts in respect of the DPF benefits are included as liabilities on the balance sheet.

29.2 Valuation and recognition

29.2.1 Insurance contracts (with and without DPF) and investment contracts with DPF.

The next section provides detail in respect of the general valuation and profit recognition principles in respect of insurance contracts (with and without DPF) and investment contracts with DPF. The sections following thereafter give more detail on how these valuation assumptions are applied to particular product lines falling within the category.

Principles of valuation and profit recognition

Under IFRS4, liabilities in respect insurance and investment (with DPF) contracts are valued according to the requirements of the Namibian Long-Term Insurance Act (1998) and in accordance with professional guidance notes (PGNs) issued by the Actuarial Society of South Africa (ASSA). Of particular relevance to the liability calculations, are the following actuarial guidance notes:

PGN 104 (v6; Jan 2005):
Life Offices – Valuation of Long-Term Insurers

PGN 110 (v1.0; Dec 2003):
Reserving for minimum investment return guarantees

PGN 102 (Mar 1995):
Life Offices – HIV/AIDS

PGN 105 (Nov 2002):
Recommended AIDS extra mortality bases

PGN 106 (v3.0; Jul 2005):
Actuaries and Long-Term Insurance in South Africa

These guidance notes are available on the website of the Actuarial Society of South Africa (www.actuarialsociety.org.za).

29.2.2 Valuation

Liabilities are valued in terms of the financial soundness valuation ("FSV") method as described in professional guidance note PGN 104, issued by the Actuarial Society of South Africa.

Where the value of the policyholder liability is negative, this is shown as an asset under insurance contracts. The asset is not offset against the liability.

The FSV method is a discounted cash flow method which requires the expected income (premiums and charges) and outgo (claims, expenses, tax) arising from each policy contract to be projected into the future, using appropriate assumptions regarding future investment returns, tax, inflation, claims experience and persistency. The projected expenses are only those required to service the existing policy book, and not the expenses expected to be incurred in acquiring future new business. Similarly, expected income from future sales is not included in the projection – only income emanating from the in-force policy book.

The assumptions used to project cash flows are best estimates of future experience. However, a degree of prudence is introduced by the addition of compulsory margins. The compulsory margins are defined by professional guidance note PGN 104. PGN104 allows for the addition of discretionary margins where necessary to avoid the premature recognition of profits on certain lines of business.

The projected cash flows (income less outgo) under each policy contract are discounted at a market-related rate of interest, to arrive at the liability held in respect of each policy contract. The discount rate used to value the liability is consistent with the market value of assets underlying the liability.

The valuation assumptions take into account current and expected future experience, as well as revised expectations of future income, claims and expenditure. The assumptions are applied to the whole in-force policy book. Differences between the assumptions used at the start and the end of the accounting period give rise to a revised liability quantification.

The effect of policyholder options that would result in a decrease in liabilities were excluded from the liabilities in order to prevent unnecessarily reducing the liabilities. Policyholder options that would result in an increase in the liabilities were incorporated into the valuation on a best estimate basis, as described above.

The expected level of early terminations is incorporated into the liabilities irrespective of whether this leads to an increase or a decrease in the liabilities.

If future experience under a policy contract is exactly in line with the assumptions employed at inception of the contract, the valuation margins will emerge as profits over the duration of a policy contract. This is known as the unwinding of margins.

In addition to the profit recognised at the origination of a policy contract, and the unwinding of margins, any differences between the best-estimate valuation assumptions and actual experience over each accounting period also give rise to profits and losses. These profits and losses emerge over the lifetime of a policy contract. Other sources of profit or loss include the change in liabilities from basis changes, profits on group business that are recognised as earned and shareholders' share of the cost of bonus for certain segregated DPF pools.

29.2.3 Recognition

29.2.3.1 Premiums

Premiums receivable from insurance contracts and investment contracts with DPF are recognised as revenue in the income statement, gross of commission and reinsurance premiums and excluding taxes and levies. Premiums and annuity considerations on insurance contracts are recognised when they are due in terms of the contract. Premium income received in advance is included in insurance and other payables.

29.2.3.2 Benefits and claims

Insurance benefits and claims incurred under insurance contracts and investment contracts with DPF include death, disability, maturity, annuity and surrender payments and are recognised in the income statement gross of any related reinsurance recoveries.

Death, disability and surrender claims are recognised when notified. Any of these types of claims that are notified but not paid before the balance sheet date are included in insurance and other payables. Maturity and annuity claims are recognised when they are due for payment in terms of the contract.

Group life benefits and benefits payable under health insurance contracts are accounted for as incurred. Provision is made for the estimated cost of benefit (together with the anticipated recoveries under re-insurance arrangements) notified but not settled at the balance sheet date.

Amounts unpaid under investment contacts are recorded as deductions from investment contract liabilities.

29.2.3.3 Reinsurance premiums

Reinsurance premiums are recognised as an expense in the income statement when they become due for payment, in terms of the contracts at the undiscounted amounts payable in terms of the contract.

29.2.3.4 Reinsurance recoveries

Reinsurance recoveries are recognised in the income statement in the same period as the related claim at the undiscounted amount receivable in terms of the contract.

Accounting policies

29.2.3.5 Liability adequacy test for business with discounting liabilities

On insurance contracts, the liability adequacy test is inherent in the Financial Soundness Valuation methodology applied to these contracts and this meets the minimum requirements of the test required under IFRS4.

29.2.3.6 Implicit recognition of a deferred acquisition cost (DAC) asset

Acquisition costs, disclosed as sales remuneration, for insurance contracts and investment contracts with DPF include all commission and expenses directly related to acquiring new business. The Financial Soundness Valuation methodology implicitly creates a deferred acquisition cost asset by reducing the liabilities to the extent of margins in the office premium intended to recoup acquisition costs. Thus, no explicit deferred acquisition cost asset is recognised in the balance sheet for contracts valued on this basis.

29.2.4 Application of the above valuation methodology to individual product lines

The preceding paragraphs highlighted the principles followed in valuation and profit recognition in respect of insurance and investment (with DPF) contracts. The next section outlines how these principles are applied to the main product lines within this category.

29.2.4.1 Universal life smoothed bonus policies

Liabilities for individual smoothed bonus business are set equal to the fair value of units held by the policyholder at the balance sheet date. This is the so-called unit liability. In addition, the present value of expected future cash flows (income less outgo) in respect of each policy is added or deducted from the unit liability to arrive at the total liability in respect of each universal life policy contract. This adjustment represents the so-called Namibia Dollar liability. If future income is expected to exceed future outgo under a universal life policy contract, the Namibia Dollar liability is negative, whereas it is positive if future outgo is expected to exceed future income.

Projected future outgo includes claims payments and maintenance expenses, whereas projected future income includes deductions of risk premium and other charges. In performing the projections of future income and outgo, allowance is made for future growth in unit account values at a level consistent with the assumed future market-related investment return, after allowing for contractual expense charges and tax.

Future additions of bonuses to smoothed bonus policies are projected at levels that are consistent with and supported by the assumed rate of investment return, after allowing for contractual expense charges and tax.

In respect of smoothed-bonus universal life policies, bonus stabilisation accounts are also held. Bonus stabilisation reserves have been discussed above, but more detail about these provisions is given in the section below.

Profits arising from universal life policy contracts are recognised as described in above.

29.2.4.2 Conventional (reversionary or non-profit) policies

The liabilities for conventional policies are calculated as the difference between the present values of projected future benefits and expenses, and the present value of projected future premiums, using the best-estimate rate of return, plus prescribed margins as per PGN 104. It is assumed that current bonus rates (both reversionary and terminal bonus rates) will be maintained in future.

Profits arising on conventional policy contracts are recognised as described above.

29.2.4.3 Group risk business

The main liability types in respect of this class of business are:

- Discounted cash flow liabilities for Permanent Health Insurance claims-in-payment and CPI-linked annuities;
- The liability related to the claims which relate to insurance events which have occurred before year end and thus have been incurred but have not been reported to the group, this liability is known as the Incurred-but-not-reported (IBNR) liability claims on group risk benefits;
- Unearned premium provisions in respect of risk exposure remaining after the balance sheet date (where premiums relating to the risk have been received before the balance sheet date.

The group currently fully reinsures all group risk business and no liabilities were held in respect of this class of business.

29.2.4.4 Policyholder bonus stabilisation accounts

DPF liabilities (insurance and investment) are adjusted by policyholder bonus stabilisation accounts. Bonus stabilisation accounts have been introduced under the general description of policy contracts issued by the group.

If the fair value of the assets underlying a smoothed-bonus or conventional with-profit portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation account is created which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation account is created.

The purpose with bonus stabilisation accounts is therefore to allocate all investment surpluses or deficits to policyholders after deduction of all related contractual charges.

Bonus stabilisation accounts are included in policyholder liabilities under insurance contracts and investment with DPF contracts.

29.2.4.5 Guaranteed maturity value liabilities

A number of contracts contain embedded derivatives in the form of guaranteed maturity values. The liability in respect of these guarantees is calculated using stochastic modeling techniques, whereby assets and liabilities are projected into the future under a range of possible future investment return scenarios. The expected present value of the cost of the guarantee over and above base liabilities is taken as the liability in respect of the guarantee.

The modeling approach is governed by professional guidance note PGN 110, which sets minimum criteria that the stochastic model should adhere to, being minimum numbers of simulations to be performed and minimum variability characteristics of the stochastic input parameters.

29.2.5 Discretionary margins

Discretionary margins are held in addition to the compulsory margins. These discretionary margins are used to ensure that profit and risk margins in the premiums are not capitalised prematurely so that profits are recognised in line with product design and in line with the risks borne by the group.

The main discretionary margins utilised in the valuation are as follows:

- Investment stabilisation accounts are held to reduce the risk of future losses, caused by the impact of market fluctuations on capitalised fees and on the assets backing guaranteed liabilities. This liability is built up retrospectively and released if adverse market conditions cause a reduction in the capitalised value of fees or in the value of assets backing guaranteed liabilities.
- Additional prospective margins are held in respect of decrement assumptions and asset-related fees on certain product lines to avoid the premature recognition of profits that may give rise to future losses if claims experience turns out to be worse than expected. This allows profits to be recognised in the period in which the risks are borne by the group.
- An additional data reserve is held to protect against possible losses due to data discrepancies.

29.2.6 Options and guarantees

The effect of policyholder options that would result in a decrease in liabilities were excluded from the liabilities in order to prevent unnecessarily reducing the liabilities. Policyholder options that would result in an increase in the liabilities were incorporated into the valuation on a best estimate basis, as described above.

The expected level of early terminations is incorporated into the liabilities irrespective of whether this leads to an increase or a decrease in the liabilities.

The best estimates used to determine the value of the liabilities include estimates that take into account maturity, mortality and disability guarantees, as well as expected lapses and surrenders.

29.2.7 Embedded derivatives

The group does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative. Embedded derivatives that are separated from the host contract are fair valued through profit or loss.

A number of contracts contain embedded derivatives in the form of guaranteed maturity values. The liability in respect of these guarantees is calculated using stochastic modeling techniques, whereby assets and liabilities are projected into the future under a range of possible future investment return scenarios, with parameters calibrated to market data. The modeling approach is governed by professional guidance note PGN 110, which sets minimum criteria that the stochastic model should adhere to, being minimum numbers of simulations to be performed and minimum variability characteristics of the stochastic input parameters. The model is calibrated to use market-consistent assumptions and parameters as at the valuation date.

29.2.8 Reinsurance contracts

Contracts entered into by the group with reinsurers under which it is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified as loans and receivables), as well as long term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Accounting policies

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Reinsurance liabilities consist of premiums payable for reinsurance contracts and are recognised as an expense when due.

The group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss for the period. The group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

29.2.9 Receivables and payables related to insurance and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in the income statement. The group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated following the same method used for these financial assets.

29.3 Investment income

Investment income is recognised on the accrual basis. Dividend income is brought to account when the last day of registration falls within the accounting period.

29.4 Expenses for marketing and administration

Marketing and administration expenses include administration expenditure, marketing and development expenditure as well as all other non-commission related expenditure, and are expensed as incurred.

29.5 Commission

Insurance commission payments are net of reinsurance commission received and are expensed as incurred.

Commission on investment contracts is spread over the first five years of the policy. The commission costs attributable to the unearned premiums at the end of the financial year are deferred and carried forward to the following year.

30. Comparative figures

Where necessary, comparative figures are reclassified to be consistent with the disclosure in the current year. Details are provided in note 42.

FNB
Namibia Holdings

2009

Consolidated income statement

for the year ended 30 June

N$'000	Note	2009	2008
Interest and similar income	2	1 581 797	1 503 517
Interest expense and similar charges	2	(838 580)	(774 610)
Net interest income before impairment of advances		743 217	728 907
Impairment of advances	13	(38 412)	(72 405)
- impairment of advances: specific		(33 357)	(39 327)
- impairment of advances: portfolio		(5 055)	(33 078)
Net interest income after impairment of advances		704 805	656 502
Non interest income	3	433 434	403 127
- fees and commissions		405 342	325 757
- fair value income		84 924	29 661
- gains less losses from investment activities		(75 300)	13 244
- other non interest income		18 468	34 465
Net insurance premium income	4	184 761	159 842
- insurance premium income		213 537	185 521
- insurance premium ceded to reinsurers		(27 624)	(23 428)
- change in unearned premium provision		(1 152)	(2 251)
Net claims and benefits paid	5	(125 377)	(117 194)
- gross claims and benefits paid on insurance contracts		(162 380)	(132 103)
- insurance benefits recovered from reinsurers		37 003	14 909
Decrease in value of policyholder liabilities: insurance contracts	26	72 720	84 550
Fair value adjustment of policyholder liabilities: investment contracts	27	11 438	(3 705)
Fair value adjustment to financial liabilities	29	(25 748)	15 948
Income from operations		1 256 033	1 199 070
Operating expenses	6	(694 054)	(617 639)
Net income from operations		561 979	581 431
Share of profit from associates	17.5	1 872	5 681
Income before tax		563 851	587 112
Indirect tax	7.1	(12 503)	(18 404)
Profit before tax		551 348	568 708
Direct tax	7.2	(184 589)	(159 641)
Profit for the year		366 759	409 067
Attributable to:			
Non cumulative non redeemable preference shareholders		315	1 178
Equity holders of the group		354 165	383 901
		354 480	385 079
Minority interest		12 279	23 988
Profit for the year		366 759	409 067
Earnings per share (cents)	8.2	136.1	145.2
Dividends per share (cents)	8.3	56.0	51.0

Consolidated balance sheet
as at 30 June

N$'000	Note	2009	2008
Assets			
Cash and short term funds	10.1	356 674	345 323
Due from banks and other financial institutions	10.2	479 256	1 004 314
Derivative financial instruments	11	130 487	37 532
Advances	12	10 486 434	9 141 531
Investment securities	14	1 898 611	2 067 510
Accounts receivable	15	116 208	94 582
Policy loans on investments contracts		22 767	19 407
Reinsurance assets	16	286 944	389 471
Investments in associates	17.3	21 464	5 044
Tax asset		517	17 456
Deferred tax asset	7.3	508	19 706
Property and equipment	19	236 406	188 455
Investment properties	20		4 070
Intangible assets	21	58 946	67 105
Non current assets held for sale	22	4 823	
Total assets		14 100 045	13 401 506
Equity and liabilities			
Liabilities			
Deposits and current accounts	23.1	10 600 680	9 676 281
Due to banks and other financial institutions	23.2	22 731	353 834
Derivative financial instruments	11	115 631	61 919
Creditors and accruals	24	296 628	246 681
Gross outstanding claims		11 377	1 430
Gross unearned premium		18 058	15 517
Provision for unintimated claims	25	2 740	1 826
Policyholder liabilities under insurance contracts	26	927 304	1 103 914
Policyholder liabilities under investment contracts	27	36 066	38 302
Post retirement benefit liability	28.1	21 671	37 539
Tax liability		5 511	1 190
Deferred tax liability	7.3	18 090	17
Long term liabilities	29	261 238	235 503
Total liabilities		12 337 725	11 773 953
Equity			
Capital and reserves attributable to ordinary equity holders			
Ordinary shares	30	1 291	1 321
Share premium	30	195 066	257 792
Reserves		1 444 138	1 224 134
Capital and reserves attributable to ordinary equity holders		1 640 495	1 483 247
Minority interest		121 825	144 306
Total equity		1 762 320	1 627 553
Total equity and liabilities		14 100 045	13 401 506

Consolidated statement of changes in equity

for the year ended 30 June

	Ordinary share capital and ordinary shareholders' funds								
N$'000	Share capital (Note 30)	Share premium (Note 30)	Share based payment reserve	Available-for-sale reserve	Other non distributable reserves (note 31)	Retained earnings	Capital and reserves attributable to ordinary equity holders	Minority interest	Total equity
Balance at 1 July 2007	1 321	263 913	4 598	(1 539)	766	971 379	1 240 438		1 240 438
Movement in available for sale revaluation reserves									
fair value gains and losses: bank				195			195		195
Amount removed from equity and recognised									
in the income statement: bank				(2 612)			(2 612)		(2 612)
Staff share option costs			1 021				1 021		1 021
BEE Consortium share option costs			1 229				1 229		1 229
Profit for the year						385 079	385 079	23 988	409 067
Ordinary final dividend: 26 October 2007						(68 724)	(68 724)		(68 724)
Ordinary interim dividend: 28 March 2008						(66 080)	(66 080)		(66 080)
Preference dividend: 30 June 2008						(1 178)	(1 178)		(1 178)
Transfer (to)/from contingency reserves					(384)	384			
Effective change of shareholding of subsidiaries								120 318	120 318
Elimination of shares held by share trusts		(6 121)					(6 121)		(6 121)
Balance at 30 June 2008	1 321	257 792	6 848	(3 956)	382	1 220 860	1 483 247	144 306	1 627 553
Movement in available for sale revaluation reserves									
fair value gains and losses: bank				11 259			11 259		11 259
Amount removed from equity and recognised									
in the income statement: bank				(1 842)			(1 842)		(1 842)
Staff share option costs			2 037				2 037		2 037
BEE Consortium share option costs			1 220				1 220		1 220
Profit for the year						354 480	354 480	12 279	366 759
Ordinary final dividend: 29 October 2008						(73 893)	(73 893)	(35 000)	(108 893)
Ordinary interim dividend: 3 April 2009						(72 350)	(72 350)		(72 350)
Preference dividend: 30 June 2009						(315)	(315)		(315)
Transfer (to)/from contingency reserves					2 064	(2 064)			
Effective change of shareholding of subsidiaries						(592)	(592)	240	(352)
Elimination of shares held by share trusts	(30)	(62 726)					(62 756)		(62 756)
Balance at 30 June 2009	1 291	195 066	10 105	5 461	2 446	1 426 126	1 640 495	121 825	1 762 320

Consolidated cash flow statement

for the year ended 30 June

N$'000	Note	2009	2008
Cash flows from operating activities			
Cash receipts from customers		2 219 484	2 061 661
Interest and similar income		1 547 221	1 472 577
Other non interest income		486 349	426 991
Net insurance premium received		185 914	162 093
Cash paid to customers, suppliers and employees		(1 603 404)	(1 464 151)
Interest expense and similar charges		(838 580)	(774 610)
Net claims and benefits paid		(125 377)	(117 194)
Total other operating expenses		(639 447)	(572 347)
Cash flows from operating activities	33.1	616 080	597 510
Increase in income earning assets		(659 769)	(1 605 947)
Due from banks and other financial institutions		525 058	(888 559)
Advances		(1 348 739)	(456 793)
Investment securities		92 967	(303 221)
Accounts receivable and similar accounts		70 945	42 626
Increase in deposits and other liabilities		532 158	1 474 395
Deposits		924 399	1 859 174
Due to banks and other financial institutions		(331 103)	(476 928)
Accounts payable and similar accounts		(61 138)	92 149
Net cash generated from operations		488 469	465 958
Tax paid	33.2	(145 452)	(278 486)
Net cash flow from operating activities		343 017	187 472
Cash flows from investment activities			
Purchase of property and equipment	33.3	(69 138)	(42 294)
Purchase of software		(4 081)	
Addition of Agency force business			(1 893)
Sale of share in Swabou Life Assurance Limited			113 293
Sale of share in Swabou Insurance Company Limited			4 900
Acquisition of 40% interest in FNB Insurance Brokers (Namibia) (Pty) Limited	33.6	(15 428)	
Dividends from associate company		880	900
Proceeds from the disposal of property and equipment		415	1 264
Net cash flow from investment activities		(87 352)	76 170
Cash flows from financing activities			
Purchase of shares for share trusts		(62 756)	(3 952)
Dividends paid	33.5	(181 558)	(140 540)
Net cash flow from financing activities		(244 314)	(144 492)
Net increase in cash and cash equivalents		11 351	119 150
Cash and cash equivalents at the beginning of the year		345 323	226 173
Cash and cash equivalents at the end of the year	10.1	356 674	345 323

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 44 to 62.

2 Analysis of interest income and interest expenditure, by category.

N$'000	2009	Fair value	Amortised Cost	Non financial assets and liabilities	Total
	Interest and similar income	115 868	1 465 929		1 581 797
	- Advances		1 364 779		1 364 779
	- Cash and short term funds		58 856		58 856
	- Investment securities	115 868	31 040		146 908
	- Unwinding of discounted present value on non performing loans		21 140		21 140
	- Unwinding of discounted present value on off-market advances		6 594		6 594
	- On impaired advances		(23 322)		(23 322)
	- Net release of deferred fee and expenses		6 842		6 842
	Interest expense and similar charges	30 768	806 870	942	838 580
	- Deposits from banks and financial institutions		16 218		16 218
	- Current accounts		352 697		352 697
	- Savings deposits		11 650		11 650
	- Term deposits		234 565		234 565
	- Negotiable certificates of deposit		191 740		191 740
	- Long term liabilities	23 818			23 818
	- Other	6 950		942	7 892

N$'000	2008	Fair value	Amortised Cost	Non financial assets and liabilities	Total
	Interest and similar income	106 605	1 396 912		1 503 517
	- Advances		1 337 569		1 337 569
	- Cash and short term funds		31 869		31 869
	- Investment securities	106 605	16 641		123 246
	- Unwinding of discounted present value on non performing loans		16 325		16 325
	- Unwinding of discounted present value on off-market advances		8 104		8 104
	- On impaired advances		(20 107)		(20 107)
	- Net release of deferred fee and expenses		6 511		6 511
	Interest expense and similar charges	29 469	744 784	357	774 610
	- Deposits from banks and financial institutions		25 665		25 665
	- Current accounts		328 181		328 181
	- Savings deposits		11 279		11 279
	- Term deposit accounts		242 936		242 936
	- Negotiable certificates of deposit		136 723		136 723
	- Long term liabilities	23 815			23 815
	- Other	5 654		357	6 011

3 Analysis of non interest income, by nature

N$'000	2009	2008
Fee and commission income:		
- Banking fee and commission income	376 302	299 719
- Card commissions	31 436	1 801
- Cash deposit fees	54 509	41 468
- Commissions: bills, drafts and cheques	17 866	22 121
- Service fees	144 348	130 020
- Fiduciary service fees	5 425	3 766
- Other commissions	122 718	100 543
- Broking commission income	19 095	17 171
- Unit Trust and related fees	6 656	5 706
- Reinsurance commission received by insurance companies	3 289	3 161
Fee and commission income	405 342	325 757

Non banking fee and commission earned relate 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.

	2009	2008
Fair value income:		
- Foreign exchange trading	60 088	42 944
- Treasury trading operations	24 836	(13 283)
- debt instruments trading	463	33
- derivatives revaluation	24 373	(13 316)
Fair value income	84 924	29 661
Portfolio analysis for fair value income		
Held for trading	84 924	29 661
Fair value income	84 924	29 661

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 include the gains and losses from government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives.

	2009	2008
Gains less losses from investment activities		
- Gain on realisation of available-for-sale financial assets: bank	1 842	2 612
- Dividends received	16 943	12 938
- Listed shares - available-for-sale	15 073	12 578
- Unit trusts - available-for-sale	1 870	360
- Share of profit of associates (note 17.4)	1 872	5 681
- Losses on revaluation of portfolio investments of insurance operations	(94 085)	(36 537)
- Gain on sale of shares in subsidiaries		34 231
Gross gains less losses from investment activities	(73 428)	18 925
Less: Profit of associates (disclosed separately on face of income statement)	(1 872)	(5 681)
Gains less losses from investment activities	(75 300)	13 244

3 Analysis of non interest income, by nature (continued)

N$'000	2009	2008
Other non interest income		
- Gain on initial recognition of VISA shares		15 658
- Gain / (loss) on sale of property and equipment	84	(272)
- Rental income	2 525	2 330
- Revaluation of investment properties		(1 930)
- Income from related parties	10 142	13 662
- Other income	5 717	5 017
Other non interest income	18 468	34 465
Total non interest income	433 434	403 127

3.1 Analysis of non interest income, by category

N$'000	2009	2008
Fee and commission income		
- Instruments at amortised cost	405 342	325 757
Fair value income		
- Held for trading	84 924	29 661
- Gains less losses from investment activities	(75 300)	13 244
- Held for trading	(94 085)	(36 537)
- Available-for-sale	18 785	15 550
- Other		34 231
Other non interest income	18 468	34 465
Total	433 434	403 127

4 Net insurance premium income

N$'000	2009	2008
Insurance premiums		
Long term insurance contracts		
Individual life	150 919	140 973
- Single premiums	23 478	31 784
- Recurring premiums	114 690	98 618
- Annuities	12 751	10 571
Employee benefits	10 089	10 338
- Single premiums and investment lump sums	185	192
- Recurring premiums	9 904	10 146
Health		
- Recurring premiums	218	652
Policy fees on investment contracts	183	526
Total long term insurance contracts	161 409	152 489
Short term insurance contracts		
Personal lines and corporate	52 128	33 032
Total insurance premium income	213 537	185 521
Premium ceded to reinsurers	(27 624)	(23 428)
Life insurance contracts	(16 628)	(12 490)
Short term insurance contracts	(10 996)	(10 938)
- Change in unearned premium provision	(1 152)	(2 251)
Net insurance premium revenue	184 761	159 842
Comprising :	184 761	159 842
- Long term insurance contracts	144 781	139 999
- Short term insurance contracts	39 980	19 843

4.1 Insurance fund

N$'000	2009	2008
Balance at the beginning of the year	15 008	12 757
Transfer from income statement	1 152	2 251
Balance at the end of the year	16 160	15 008
Comprising of:		
Gross provision for unearned premiums	18 058	15 517
Reinsurers' share of unearned premiums (note 16)	(1 898)	(509)
	16 160	15 008

5 Net claims and benefits paid

N$'000	2009	2008
Benefits paid in respect of long term insurance contracts		
Long term insurance contracts		
Individual life	122 813	118 309
- Death and disability	30 400	19 129
- Maturities	27 900	36 952
- Surrenders	33 293	41 596
- Lump sum annuities	852	639
- Annuities	30 368	19 993
Employee benefits	1 947	1 536
Health	889	1 905
Gross claims and benefits paid on insurance contracts	125 649	121 750
Insurance benefits recovered from reinsurers	(29 481)	(12 333)
Net claims and benefits paid - long term insurance	96 168	109 417
Short term insurance contracts		
- Personal lines and corporate claims	35 817	10 381
- Transfer from/(to) provision for unintimated claims (note 25)	914	(28)
Less: Insurance benefits recovered from reinsurers	(7 522)	(2 576)
Net claims and benefits paid - short term insurance contracts	29 209	7 777
Total net claims and benefits paid	125 377	117 194
Comprising of:	125 377	117 194
Gross claims and benefits paid on insurance contracts	162 380	132 103
Insurance benefits recovered from reinsurers	(37 003)	(14 909)

6 Operating expenses

N$'000	2009	2008
Fee and commission expenses	20 756	20 987
Auditors' remuneration		
- Audit fees	4 430	3 748
- Fees for other services	117	72
- Prior year under provision	87	1 700
Auditors' remuneration	4 634	5 520
Amortisation of intangible assets		
- Trademarks	8 141	11 087
- Software	924	924
- Agency force	893	1 000
- Value of in-force business	2 282	5 860
Amortisation of intangible assets (note 21)	12 240	18 871
Depreciation		
- Leasehold property	2 511	1 835
- Equipment	12 610	15 469
- Computer equipment	3 723	4 016
- Furniture and fittings	5 672	4 758
- Motor vehicles	332	1 104
- Office equipment	2 883	5 591
Depreciation (note 19)	15 121	17 304
Operating lease charges		
- Property	9 942	8 037
- Equipment	3 671	3 528
Operating lease charges	13 613	11 565
Professional fees		
- Asset management fees	1 793	2 020
- Other	2 182	2 525
Professional fees	3 975	4 545
BEE consortium share option cost (note 32)	1 220	1 229
Direct staff costs		
- Salaries, wages and allowances	262 065	236 851
- Off-market staff loans amortisation	6 594	8 104
- Contributions to employee benefit funds	39 663	33 027
- Defined contribution schemes: pension	22 345	19 283
- Defined contribution schemes: medical	17 318	13 744
- Post retirement medical expense	4 571	3 656
- Social security levies	1 135	657
- Share based payments (note 32)	2 037	1 021
Direct staff cost	316 065	283 316
- Other	11 350	14 916
Total staff cost	327 415	298 232
Total directors' remuneration (note 6.1.3)	4 502	3 765

6 Operating expenses (continued)

N$'000	2009	2008
Other operating costs		
- Insurance	7 531	6 950
- Advertising and marketing	41 991	39 092
- Property and maintenance related expenses	27 189	24 727
- Legal and other related expenses	2 591	2 624
- Postage	5 130	4 077
- Stationery and printing	13 172	11 682
- Telecommunications	12 612	14 290
- Conveyance of cash	4 181	3 485
- Travel and accommodation	9 716	8 850
- Computer and processing related costs	93 878	61 126
- Other operating expenditure	72 469	58 557
Other operating costs	290 460	235 460
Investment properties		
- Operating expenses	103	9
- Repairs and maintenance	15	152
Investment properties (note 20)	118	161
Total operating expenses	694 054	617 639
Number of staff	1 664	1 601

6.1 Directors emoluments

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

N$'000	Fees as director	Pensionable salary	Bonus	Company contributions to pension/ medical	Other allowance	Total
6.1.1 Executive directors:						
2009						
VR Rukoro		1 317	1 312	143	320	3 092
		1 317	1 312	143	320	3 092
2008						
VR Rukoro		1 108	1 037	126	317	2 588
		1 108	1 037	126	317	2 588
6.1.2 Non-executive directors:						
2009						
Non-executive independent directors:						
H-D Voigts (Chairman)	318					318
HWP Böttger	261					261
II Zaamwani-Kamwi	143					143
PT Nevonga	43					43
EP Shiimi	27					27
SH Moir	315					315
R Haikali	185					185
M Ndilula	96					96
CJ Hinrichsen	22					22
Other non-executive directors *:						
JR Khethe						
JK Macaskill						
	1 410	1 317	1 312	143	320	4 502
2008						
Non-executive independent directors:						
H-D Voigts (Chairman)	247					247
HWP Böttger	234					234
II Zaamwani-Kamwi	183					183
PT Nevonga	35					35
EP Shiimi	18					18
SH Moir	208					208
R Haikali	168					168
M Ndilula	84					84
Other non-executive directors *:						
JR Khethe						
JK Macaskill						
	1 177	1 108	1 037	126	317	3 765

6.1.3 Total directors' remuneration and fees:

	2009	2008
Executive directors	3 092	2 588
Non-executive directors	1 410	1 177
	4 502	3 765

Directors are not subject to service contracts which determine a fixed service period.
* Executive directors and directors appointed by the main shareholder do not receive directors fees for services.

6.2 Share options

Share options allocated to directors and movements of share options are summarised below. Refer to note 32 for description of the terms of the share trusts.

	Opening balance (number of shares)	Granted during the year (number of shares)	Strike price (cents)	Expiry date	Taken up this year (number of shares)	Closing balance (number of shares)	Benefit derived (N$'000)
Executive directors:							
VR Rukoro							
FNB Namibia Holdings Ltd shares	330 000	174 000	5.17 - 11.55	June 2010 - October 2013	(65 000)	439 000	199
FirstRand Ltd shares	300 000	250 000	14.01 - 20.53	November 2013		550 000	
Non-executive directors:							
FNB Namibia Holdings Ltd shares							
I Zaamwani-Kamwi	150 000		5.17	June 2010	(75 000)	75 000	377
PT Nevonga	150 000		5.17	June 2010	(75 000)	75 000	377

6.3 Directors' holdings in shares:

	2009		2008	
	Number of ordinary shares held	% held	Number of ordinary shares held	% held
Directly:				
H-D Voigts	11 806	0.004%	11 806	0.004%
HWP Böttger	4 667	0.002%	4 667	0.002%
PT Nevonga	526	0.000%	526	0.000%
MN Ndilula	300	0.000%	300	0.000%
SH Moir	6 000	0.002%	6 000	0.002%
I Zaamwani-Kamwi	34 783	0.013%		
Indirectly:				
CLR Haikali	727 978	0.272%	573 696	0.214%
SH Moir	3 800	0.001%	1 800	0.001%
MN Ndilula	943 272	0.353%	725 594	0.271%

7 Tax

N$'000	2009	2008
7.1 Indirect tax		
Value-added taxation (net)	7 549	12 371
Stamp duties	4 954	6 033
Total indirect tax	12 503	18 404
7.2 Direct tax		
Namibian normal tax		
- Current	154 209	139 665
Current year	153 727	138 142
Prior year	482	1 523
- Deferred	30 380	19 976
Current year	30 380	21 499
Prior year		(1 523)
Total direct tax	184 589	159 641
Taxation rate reconciliation - Namibian normal taxation	%	%
Effective rate of tax	33	28
Total tax has been affected by:		
Non-taxable income	2	4
Other permanent differences		3
Standard rate of tax	35	35
7.3 Deferred tax		
7.3.1 The movement on the deferred tax account is as follows:		
Deferred tax liability		
- Balance at the beginning of the year	115 905	95 324
- Originating temporary differences	24 865	20 581
Total deferred tax liability	140 770	115 905
Deferred tax asset		
- Balance at the beginning of the year	(135 611)	(129 127)
- Originating / (reversing) temporary differences	12 931	(6 484)
Total deferred tax asset	(122 680)	(135 611)
Net balance for the year for entities with deferred tax liabilities / (assets)	18 090	(19 706)
Deferred tax liability		
- Balance at the beginning of the year	17	17
- Reversing temporary differences	(12)	
Total deferred tax liability	5	17
Deferred tax asset		
- Balance at the beginning of the year		
- Originating temporary differences	(513)	
Total deferred tax asset	(513)	
Net balance for the year for entities with deferred tax (assets) / liabilities	(508)	17
Overall net deferred tax balance	17 582	(19 689)

Deferred 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.

7 Tax (continued)

7.3.2 Deferred tax assets and liabilities and deferred tax charge/(credit) in the income statement are attributable to the following items:

N$'000	Balance on 1 July 2008	Originating / (reversing) differences	Balance on 30 June 2009	Balance on 1 July 2007	Originating / (reversing) differences	Balance on 30 June 2008
Deferred tax liabilities						
Instalment credit agreements	(45 549)	(30 198)	(75 747)	(43 426)	(2 123)	(45 549)
Accruals	(35 855)	9 773	(26 082)	(16 383)	(19 472)	(35 855)
Deferred staff costs	(16 662)	1 033	(15 629)	(17 165)	503	(16 662)
Property and equipment	(17 031)	(5 060)	(22 091)	(16 947)	(84)	(17 031)
On fair value adjustments of financial instruments		(1 011)	(1 011)			
Other	(808)	598	(210)	(1 403)	595	(808)
Total net deferred tax liabilities	(115 905)	(24 864)	(140 770)	(95 324)	(20 581)	(115 905)
Deferred tax assets						
On fair value adjustments of financial instruments	899	(899)		910	(11)	899
Tax losses				1 508	(1 508)	
Provision for loan impairment	38 564	1 369	39 933	29 881	8 683	38 564
Post-retirement benefit liability	13 037	(5 464)	7 573	11 757	1 280	13 037
Other	83 111	(7 937)	75 174	85 071	(1 960)	83 111
Total net deferred tax asset	135 611	(12 931)	122 680	129 127	6 484	135 611
Net deferred tax liabilities / assets	19 706	(37 795)	(18 090)	33 803	(14 097)	19 706
Deferred tax liabilities						
Property and equipment	(17)	12	(5)	(17)		(17)
Other		513	513			
Total deferred tax assets / liabilities	(17)	525	508	(17)		(17)
Net deferred tax assets / liabilities	(17)	525	508	(17)		(17)
Net deferred tax	19 689	(37 270)	(17 582)	33 786	(14 097)	19 689
Charge through the income statement		30 380			19 976	
Deferred tax on amounts charged directly to equity		6 890			(5 879)	
		37 270			14 097	

8 Dividends and earnings per share

8.1 Headline earnings per share

The calculation of group headline earnings per share is based on the headline earnings of N$352.9 million (2008: N$329.6 million) and the weighted average number of shares in issue of 260 225 843 (2008: 264 383 852).

	2009				2008			
N$'000	Banking	Insurance	Other	Total	Banking	Insurance	Other	Total
Earnings attributable to ordinary equity holders of the group	317 152	21 913	15 100	354 165	293 913	44 846	45 142	383 901
adjustments for*								
Profit / (loss) on sale of property and equipment			(55)	(55)	157	20		177
Loss on revaluation of investment property					1 255			1 255
Reversal of impairment of associate companies					(4 154)			(4 154)
Realised gains from available for sale financial assets	(1 198)			(1 198)	(1 698)			(1 698)
Profit on sale of shares in subsidiaries							(34 231)	(34 231)
Gains on initial recognition of VISA shares					(15 658)			(15 658)
Headline earnings	315 954	21 913	15 045	352 912	273 815	44 866	10 911	329 592
Headline earnings per share				135.6				124.7

* adjustment amounts reflected after tax

8.2 Earnings per share

The calculation of group earnings per share is based on the earnings attributable to ordinary shareholders of N$354.2 million (2008: N$383.9 million) and the weighted average number of shares in issue of 260 225 843 (2008: 264 383 852).

There are no dilution effects on the basic earnings per share.

Shares in issue	2009	2008
Opening balance: Actual number of ordinary shares	267 593 250	267 593 250
Closing balance: Actual number of ordinary shares	267 593 250	267 593 250
Elimination of shares held in share trusts	(9 198 667)	(3 209 398)
Adjusted actual number of shares	258 394 583	264 383 852
Calculation of weighted number of shares:		
Opening balance: Actual number of ordinary shares	267 593 250	267 593 250
Elimination of shares held in share trusts	(7 367 407)	(3 209 398)
Closing balance	260 225 843	264 383 852

8 Dividends and earnings per share (continued)

8.3 Dividends per share

N$'000	2009	2008
A final dividend (dividend no. 26) of 26.0 cents per share was declared on 16 August 2007 in respect of the six months ended 30 June 2007 and payable on 26 October 2007.		68 724
An interim dividend (dividend no. 27) of 25.0 cents per share was declared on 6 February 2008 for the six months ended 31 December 2007 and paid on 28 March 2008.		66 080
A final dividend (dividend no. 28) of 28.0 cents per share was declared on 13 August 2008 in respect of the six months ended 30 June 2008 and payable on 29 October 2008.	73 893	
An interim dividend (dividend no. 29) of 28.0 cents per share was declared on 4 February 2009 for the six months ended 31 December 2008 and paid on 3 April 2009.	72 350	
	146 243	134 804
A final dividend of 28.0 cents (2008: 28.0 cents) was declared subsequent to year-end (Refer to the Directors' report)	72 350	

The dividend per share calculation 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.

9 Analysis of assets and liabilities by category

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies on page 44 to page 62 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 balance sheet per category of financial instrument to which they are assigned and therefore by measurement basis:

	2009						
N$'000	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 short term funds			356 674				356 674
Due from banks and other financial institutions			479 256				479 256
Derivative financial instruments	130 487						130 487
Advances			10 486 434				10 486 434
Investment securities	718 325	6 402	336 742	837 142			1 898 611
Accounts receivable			116 208				116 208
Policy loans on investments contracts			22 767				22 767
Reinsurance assets						286 944	286 944
Investments in associates						21 464	21 464
Tax asset						517	517
Deferred tax asset						508	508
Property and equipment						236 406	236 406
Intangible assets						58 946	58 946
Non current assets held for sale						4 823	4 823
Total assets	848 812	6 402	11 798 081	837 142		609 608	14 100 045
Liabilities							
Deposits and current accounts					10 600 680		10 600 680
Due to banks and other financial institutions					22 731		22 731
Derivative financial instruments	115 631						115 631
Creditors and accruals					296 628		296 628
Gross outstanding claims						11 377	11 377
Gross unearned premium						18 058	18 058
Provision for unintimated claims						2 740	2 740
Policyholder liabilities under insurance contracts						927 304	927 304
Policyholder liabilities under investment contracts		36 066					36 066
Post retirement benefit liability						21 671	21 671
Tax liability						5 511	5 511
Deferred tax liability						18 090	18 090
Long term liabilities		261 238					261 238
Total liabilities	115 631	297 304			10 920 039	1 004 751	12 337 725

9 Analysis of assets and liabilities by category (continued)

N$'000	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
				2008			
Assets							
Cash and short term funds			345 323				345 323
Due from banks and other financial institutions			1 004 314				1 004 314
Derivative financial instruments	37 532						37 532
Advances			9 141 531				9 141 531
Investment securities	911 652	6 588		1 149 270			2 067 510
Accounts receivable			94 582				94 582
Policy loans on investments contracts			19 407				19 407
Reinsurance assets						389 471	389 471
Investments in associates						5 044	5 044
Tax asset						17 456	17 456
Deferred tax asset						19 706	19 706
Property and equipment						188 455	188 455
Investment properties						4 070	4 070
Intangible assets						67 105	67 105
Total assets	949 184	6 588	10 605 157	1 149 270		691 307	13 401 506
Liabilities							
Deposits and current accounts					9 676 281		9 676 281
Due to banks and other financial institutions					353 834		353 834
Derivative financial instruments	61 919						61 919
Creditors and accruals					246 681		246 681
Gross outstanding claims						1 430	1 430
Gross unearned premium						15 517	15 517
Provision for unintimated claims						1 826	1 826
Policyholder liabilities under insurance contracts						1 103 914	1 103 914
Policyholder liabilities under investment contracts		38 302					38 302
Post retirement benefit liability						37 539	37 539
Tax liability						1 190	1 190
Deferred tax liability						17	17
Long term liabilities		235 503					235 503
Total liabilities	61 919	273 805			10 276 796	1 161 433	11 773 953

10 Short term funds

10.1 Cash and short term funds

N$'000	2009	2008
Coins and bank notes	205 168	212 093
Balances with central bank	110 558	102 619
Balances with other banks	40 948	30 611
Cash and short term funds	356 674	345 323
The carrying value approximates the fair value.		
Mandatory reserve balances included in above :	110 558	102 618

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 or low interest.

10.2 Due from banks and other financial institutions

	2009	2008
Due from banks and financial institutions		
- In the normal course of business	479 256	1 004 314
	479 256	1 004 314
The carrying value approximates the fair value.		
Geographical split:		
Namibia	115 742	74 135
South Africa	70 186	629 967
North America	242 147	252 585
Europe	51 181	47 622
Other		5
	479 256	1 004 314

11 Derivative financial instruments

Use of derivatives

Derivatives contracts are not entered into purely for speculative purposes. For accounting purposes, derivative instruments are classified as held for trading. The group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the group's own risk.

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.

Banking group

Interest rate derivatives comprising mainly interest rate swaps and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and reduce the risk that the group faces due to volatile interest rates.

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. 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, overtime.

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 143 to 149 of the annual report ("the Risk Report").

Please refer to note 37 for information on how the fair value of derivatives is determined.

	2009			
	Assets		Liabilities	
N$'000	Notional	Fair value	Notional	Fair value
Held-for-trading				
Currency derivatives	1 428 494	121 214	1 384 756	105 882
- Forward rate agreements	1 200 328	101 818	1 156 590	86 486
- Options	228 166	19 396	228 166	19 396
Interest rate derivatives				
- Swaps	1 372 383	9 273	990 326	9 749
Total held-for-trading	2 800 877	130 487	2 375 082	115 631

	2008			
	Assets		Liabilities	
N$'000	Notional	Fair value	Notional	Fair value
Held-for-trading				
Currency derivatives	357 994	14 317	289 299	13 855
- Forward rate agreements	271 930	3 333	203 235	2 871
- Options	86 064	10 984	86 064	10 984
Interest rate derivatives				
- Swaps	1 031 618	23 215	1 178 966	48 064
Total held-for-trading	1 389 612	37 532	1 468 265	61 919

12 Advances

N$'000	2009	2008
Sector analysis		
All classified as loans and receivables		
Agriculture	435 521	330 263
Banks and financial services	231 021	58 452
Building and property development	1 916 732	1 435 155
Government and public authorities	249 485	314 386
Individuals	5 979 482	5 720 848
Manufacturing and commerce	1 155 166	1 072 311
Mining	178 289	21 772
Transport and communication	227 025	97 470
Other services	439 754	391 900
Notional value of advances	10 812 475	9 442 557
Contractual interest suspended	(72 718)	(55 940)
Gross advances	10 739 757	9 386 617
Impairment of advances (note 13)	(253 323)	(245 086)
Net advances	10 486 434	9 141 531
Geographic analysis (based on credit risk)		
Namibia	10 486 434	9 141 531
Category analysis		
Overdrafts and managed accounts	1 456 183	1 237 789
Loans to other financial institutions	231 021	58 452
Card loans	71 441	
Instalment sales	1 646 467	1 515 764
Lease payments receivable	82 934	67 881
Property finance	5 363 017	4 934 593
Personal loans	1 652 154	1 399 690
Preference share advances	89 886	112 882
Other	219 372	115 506
Notional value of advances	10 812 475	9 442 557
Contractual interest suspended	(72 718)	(55 940)
Gross advances	10 739 757	9 386 617
Impairment of advances (note 13)	(253 323)	(245 086)
Net advances	10 486 434	9 141 531

Fair value of advances is disclosed in note 37.

N$'000	Within 1 year	Between 1 and 5 years	Total
2009			
Analysis of instalment sales and lease payments receivable			
Lease payments receivable	41 550	41 673	83 223
Suspensive sale instalments receivable	908 080	1 060 316	1 968 396
Sub total	949 630	1 101 989	2 051 619
Less: Unearned finance charges	(188 402)	(133 816)	(322 218)
Total	761 228	968 173	1 729 401
2008			
Lease payments receivable	3 018	81 471	84 489
Suspensive sale instalments receivable	75 897	1 804 675	1 880 572
Sub total	78 915	1 886 146	1 965 061
Less: Unearned finance charges	(16 260)	(365 156)	(381 416)
Total	62 655	1 520 990	1 583 645

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.

13 Impairment of advances

Total impairments

2009

N$'000	Home loans	Instalment sales	Overdrafts and managed accounts	Card loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Analysis of movement in impairment of advances per class of advance								
Opening balance	79 818	36 588	92 976		35 704	**245 086**	98 176	146 910
Amounts written off	(1 758)	(6 939)	(2 270)	1 277	(1 469)	**(11 159)**	(11 159)	
Unwinding of discounted present value on non performing loans	(16 845)		(3 566)		(729)	**(21 140)**	(21 140)	
Net new impairments created	9 758	6 853	10 683	3 808	9 434	**40 536**	35 321	5 215
- impairments created	51 380	21 045	26 651	3 808	21 510	**124 394**	107 597	16 797
- impairments released	(41 622)	(14 192)	(15 968)		(12 076)	**(83 858)**	(72 276)	(11 582)
Closing balance	70 973	36 502	97 823	5 085	42 940	**253 323**	101 198	152 125
New and increased provision	51 380	21 045	26 651	3 808	21 510	**124 394**	107 597	16 797
Less provisions released rehabilitated bad debts	(41 622)	(14 192)	(15 968)	(180)	(12 076)	**(84 038)**	(72 296)	(11 742)
Less provisions released bad debts written off	(1 759)		(2 270)		(1 470)	**(5 499)**	(5 499)	
Recoveries of bad debts previously written off	(1 723)	(3 569)	(308)		(117)	**(5 717)**	(5 717)	
Bad debt written off	2 303		4 769		2 200	**9 272**	9 272	
Impairment loss recognised in the income statement	8 579	3 284	12 874	3 628	10 047	**38 412**	33 357	5 055

2008

N$'000	Home loans	Instalment sales	Overdrafts and managed accounts	Card loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	67 636	37 592	67 940		29 197	**202 365**	88 283	114 082
Amounts written off	(2 474)	(10 063)	(1 996)		(1 997)	**(16 530)**	(16 530)	
Unwinding of discounted present value on non performing loans	(12 615)		(3 151)		(559)	**(16 325)**	(16 325)	
Net new impairments created	27 271	9 059	30 183		9 063	**75 576**	42 748	32 828
- impairments created	59 428	20 496	38 398		18 454	**136 776**	103 201	33 575
- impairments released	(32 157)	(11 437)	(8 215)		(9 391)	**(61 200)**	(60 453)	(747)
Closing balance	79 818	36 588	92 976		35 704	**245 086**	98 176	146 910
New and increased provision	59 428	20 496	38 398		18 454	**136 776**	103 201	33 575
Less provisions released rehabilitated bad debts	(32 157)	(11 437)	(8 215)		(9 141)	**(60 950)**	(60 453)	(497)
Less provisions released bad debts written off	(2 474)	(10 063)	(1 996)		(1 997)	**(16 530)**	(16 530)	
Recoveries of bad debts previously written off	(569)	(3 361)	(796)			**(4 726)**	(4 726)	
Bad debt written off	2 503	10 063	3 133		2 136	**17 835**	17 835	
Impairment loss recognised in the income statement	26 731	5 698	30 524		9 452	**72 405**	39 327	33 078

Loans and advances are monitored by the credit division and impaired according to the FNB Namibia 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:

- The estimated amount of collateral held against the loans and advances;
- Breaches of loan covenants and conditions;
- The time period of overdue contractual payments;
- Loss given default (LGD), probability of default (PD) and exposure at default (EAD);
- Actuarial credit models;
- Loss of employment or death of the borrower; and
- The probability of liquidation of the customer.

13 Impairment of advances (continued)

N$'000	2009 Total value including interest in suspense	Security held	Specific impairments	Contractual interest suspended
Non performing lendings by sector				
Agriculture	3 692	3 004	101	611
Banks and financial services	178		77	102
Building and property development	77 631	29 312	24 022	25 189
Government and public authorities	1 060	26	671	268
Individuals	200 151	121 020	67 312	37 020
Manufacturing and commerce	15 184	5 273	5 790	4 290
Transport and communication	1 466		1 320	147
Other	9 895	4 107	1 905	5 091
Total non performing lendings	309 257	162 742	101 198	72 718
Non performing lendings by category				
Overdrafts and managed accounts	89 722	27 361	34 920	32 554
Card loans	3 582		3 650	299
Instalment sales	34 578	1 809	21 439	6 769
Lease payments receivable	1 513	30	894	289
Home loans	161 808	127 470	33 147	26 872
Term loans	18 054	6 072	7 148	5 935
Total non performing lendings	309 257	162 742	101 198	72 718
Geographical split:				
Namibia	309 257			

The net recoverable amount on non performing loans is N$74 million.

N$'000	2008 Total value including interest in suspense	Security held	Specific impairments	Contractual interest suspended
Non performing lendings by sector				
Agriculture	1 147	841	225	94
Banks and financial services	2 454	1 437	657	388
Building and property development	77 061	33 455	26 155	17 868
Government and public authorities	420	17	300	103
Individuals	180 749	119 500	63 613	28 890
Manufacturing and commerce	9 938	2 794	3 269	4 209
Transport and communication	1 068	398	491	209
Other	10 209	5 183	3 466	4 179
Total non performing lendings	283 046	163 625	98 176	55 940
Non performing lendings by category				
Overdrafts and managed accounts	76 978	25 107	34 651	24 317
Instalment sales	27 688	2 460	20 162	5 574
Lease payments receivable	1 240	102	758	209
Home loans	157 484	126 231	36 364	20 719
Term loans	19 656	9 725	6 241	5 121
Total non performing lendings	283 046	163 625	98 176	55 940
Geographical split:				
Namibia	283 046			

The net recoverable amount on non performing loans is N$63 million.

14 Investment securities

Refer to note 37, Fair value of financial instruments for the methodologies used to determine the fair value of investment securities.

	2009				
	Total fair value			Total amortised cost	
N$'000	Held-for-trading	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	Total
Total					
Equities	328 346		10 300		338 646
Negotiable certificates of deposit				100 230	100 230
Treasury bills	547		354 594		355 141
Other government and government guaranteed stock			267 900		267 900
Other dated securities			186 068		186 068
Unit trust investments	28	6 402	18 280		24 710
RMB Asset Management Namibia portfolio	389 316				389 316
Other and money market investments	88			236 512	236 600
Total	718 325	6 402	837 142	336 742	1 898 611
Listed					
Equities	328 346		10 300		338 646
Other dated securities			7 016		7 016
Listed	328 346		17 316		345 662
Unlisted					
Negotiable certificates of deposit				100 230	100 230
Treasury bills	547		354 594		355 141
Other Government and Government guaranteed stock			267 900		267 900
Other dated securities			179 052		179 052
Unit trust investments	28	6 402	18 280		24 710
RMB Asset Management Namibia portfolio	389 316				389 316
Other and money market investments	88			236 512	236 600
Unlisted	389 979	6 402	819 826	336 742	1 552 949

14 Investment securities (continued)

N$'000	2008 Held-for-trading	2008 Total fair value: Designated at fair value through profit or loss	2008 Available-for-sale	2008 Total amortised cost: Loans and receivables	2008 Total
Total					
Equities	493 105		13 690		506 795
Negotiable certificates of deposit			116 044		116 044
Treasury bills	3 478		540 660		544 138
Other Government and Government guaranteed stock			201 473		201 473
Other dated securities			66 109		66 109
Unit trust investments		6 588	16 326		22 914
RMB Asset Management Namibia portfolio	414 758				414 758
Other and money market investments	311		194 968		195 279
Total	911 652	6 588	1 149 270		2 067 510
Listed					
Equities	493 105		13 690		506 795
Other dated securities			6 265		6 265
Listed	493 105		19 955		513 060
Unlisted					
Negotiable certificates of deposit			116 044		116 044
Treasury bills	3 478		540 660		544 138
Other Government and Government guaranteed stock			201 473		201 473
Other dated securities			59 844		59 844
Unit trust investments		6 588	16 326		22 914
RMB Asset Management Namibia portfolio	414 758				414 758
Other and money market investments	311		194 968		195 279
Unlisted	418 547	6 588	1 129 315		1 554 450

Analysis of investment securities

N$'000	2009	2008
Listed		
Equities	338 646	506 795
Debt	7 016	6 265
	345 662	513 060
Unlisted		
Debt	1 552 949	1 554 450
Total	1 898 611	2 067 510
Valuation of investments		
Market value of listed investments	345 662	513 060
Directors valuation of unlisted investments	1 553 356	1 554 450
Total valuation	1 899 018	2 067 510

The directors' valuation of unlisted investments is considered to approximate fair value.

Information regarding other investments as required in terms of Schedule 4 of the Companies Act is kept at the company's registered offices. This information is open for inspection in terms of the provisions of Section 113 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$1 158 million (2008: N$1 023million).

15 Accounts receivable

N$'000	2009	2008
Accounts receivable		
- Items in transit	32 019	4 537
- Deferred staff cost	44 655	47 847
- Other accounts receivable	39 534	42 198
Accounts receivable	116 208	94 582

Information about the credit quality of the above balances is provided in the risk report, refer to note 43.

16 Reinsurance assets

	2009	2008
Short term reinsurance contracts: unearned premiums	1 898	509
Life reinsurance contracts	285 046	388 962
Total reinsurance contracts	286 944	389 471

Information about the credit quality of the above balances is provided in the risk report, refer to note 43.

17 Investment in associates

17.1 Details of investments in unlisted associate companies

	Nature of business	Issued ordinary share capital N$	Number of ordinary shares held	Year end
Unlisted				
Avril Payment Solutions (Pty) Ltd	Payroll administrators	10 000	1 000	28 February
FNB Insurance Brokers (Namibia) (Pty) Ltd	Short term insurance brokers	5	2	30 June
Namclear (Pty) Ltd	Interbank clearing house	4	1	31 December
RMB Asset Management Namibia (Pty) Ltd	Asset management	20 000	10 000	30 June

17.2 Effective holdings and carrying amounts in unlisted associate companies

	Effective Holding %		Group carrying amount		Group costs less amounts written off	
N$'000	2009	2008	2009	2008	2009	2008
Unlisted						
Avril Payment Solutions (Pty) Ltd	10	10	291	191	1	1
FNB Insurance Brokers (Namibia) (Pty) Ltd	40		15 797		15 428	
Namclear (Pty) Ltd	25	25	5 376	4 853	4 154	4 154
RMB Asset Management Namibia (Pty) Ltd	50	50				
Total unlisted			21 464	5 044	19 583	4 155

17.3 Detail information of unlisted associate companies

N$'000	2009	2008
Unlisted investments		
Carrying value at beginning of the year	5 044	263
Acquisition of FNB Insurance Brokers (Namibia) (Pty) Limited (note 33.6)	15 428	
Share of associate earnings:		
Profit for the year	1 872	1 527
Reversal of impairment on associate company		4 154
Dividends received	(880)	(900)
Carrying value	21 464	5 044
Valuation		
Unlisted investments at directors' valuation	21 464	5 044

17.4 Summarised financial information of associate companies

	Total		Avril Payment Solutions (Pty) Ltd		FNB Insurance Brokers (Namibia) (Pty) Ltd		Namclear (Pty) Ltd		RMB Asset Management Namibia (Pty) Ltd	
N$'000	2009	2008	Unaudited February 2009	Audited February 2008	Unaudited June 2009	June 2008	Unaudited June 2009	Unaudited December 2008	Unaudited June 2009	Audited June 2008
Balance sheet										
Non-current assets	28 608	6 891	464	429	20 847	n/a	7 270	6 427	27	35
Current assets	47 050	23 972	3 348	1 864	19 613	n/a	22 157	20 116	1 932	1 992
Current liabilities	(39 896)	(9 191)	(837)	(313)	(29 548)	n/a	(4 695)	(4 433)	(4 816)	(4 445)
Non-current liabilities	(3 330)	(1 616)	(67)	(71)		n/a	(3 263)	(1 545)		
Equity	32 432	20 056	2 908	1 909	10 912	n/a	21 469	20 565	(2 857)	(2 418)

17.5 Share of profit from associates

Income statement										
After tax profit attributable to the group	1 872	1 527	980	828	369	n/a	523	699		
Impairment reversal		4 154				n/a		4 154		
Share of profit from associates after impairment losses	1 872	5 681	980	828	369	n/a	523	4 853		

Refer note 36.3 for details on loans to/(from) related parties.

The full carrying value of the investment in RMB Asset Management Namibia (Pty) Ltd was impaired in the 2006 financial year. The group does not share in accumulated losses.

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 six 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.

18 Details of subsidiaries

Significant subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding % 2009	Effective holding % 2008
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:						
Swabou Life Assurance Company Ltd	Life assurance company	1 July 2003	Namibia	10 000 000 of N$1 each	65	65
OUTsurance Insurance Company of Namibia Ltd **	Short-term insurance	1 July 2003	Namibia	4 000 000 of N$1 each	51	51
Other:						
First National Asset Management & Trust Company of Namibia (Pty) Ltd	Estate and Trust services	1 October 1996	Namibia	200 of N$1 each	100	100
Talas Properties (Windhoek) (Pty) Ltd	Property company	31 March 1988	Namibia	100 of N$1 each	100	100
FNB Namibia Unit Trusts Ltd	Unit Trusts company	1 January 2006	Namibia	4 000 000 of N$1 each	100	100

** Swabou Insurance Company Ltd changed its name to OUTsurance Insurance Company of Namibia Limited during the year under review.

N$ '000	Aggregate income of subsidiaries (before tax) 2009	Aggregate income of subsidiaries (before tax) 2008	Total investment (Total Indebtedness) 2009	Total investment (Total Indebtedness) 2008
First National Bank of Namibia Ltd	432 697	378 163	1 142 792	1 142 792
Swabou Investments (Pty) Ltd	67 841	79 101		
Swabou Life Assurance Company Ltd	40 701	71 518	101 038	100 454
OUTsurance Insurance Company of Namibia Ltd **	2 127	7 812	6 298	6 298
First National Asset Management and Trust Company of Namibia (Pty) Ltd	900	29		
Talas Properties (Windhoek) (Pty) Ltd	23 559	18 017	2 967	2 967
FNB Namibia Unit Trusts Ltd	2 082	1 305	5 475	5 475
	569 907	555 945	1 258 570	1 257 986

19 Property and equipment

	2009			2008		
	Cost	Accumulated depreciation and impairments	Net carrying amount	Cost	Accumulated depreciation and impairments	Net carrying amount
Property						
Freehold land and buildings	172 230	(33 382)	138 848	157 343	(33 442)	123 901
Leasehold property	21 852	(10 354)	11 498	14 488	(9 137)	5 351
	194 082	(43 736)	150 346	171 831	(42 579)	129 252
Equipment						
Computer equipment	65 945	(36 070)	29 875	36 173	(27 662)	8 511
Furniture and fittings	65 834	(24 883)	40 951	58 607	(22 838)	35 769
Motor vehicles	7 468	(3 403)	4 065	7 194	(4 135)	3 059
Office equipment	29 532	(18 363)	11 169	45 368	(33 504)	11 864
	168 779	(82 719)	86 060	147 342	(88 139)	59 203
Total	362 861	(126 455)	236 406	319 173	(130 718)	188 455

Movement in property and equipment - net carrying amount

	Freehold land and buildings	Leasehold property	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Net carrying amount at 30 June 2007	108 237	5 291	6 906	28 828	3 179	12 016	164 457
Additions	16 027	1 895	5 688	12 244	984	5 456	42 294
Depreciation charge for year		(1 835)	(4 016)	(4 758)	(1 104)	(5 591)	(17 304)
Transfer between asset classes			(33)			33	
Disposals	(363)		(34)	(545)		(50)	(992)
Net carrying amount at 30 June 2008	123 901	5 351	8 511	35 769	3 059	11 864	188 455
Additions	20 684	8 660	20 953	11 054	1 405	6 382	69 138
Depreciation charge for year		(2 511)	(3 723)	(5 672)	(332)	(2 883)	(15 121)
Transfer between asset classes			4 141			(4 141)	
Transfer to repairs and maintenance	(4 982)						(4 982)
Reclassified as held for sale (note 22)	(753)						(753)
Disposals	(2)	(2)	(7)	(200)	(67)	(53)	(331)
Net carrying amount at 30 June 2009	138 848	11 498	29 875	40 951	4 065	11 169	236 406

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 113 of the Companies Act, 1973.

No assets were encumbered at 30 June 2009 nor 30 June 2008.

20 Investment properties

N$ '000	2009	2008
Market value at beginning of the year	4 070	6 000
Revaluations		(1 930)
Reclassified as held for sale (note 22)	(4 070)	
Balance at end of the year		4 070
Investment properties consist of office buildings only		4 070
Rental income received on investment properties (included in note 3 "non interest income")	502	254
Operating expenses on investment properties that generated rental income (included in note 6 "operating expenses")	(118)	(161)
	384	93

The criteria used to distinguish between owner-occupied and investment property at group level was based on the physical space occupied by group companies in relation to total available space. The property was valued by Hanlie Lofty-Eaton (appointed appraiser by the Master of the High Court, Windhoek, in terms of Act 66 of 1965) at open market value on 30 June 2008. This valuation was performed annually, until reclassification to held for sale.

There are no restrictions on the realisation of investment properties.

There are no material contractual obligations on investment properties and no investment property has been encumbered.

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 113 of the Companies Act, 1973.

21 Intangible assets

N$ '000	2009 Cost	2009 Accumulated amortisation and impairments	2009 Net book value	2008 Cost	2008 Accumulated amortisation and impairments	2008 Net book value
Trademarks	111 768	(72 248)	39 520	111 768	(64 107)	47 661
Goodwill	100		100	100		100
Software	6 854	(1 925)	4 929	2 773	(1 001)	1 772
Agency force	1 893	(1 893)		1 893	(1 000)	893
Value of in-force business	22 539	(8 142)	14 397	22 539	(5 860)	16 679
Total	143 154	(84 208)	58 946	139 073	(71 968)	67 105

Movement in intangibles - book value

	Trademarks	Goodwill	Software	Agency force	Value of in-force business	Total
Net book value at 30 June 2007	58 748	100	2 696			61 544
Additions*				1 893	37 513	39 406
Realisation of embedded value acquired					(14 974)	(14 974)
Disposals						
Amortisation (note 6)	(11 087)		(924)	(1 000)	(5 860)	(18 871)
Net book value at 30 June 2008	47 661	100	1 772	893	16 679	67 105
Additions			4 081			4 081
Disposals						
Amortisation (note 6)	(8 141)		(924)	(893)	(2 282)	(12 240)
Net book value at 30 June 2009	39 520	100	4 929		14 397	58 946

*Included in the above additions (2008)
- Agency force acquisition of Global Financial Advisors
- Value in force acquisition of Southern Life Namibian Book

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 2009 and 30 June 2008 relates to is FNB Namibia Unit Trusts 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.

	Discount rates		Growth rates	
	2009	2008	2009	2008
FNB Namibia Unit Trusts Limited	14.50%	12.50%	5%	5%

The group assessed the recoverable amount of goodwill, and determined that no impairment of the carrying amount was necessary.

22 Non current asset held for sale

N$ '000	2009	2008
Land and buildings		
Reclassified from Investment properties (note 20)	4 070	
Reclassified from Property and equipment (note 19)	753	
Balance at end of the year	4 823	

The group publicly advertised the properties for sale during the year, surplus office buildings that the group no longer requires. Final negotiations are in progress for the sale of the property in Walvis Bay. The search for a buyer continues for the Tsumeb property. No impairment loss was recognised on the reclassification of the proprieties as held for sale. The properties are part of the banking operations segment.

23 Deposits

23.1 Deposits and current accounts

N$'000	2009 At amortised cost	2008 At amortised cost
From customers	9 134 767	8 030 000
- Current accounts	6 414 424	5 519 035
- Savings accounts	416 453	375 460
- Term deposits	2 303 890	2 135 505
Other deposits		
- Negotiable certificates of deposit	1 465 913	1 646 281
Total deposits and current accounts	10 600 680	9 676 281
The fair values of deposits and current accounts are disclosed in note 37.		
Geographical split: Namibia	10 600 680	9 676 281

23.2 Due to banks and other financial institutions

N$'000	At amortised cost	At amortised cost
To banks and financial institutions		
- In the normal course of business	22 731	353 834
Fair value of balance disclosed	22 731	353 834
Geographical split:		
Namibia	2 345	351 107
South Africa	20 386	
North America		2 727
	22 731	353 834

A maturity analysis of liabilities is set out in note 43 is based on the remaining periods to contractual maturity from the year end.

24 Creditors and accruals

N$'000	2009	2008
Accounts payable and accrued liabilities	267 648	236 962
Preference dividends payable	2 670	3 592
Short term portion of long term liabilities (note 29)	6 127	6 127
Post retirement benefit liability lump sums due (note 28.1)	20 183	
Creditors and accruals	296 628	246 681

The carrying value approximates the fair value.

25 Provision for unintimated claims

Opening balance	1 826	1 854
Charge to / (from) the income statement (note 5)	914	(28)
Closing balance	2 740	1 826

This provision is raised for possible claim incidents incurred before year-end but only reported there-after, related to the short-term insurance industry.

26 Policyholders' liabilities under insurance contracts

N$'000	2009	2008
Opening balance	1 103 914	181 260
Balances acquired (transfer in of Southern Life Namibia book)		1 007 204
Transfer to policyholder liabilities under insurance contracts	(72 720)	(84 550)
- Decrease / (increase) in retrospective liabilities		(44 278)
- Unwind of discount rate	8 463	8 653
- New business	12 861	29 897
- Change in economic assumptions	6 545	(6 423)
- Change in non economic assumptions		1 256
- Expected cash flows	(37 055)	(42 095)
- Expected release of margins	(46 709)	(39 548)
- Expected variances	(4 573)	(2 228)
Premiums received on insurance contracts	142 784	139 000
Policyholder benefits on insurance contracts	(90 362)	(109 000)
Fair value adjustments on insurance constracts	(64 674)	(19 784)
Reinsurance	(103 890)	
Closing balance	927 304	1 103 914
Insurance contracts with discretionary participation features	396 311	509 902
Insurance contracts without discretionary participation features	245 947	205 076
Net policyholder liabilities under insurance contracts	642 258	714 978
Actuarial liabilities under unmatured policies comprise the following:		
Linked (market related) business - Individual life	91 843	57 198
Smoothed bonus business - Individual life	371 867	509 779
Annuities business	109 826	114 396
Life business		
- Individual life	68 722	33 605
	642 258	714 978

The amounts above are based on the actuarial valuations of Swabou Life Assurance Company Limited at 30 June 2009.

Below are the main assumptions that were used in determining the liabilities in respect of insurance contracts as at 30 June 2009.

Best estimate valuation assumptions

Economic assumptions

Risk-free return

The ten-year zero-coupon risk-free yield, derived from S. A. government bonds, is used as the starting point to determine the gross valuation interest rate for Namibain Dollar (NAD) denominated business.

	2009	2008
ZAR ten-year zero-coupon risk-free yield	8.93%	9.92%

Valuation interest rate

The gross valuation interest rate of 10.5% (2008: 11%) per annum for NAD denominated business was calculated as a weighted investment return, representing the investment returns on a theoretical, balanced notional portfolio consisting of equities and bonds.

	2009	2008
Notional portfolio used as at 30 June:		
- Equities	60%	70%
- Government bonds	40%	30%
Assumed performance of other asset classes relative to government bonds:		
- Equities (including overseas equities)	+3.5% p.a	+2.5% p.a

Rounding to the nearest 0,25% was performed.

Liabilities in the annuity portfolio were valued at the risk-free zero-coupon yield curve, adjusted for a credit and liquidity spreads.

Inflation

An expense inflation rate of 6.8% (2008: 7.41%) per annum for NAD denominated business was used to project future renewal expenses. The NAD inflation rate was derived by deducting the 10-year real return on CPI-linked R197 government bonds of 2.95% (2008: 2.5%) from the risk-free rate.

26 Policyholders' liabilities under insurance contracts (continued)

Tax

To provide for tax, the gross valuation interest rate expected to be earned in future was reduced appropriately for taxable business and retirement annuity business. These reductions in the investment return represent the expected tax payable on the assumed investment return on the notional policyholders' portfolio.

Mortality, morbidity and terminations

Demographic assumptions, such as those in respect of future mortality, disability and persistency rates are set based by calibrating standard tables to internal experience investigations. The investigations are performed and assumptions set for individual product lines, but ensuring that assumptions are consistent where experience is not expected to deviate between product lines.

Assumptions in respect of mortality, morbidity and terminations were based on experience investigations performed in June 2007. The investigations covered a period of five years, from 2002 to 2007. The experience on policies and annuities were analysed.

Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business. Allowance for AIDS was made according to professional guidance notes PGN 102 (Mar 1995): Life Offices - HIV/AIDS and PGN 105 (Nov 2002): Recommended AIDS extra mortality bases, issued by the Actuarial Society of South Africa.

Expenses

The sustainable annual renewal expense per policy was based on an analysis of budgeted expenses for the year ending 30 June 2009. The allocation distiguished between renewal and acquisition costs.

Expenses expected to be once-off in nature or not relating to long-term insurance business were removed from the actual expenses.

Asset management expenses were expressed as an annual percentage of assets under management.

Policyholder bonuses

Future additions of discretionary bonuses to smoothed bonus (universal life) policies have been projected at levels that are consistent with and supported by the assumed rate of investment return, after allowing for contractual expense charges and tax.

On conventional policies, it is assumed that current bonus rates (both reversionary and terminal bonus rates) will be maintained in future.

26 Policyholder liability under insurance contracts (continued)

Compulsory margins

The compulsory margins to best-estimate assumptions are detailed in actuarial professional guidance note PGN104 and are intended to provide a minimum level of financial resilience in the liabilities to ensure that profits are not recognised prematurely. The following prescribed margins were applied to the best estimate assumptions applicable to individual life bussiness:

- Assumption	Margin
- Mortality	7.5% - increase to assumption for assurance
- Morbidity	10% - increase to best-estimate assumption
- Medical	15% - increase to best-estimate assumption
- Lapses	25% (e.g. if best estimate is 10%, the margin is 2.5%) - increase or decrease, depending on which alternative increases liabilities
- Surrenders	10% - increase or decrease, depending on which alternative increases liabilities
- Terminations for disability	10% - decrease to best-estimate assumption
- Income benefits in payment	10% - decrease to best-estimate assumption
- Expenses	10% - increase to best-estimate assumption
- Expense inflation	10% (of estimated escalation rate) - increase to best-estimate assumption
- Charge against investment return	- 25 basis points reduction in the management fee or an equivalent asset-based or investment performance-based margin; - 25 basis points reduction in the assumed rate of future investment return on contracts that do not have an asset-based or investment performance-based fee

Discretionary margins

As described in the accounting policies, discretionary margins are used to prevent the premature capitalisation of profit.

The specific discretionary margins that are added to the best-estimate assumptions are as follows:

Cost of capital charges levied against smoothed-bonus portfolios are not capitalised against current liabilities, but are recognised as and when they are earned. This avoids the premature recognition of income that is required to mitigate the additional cost of capital required to support smoothed bonus liabilities.

An additional HIV/AIDS reserve equal to 15% of mortality reserves are held to protect against an unanticipated worsening of mortality experience due HIV/AIDS experience.

An additional data reserve equal to 5% of the value of the investment units held by policyholders are held to protect against possible losses due to data discrepancies.

27 Policyholders' liabilities under investment contracts

N$'000	2009	2008
Opening balance	38 302	6 955
Balances acquired (transfer in of Southern Life Namibia book)		20 568
Fair value adjustment to policyholder liabilities under investment contracts	(11 438)	3 705
Deposits received on investment contracts	11 000	8 202
Withdrawals on investment contracts	(1 615)	(602)
Fees on investment contracts	(183)	(526)
Closing balance	36 066	38 302
Investment contracts with discretionary participation features	36 066	38 302
Total policyholders' liabilities under investment contracts	36 066	38 302

2009	Total	Shorter than 1 year	Between 1 and 5 years
Smoothed bonus business			
- Individual life	36 066	6 294	29 772
Total policyholder liabilities under investment contracts	36 066	6 294	29 772

2008	Total	Shorter than 1 year	Between 1 and 5 years
Smoothed bonus business			
- Individual life	38 302	6 713	31 589
Total policyholder liabilities under investment contracts	38 302	6 713	31 589

28 Employee benefits

28.1 Post retirement benefit liability

The group has a liability to subsidise the post retirement medical expenditure of certain of its employees based on a defined benefit plan. The actuarial method used to value the liabilities is the project unit credit method prescribed by IAS 19 Employee Benefits. The liability is taken as the present value of the employers' share of continuation member contribution to the medical scheme. Continuing member contributions are projected into the future year using the assumption rate of health care cost inflation and then discounted back using the discount rate. The group subsidises medical aid contributions for all eligible members at various rates.

During the year, the current employees were given a choice of receiving a settlement agreement and therefore cancelling their subsidation of future medical aid premiums. A total of 296 current employees accepted the offer and the remaining decided not to take the settlement agreement. Salary cost increases are expected to be in line with the inflation rate, whereas medical cost increases are expected to be 1.75% (2008: 1.75%) higher than the inflation rate.

At 30 June 2009, the actuarially determined liability of the group was N$21.7 million (2008: N$37.5 million).

The actuarial valuation is done on an annual basis.

N$ '000	2009	2008
Present value of unfunded liability	21 239	34 523
Unrecognised actuarial losses	432	3 016
Post retirement medical liability	21 671	37 539
The amounts recognised in the income statement are as follows:		
Current service cost	1 257	1 116
Interest cost	3 885	3 220
Net actuarial gains recognised	7	(680)
Total included in staff costs (note 6)	5 149	3 656
Movement in post retirement medical liability		
Present value at the beginning of the year	37 539	33 883
Amounts recognised in the income statement as above	5 149	3 656
Lumpsum benefits paid	(20 183)	
Benefits paid	(834)	
Present value at the end of the year	21 671	37 539
Expected amounts to be recognised in the income statement in following financial year	1 681	5 142
The principal actuarial assumptions used for accounting purposes were:		
Discount rate (%)	11.25%	11.25%
Expected rates of salary increases (%)	10.25%	10.25%
Long-term increase in medical subsidies (%)	10.25%	10.25%
The effects of a 1% movement in the assumed health cost rate were as follows		
Increase of 1%		
- Effect on the aggregate of the current service cost and interest cost	491	1 281
- Effect on the defined benefit obligation	3 396	7 795
Decrease of 1%		
- Effect on the aggregate of the current service cost and interest cost	380	949
- Effect on the defined benefit obligation	2 691	5 984
Net increase in rate used to value pensions, allowing for pension increases (%)	1.25%	1.25%
Mortality rate		
The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is as follows:		
Male	18	18
Female	21	22
Employees covered	112	392

28 Employee benefits (continued)

28.1 Post retirement benefit liability (continued)

Five year analysis on total medical post-retirement plans (projected)

	N$'000
As at 30 June 2010	22 797
As at 30 June 2011	24 478
As at 30 June 2012	26 333
As at 30 June 2013	28 514
As at 30 June 2014	31 128

28.2 Pension fund

N$'000	2009	2008
Employer contributions to pension fund	22 202	19 157
Employer contributions to pension fund - executive director	143	126
Total employer contributions to pension fund	22 345	19 283
Employee contributions to pension fund	15 137	13 062
Total contributions	37 482	32 345
Number of employees covered	1 650	1 574

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 fund is valued every three years. The last valuation was performed for the year ended 30 June 2008 and indicated that the fund was in a sound financial position.

The Pension Fund is a related party to the group.

29 Long term liabilities

N$'000	2009	2008
FNB 17 fixed rate notes	260 000	260 000
Accrued interest	5 997	6 010
	265 997	266 010
Fair value adjustment (financial liability elected fair value)	1 368	(24 380)
Fair value	267 365	241 630
Less: Portion payable within 12 months transferred to Creditors and Accruals (note 24)	(6 127)	(6 127)
	261 238	235 503
Fair value adjustment for the year	(25 748)	15 948

On 29 March 2007, First National Bank of Namibia Limited issued N$260 million subordinated, unsecured callable notes, with a maturity date of 29 March 2017. The notes are callable by First National Bank of Namibia Limited on 29 March 2012. The coupon rate is fixed at 9.15% per annum, payable semi annually on 29 March and 29 September, until the optional redemption date 29 March 2012. Should the notes not be redeemed, then interest is payable thereafter at the floating rate of Namibian 3 months Treasury Bill rate + 1.5%.

These notes are listed on the Namibian Stock Exchange.

An accounting mismatch would arise if the debt securities in issue were accounted for at amortised cost, because the related derivative, an interest rate swap, is measured at fair value with movements in the fair value taken through the income statement. By designating the long term debt at fair value, the movement in the fair value of the long term debt will be recorded in the income statement.

The fair value movement of the bond attributable to changes in credit risk is N$ Nil (2008: N$ Nil) for the group and company. The change in fair value of the designated financial liability attributable to changes in credit risk has been calculated by reference to the change in credit risk implicit in the market value of the bond.

The amount that would contractually be paid at maturity for financial liabilities designated at fair value through profit and loss for the group is N$260 million (2008: N$260 million), N$ 1.4 million (2008: N$24,4 million higher) lower than the carrying amount.

The fair value is calculated based on quoted market prices.

30 Share capital and share premium

N$'000	2009	2008
Authorised		
990 000 000 (2008: 990 000 000) ordinary shares with a par value of 0.5 cents per share	4 950	4 950
10 000 000 (2008: 10 000 000) cumulative convertible redeemable preference shares with a par value of 0.5 cents per share	50	50
	5 000	5 000
Issued		
267 593 250 (2008: 267 593 250) ordinary shares with a par value of 0.5 cents per share	1 338	1 338
2 (2008: 2) cumulative convertible redeemable preference shares with a par value of 0.5 cents per share		
Elimination	(47)	(17)
- shares held by FNB share trusts		
	1 291	1 321
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	195 066	257 792

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 shares are under the control of the directors until the next annual general meeting.

All issued shares are fully paid up.

31 Other non-distributable reserves

N$'000	2009	2008
OUTsurance Insurance Company of Namibia Ltd - Contingency reserve	2 446	382
	2 446	382

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

32 Share option schemes

N$'000	2009	2008
The income statement charge for share-based payments is as follows:		
FNB Share Incentive Trust	1 641	416
BEE Staff Incentive Scheme	159	287
Total of share trusts	1 800	703
Employees with FirstRand share options	237	318
Charge against staff costs (note 6)	2 037	1 021
BEE consortium share option cost (note 6)	1 220	1 229
Charge to income statement	3 257	2 250

Share option schemes

FNB Namibia Holdings Ltd options schemes are equity 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 company 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.

Funding is at 80% of prime and 100% of dividends received are used to service funding costs. The funding is repayable in 10 years.

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 third tranche vested and was exercised during the year.

Valuation methodology

Share incentive scheme

Fair values for the share incentive schemes, are calculated at the date of grant using a modification of the Cox-Rubenstein binomial model. For valuation purposes, each call option granted has been valued as a Bermudan call option with a number of exercise dates.

The days on which the options can be exercised has been assumed to be the last day that the share trade cum-dividend.

Market data consists of the following:

- Volatility is the expected volatility over the period of the option. In the absence of other available date, historical volatility can be used as a proxy for expected volatility.
- The interest rate is the risk-free rate of return, recorded on the date of the option grant, on a South African government zero coupon bond of a term equal to the expected life of the option.

32 Share option schemes (continued)

Dividend data of the following:

- The last dividend paid is the N$ amount of the last dividend before the options were granted;
- The last dividend date is the ex-date of the last dividend; and
- The annual expected dividend growth, which is based on publicly available information.

Employee statistic assumptions:

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

The number of iterations is the number to be used in the binomial model, which is limited to 500.
The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.

The significant weighted average assumptions used to estimate the fair value of options granted and the IFRS 2 expenses for the year under review are:

	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2009	2008	2009	2008
Weighted average share price (N$)	400 - 1155	400 - 901	700	700
Expected volatility (%)	4% - 17%	4% - 9%	7%	7%
Expected option life	5 years	5 years	5 years	5 years
Expected risk free rate (%)	8.89% - 14.46%	7.89% - 14.46%	9%	9%

	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2009	2008	2009	2008
Share option schemes				
Number of options in force at the beginning of the year ('000)	4 541	3 256	1 239	1 858
Granted at prices ranging between (cents)	517 - 823	400 - 721	517	517
Number of options granted during the year ('000)	3 751	2 163		
Granted at prices ranging between (cents)	1 155	823		
Number of options exercised/released during the year ('000)	(447)	(712)	(554)	(574)
Market value range at the date of exercise/release (cents)	1 180	721-996	1 180	996
Number of options cancelled/lapse during the year ('000)	(119)	(166)	(119)	(45)
Granted at prices ranging between (cents)	517 - 1155	517 - 721		517
Number of options in force at the end of the year ('000)	7 726	4 541	566	1 239
Granted at prices ranging between (cents)	517 - 1155	400 - 823	517	517
Options are exercisable over the following periods:				
(first date able to release)				
Financial year 2009		1 014		785
Financial year 2010	967	1 623	566	454
Financial year 2011	1 166	1 200		
Financial year 2012	2 413	704		
Financial year 2013	1 934			
Financial year 2014	1 246			
	7 726	4 541	566	1 239

33 Cash flow information

N$'000	2009	2008
33.1 Reconciliation of operating income to cash flow from operating activities		
Income before tax	563 851	587 112
Adjusted for:		
- Share of earnings of associate companies after impairment losses	(1 872)	(5 681)
- Depreciation, amortisation and impairment of property, equipment and intangible assets	27 361	36 175
- Profit on sale of subsidiary		(34 231)
- Transfer from revaluation reserve: available-for-sale financial asset	(1 842)	(2 612)
- Unrealised losses on revaluation of investments	94 085	36 537
- Transfer of work in progress to repairs and maintenance	4 982	
- Revaluation of investment property		1 930
- Share based payment cost	3 257	2 250
- Impairment of advances	38 412	72 405
- Provision for post-employment benefit obligations	4 571	3 656
- Other employment provisions	7 842	3 400
- Creation and revaluation of derivative financial instruments	(39 243)	13 675
- Policyholders fund and insurance fund transfers	(83 006)	(78 594)
- Fair value adjustment to financial liabilities	25 748	(15 948)
- Unwinding of discounted present value on non-performing loan	(21 140)	(16 325)
- Unwinding of discounted present value on off-market loans	(6 594)	(8 104)
- Net release of deferred fee and expenses	(6 842)	(6 511)
- Off market staff loans amortisation	6 594	8 104
- Profit on sale of equipment	(84)	272
Cash flows from operating activities	616 080	597 510
33.2 Tax paid		
Amounts overpaid / (underpaid) at beginning of the year	16 266	(104 151)
Indirect taxes	(12 503)	(18 404)
Current tax charge	(154 209)	(139 665)
Amounts unpaid / (overpaid) at end of the year	4 994	(16 266)
Total tax paid	(145 452)	(278 486)
33.3 Capital expenses to maintain operations		
Purchase of property and equipment, settled in cash.	69 138	42 294

33 Cash flow information (continued)

N$'000	2009	2008
33.4 Sale of shares in subsidiaries		
Swabou Life Assurance Company Ltd		
Net asset value on 30 June 2008		141 049
Capital injections: FNB Namibia Holdings Ltd		38 235
Capital injections: Momentum Ltd		100 737
Net asset value after restructuring		280 021
Net asset value acquired through transfer of Southern Life Namibia book:		37 513
Investment securities		638 836
Reinsurance assets		388 936
Intangible asset		37 513
Policyholder liability: Insurance contracts		(1 007 204)
Policyholder liability: Investment contracts		(20 568)
		317 534
35% share sold to Momentum Group Limited		(115 418)
		202 116
Profit on disposal		(34 231)
Subsequent transfers		21 156
Intangible asset		(37 513)
Holdings capital injection		(38 235)
Cash paid by Momentum Group Limited		113 293
Swabou Insurance Company Ltd		
Net asset value 30 June 2007		22 568
Dividend paid		(12 568)
Net asset value after dividend		10 000
49% share sold to FirstRand STI Holdings Limited - cash received		4 900
33.5 Dividends paid		
Amounts unpaid at beginning of the year		(4 558)
Dividends approved	(181 558)	(135 982)
Total dividends paid	(181 558)	(140 540)
33.6 Acquisition of associate company		
During the year, the group acquired a 40% interest in FNB Insurance Brokers (Namibia) (Pty) Ltd.	(15 428)	

34 Contingent liabilities and capital commitments

N$'000	2009	2008
Contingencies		
Guarantees	647 729	442 862
Letters of credit	67 379	121 519
Total contingencies	715 108	564 381
Irrevocable unutilised facilities	1 650 685	1 131 870
Total contingencies and commitments	2 365 793	1 696 251

Guarantees consist predominantly of endorsements and performance guarantees.
The fair value of guarantees approximate 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 in respect of capital expenditure and long-term investments:

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

	2009	2008
- Contracted for	30 160	29 170
- Not contracted for		992
Made up of the following:		
- Capital commitments contracted for at the balance sheet date but not yet incurred are as follows:		
- Property and equipment	30 160	29 170
- Capital commitments not yet contracted for at balance sheet date but have been approved by the directors:		
- Property and equipment		992

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

Group leasing arrangements:

	2009	
	Next year	2nd to 5th year
Office premises	8 696	13 484
Equipment	1 086	164
	9 782	13 648

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% (2008: 6% and 8%) .

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.

	2008	
Office premises	6 201	8 230
Equipment	132	55
	6 333	8 285

There are no commitments under operating leases after 5 years.

35 Collateral pledged and assets held

N$'000	2009	2008
The group has pledged assets as security for the following liabilities:		
Due to banks and other financial institutions		
- Repo facility at Bank of Namibia	1 598	117 837
Total	1 598	117 837

The group pledges assets under the following terms and conditions:

Mandatory reserve deposits are also held with the Central Bank in accordance with statutory requirements. These deposits are not available to finance the Banking group's day-to-day operations.

Collateral in the form of other investment securities is pledged when the Banking group utilises the Bank of Namibia credit facility. These transactions are conducted under the terms and conditions that are usual and customary to standard credit facilities with central banks.

N$'000	2009	2008
Assets pledged to secure the above liabilities are carried at and included under the following:		
Investment securities		
- treasury bills	1 775	130 930
Total	1 775	130 930

36 Related parties

The group defines related parties as :
- The parent company
- Subsidiary companies
- Associate companies
- Key management personnel of the FNB Namibia Holdings Ltd and its subsidiaries board of directors and the group executive committee.

- Key management personnel includes close family members of key management personnel. Close family members are those family members who may be expected to influence, or be influenced by that individual in dealings with the group. This may include the individual's spouse/domestic partner and children, domestic partner's children and dependants of individual or domestic partner.

- Enterprises which are controlled by these individuals through their majority shareholding or their role as chairman and/or CEO in those companies

The ultimate parent of FNB Namibia Holdings Limited is FirstRand Limited, incorporated in South Africa.
FNB Namibia Holdings Limited is listed on the Namibian Stock Exchange and is 59.8% (2008: 58.3%) owned by FirstRand Bank Holdings Limited, with its ultimate holding company listed on the JSE Limited and the NSX, FirstRand Limited.

36.1 Subsidiaries

Details of interest in subsidiaries are disclosed in note 18.
Transactions with fellow subsidiaries appear on page 112 (these are not eliminated on consolidation).

36.2 Associates

Details of investments in associate company are disclosed in note 17.

36 Related parties (continued)

36.3 Details of transactions with relevant related parties appear below:

N$'000	FirstRand Bank Ltd		FNB Insurance Brokers (Namibia) (Pty) Ltd		Namclear (Pty) Ltd	
	2009	2008	2009	2008	2009	2008
Loans and advances						
Balance 1 July	749 763	29 133				
Issued during year		720 630				
Repayments during year	(645 391)					
Balance 30 June	104 372	749 763				
Derivative instrument: assets	2 393	31 579				
Deposits						
Balance 1 July	(35 945)				(13 031)	
Received during year		(181 102)	(23 867)	n/a	(6 409)	(13 031)
Repaid during year	16 559	145 157				
Balance 30 June	(19 386)	(35 945)	(23 867)	n/a	(19 440)	(13 031)
Derivative instrument: liabilities	(82 862)	(28 770)				
Interest received	39 222	45 913				
Interest paid		(1 539)	(764)	n/a	(737)	(212)
Dividends paid	(89 827)	(81 884)				

	Total		FirstRand Bank Ltd		Momentum Group Ltd		FNB Insurance Brokers (Namibia) (Pty) Ltd		Namclear (Pty) Ltd	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Non interest income										
Commission	3 752	1 548	3 340	1 548			412			
FNB Card reward	5 787	11 572	5 787	11 572						
Rental income	603	542							603	542
	10 142	13 662	9 127	13 120			412	n/a	603	542
Non interest expenditure										
Reinsurance premium	16 628	12 490			16 628	12 490				
Computer and processing related costs	47 792	26 156	47 792	26 156						
Internal audit and compliance	899	878	899	878						
ATM processing costs	671	959	671	959						
Payroll processing	1 005	888	1 005	888						
Management fees	4 451	5 919	3 681	5 919	770					
Administration fee: OUTsurance SA	9 103	6 205	9 103	6 205						
Other sundry	6 644	6 235	6 644	6 235						
Clearing cost	5 909	5 452							5 909	5 452
	93 102	65 182	69 795	47 240	17 398	12 490			5 909	5 452

36 Related parties (continued)

36.4 Transactions with key management personnel:

N$'000	2009	2008
Advances		
Balance 1 July	35 933	38 299
Issued during year	26 677	13 276
Repayments during year	(21 603)	(20 580)
Interest earned	4 517	4 938
Balance 30 June	45 524	35 933
No impairment has been recognised for loans granted to key management (2008: nil). Mortgage loans are repayable monthly over 20 years.		
Current accounts and credit cards		
Credit balance 1 July	(3 534)	(5 918)
Net deposits and withdrawals	(6 823)	998
Net service fees and bank charges	1 827	1 316
Interest income	397	248
Interest expense	(556)	(178)
Balance 30 June	(8 689)	(3 534)
Instalment finance		
Balance 1 July	2 508	3 323
Issued during year	1 393	862
Repayments during year	(415)	(2 129)
Interest earned	114	452
Balance 30 June	3 600	2 508
Life and disability insurance		
Aggregate insured cover	5 475	5 853
Premiums received	50	59
Investment products		
Opening balance	376	5 412
Deposits	2 718	(4 670)
Net investment return	33	(354)
Commission and other transaction fees	(72)	(12)
Fund closing balance	3 055	376
Shares and share options held		
Directors holding in shares is disclosed in note 6.3		
Aggregate details		
Share options held	2 704	1 615
Key management compensation		
Salaries and other short term benefits	19 598	11 585
Contribution to defined contribution schemes	1 533	882
Share based payments	1 162	629
Total compensation	22 293	13 096

A listing of the board of directors of the group is detailed on page 4 and 5 of the annual report.

36.5 Post employment benefit plan

Refer note 28.1 on detail disclosure of the movement on the post-retirement medical liability. The pension fund is a related party to the group, refer note 28.2.

37 Fair value of financial instruments

The group determines fair value with the maximum possible use of quoted market prices and/or observable market data as indicated in the accounting policy note. If market prices are not available or the market for a financial instrument is not active, fair value is determined by using valuation technique that make maximum use of market inputs.

The specific valuation methodologies/techniques, per significant instrument type, can be summarised as follows:

Fair value is described in IFRS as the value for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arms length transaction. The best evidence of fair value is a price quoted in an active market. It is the group's policy to make use of such information when it is available for example the valuation of futures, listed bonds and listed equities. Where there is no active market for a particular instrument the group determines the value based on valuation techniques. Where available these valuation techniques give preference to inputs which are observable in an active market.

The following describes the principle methods and assumptions used to determine the fair value of financial instruments:

Investments securities

Unlisted equities

The fair value of unlisted equities is determined using a price earnings (P/E) model. The earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued and the relevance and reliability of the available information.The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions which have taken place.

Negotiable certificates of deposit

Where market prices are not available for a specific instrument fair value is determined using discounted cash flow techniques. Inputs to these models include as far as possible information which is consistent with similar market quoted instruments.

Treasury Bills

Treasury bills are valued by means of the Bond Exchange of South Africa ("BESA") bond pricing model using Namibian money market dealers closing mark to market bond yield.

Government, public and utility stocks

Where market prices are not available the fair value is estimated using quoted market prices of securities with similar credit, maturity and yield characteristics.

Other dated securities

Fair value of other dated securities is determined by using a discounted cash flow model. The discount curve is derived from similar market quoted instruments.

Loans and advances to customers

The fair value of advances is the present value of the expected future cash flows determined using an appropriate discount rate adjusted for the credit spreads where necessary.

Projected cash flows, taking into account behaviour, loss given default and probability of default are grouped according to their maturity dates.

The discount rate for fixed interest rate instruments is adjusted by an appropriate risk premium while floating rate cash flows are discounted by means of a yield curve which represents the projected cash flows.

37 Fair value of financial instruments (continued)

Long term liabilities

Fair value of debentures, unsecured debt securities and finance lease liabilities are determined by discounting the future cash flows at market related interest rates.

The fair value of subordinated notes and fixed and floating rate bonds are determined by discounting the future cash flows at market related interest rates.

The following represents the fair values of financial instruments not carried at fair value on the balance sheet. For all other instruments the carrying value is equal to or a reasonable approximation of the fair value.

Derivatives

Contracts for difference are valued by using the differential between the market price and the traded price multiplied by the notional amount. Market prices are obtained from applicable trading exchanges.

Option contracts are valued using the Black-Scholes model. Inputs are obtained from market observable data. Where prices are obtainable from trading exchanges the value per the exchange is used.

Forward contracts are valued by discounting the projected cash flows to obtain the present value of the forward contract. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.

Forward rate agreements are valued by means of the discounted cash flow model. The discount rate is determined using a yield curve of similar market traded instruments. The reset rate is determined in terms of the legal agreement.

Swaps are valued by discounting the expected cash flows using discount and forward rates determined from similar market traded instruments. The reset rate of each swaplet is determined in terms of legal documents pertaining to the swap.

Deposits and current accounts

Fair value of deposits and current accounts is determined by discounting future cash flows using a swap curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account as these are considered to have an immaterial impact on the economic value of the instruments.

Call deposits are valued at the undiscounted amount of the cash balance, this is considered appropriate because of the short term nature of these instruments.

Fair valuation will only be applied to deposits having a maturity profile of longer than 30 days. For all non term products it is assumed that fair value will equal the amortised cost.

	2009	
N$'000	Carrying value	Fair value
Assets		
Total advances at amortised cost	10 486 434	10 488 409
Total other investments at amortised cost	336 742	337 149
Liabilities		
Total deposits and current accounts at amortised cost	10 600 680	10 590 368

	2008	
N$'000	Carrying value	Fair value
Assets		
Total advances at amortised cost	9 141 531	9 984 009
Liabilities		
Total deposits and current accounts at amortised cost	9 676 281	9 641 529

Notes to the consolidated annual financial statements

for the year ended 30 June

38 Segment information

Primary segments

* The segment called "Other" includes consolidation entries and other group companies' results.

Income statement for the year ended 30 June

N$'000	Group 2009	Group 2008	Banking operations 2009	Banking operations 2008	Long term insurance 2009	Long term insurance 2008	Short term insurance 2009	Short term insurance 2008	Other 2009	Other 2008
Net interest income	743 217	728 907	695 124	684 244	51 116	46 144	2 037	2 805	(5 060)	(4 286)
Impairment of advances	(38 412)	(72 405)	(38 412)	(72 405)						
Net interest income after impairment of advances	704 805	656 502	656 712	611 839	51 116	46 144	2 037	2 805	(5 060)	(4 286)
Non interest income	433 434	403 127	490 746	376 327	(73 396)	(20 294)	5 628	3 835	10 456	43 259
Net insurance premium income	184 761	159 842			144 781	139 999	39 980	19 843		
Net claims and benefits paid	(125 377)	(117 194)			(96 168)	(109 417)	(29 209)	(7 777)		
Decrease / (increase) in value of policyholder liabilities: insurance contracts	72 720	84 550			72 720	84 550				
Fair value adjustment of policyholder liabilities: investment contracts	11 438	(3 705)			11 438	(3 705)				
Fair value adjustment to financial liabilities	(25 748)	15 948	(25 748)	15 948						
Income from operations	1 256 033	1 199 070	1 121 710	1 004 114	110 491	137 277	18 436	18 706	5 396	38 973
Operating expenses	(694 054)	(617 639)	(626 603)	(554 941)	(68 504)	(64 090)	(15 607)	(10 894)	16 660	12 286
Net income from operations	561 979	581 431	495 107	449 173	41 987	73 187	2 829	7 812	22 056	51 259
Share of profit from associates	1 872	5 681	523	4 853					1 349	828
Income before tax	563 851	587 112	495 630	454 026	41 987	73 187	2 829	7 812	23 405	52 087
Indirect tax	(12 503)	(18 404)	(10 847)	(16 571)	(1 285)	(1 668)			(371)	(165)
Profit before tax	551 348	568 708	484 783	437 455	40 702	71 519	2 829	7 812	23 034	51 922
Direct tax	(184 589)	(159 641)	(167 631)	(143 542)	(7 782)	(6 761)	(1 242)	(2 558)	(7 934)	(6 780)
Profit for the year	366 759	409 067	317 152	293 913	32 920	64 758	1 587	5 254	15 100	45 142
Attributable to:										
Non cumulative non redeemable preference shareholders	315	1 178					315	1 178		
Equity holders of the group	354 165	383 901	317 152	293 913	21 398	42 093	515	2 753	15 100	45 142
	354 480	385 079	317 152	293 913	21 398	42 093	830	3 930	15 100	45 142
Minority interest	12 279	23 988			11 522	22 665	757	1 323		
Profit for the year	366 759	409 067	317 152	293 913	32 920	64 758	1 587	5 254	15 100	45 142
Attributable to shareholders	354 165	383 901	317 152	293 913	21 398	42 093	515	2 753	15 100	45 142
Headline earnings adjustments										
- Profit / (loss) on sale of property and equipment	(55)	177		157				20	(55)	
- Loss on revaluation of investment property		1 255		1 255						
- Reversal of impairment of associate companies		(4 154)		(4 154)						
- Realised gains from available for sale financial assets	(1 198)	(1 698)	(1 198)	(1 698)						
- Profit on sale of shares in subsidiaries		(34 231)								(34 231)
- Gains on initial recognition of VISA shares		(15 658)		(15 658)						
Headline earnings	352 912	329 592	315 954	273 815	21 398	42 093	515	2 773	15 045	10 911
Other segment items										
Depreciation	(15 121)	(17 304)	(15 357)	(17 417)	(483)	(330)	(37)	(20)	(111)	(51)
Amortisation	(12 240)	(18 871)	(23 494)	(26 440)	(6 526)	(10 211)			17 781	17 781
Rental expense			(6 715)	(6 055)	(836)	(775)				
Rental income			836	775					6 715	6 055
Capital expenditure	73 219	42 294	71 349	28 481	1 490	295	130		250	13 518

38 Segment information

Primary segments

* The segment called "Other" includes consolidation entries and other group companies.

Consolidated balance sheet as at 30 June

	Group		Banking operations		Long term insurance		Short term insurance		Other	
N$'000	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Assets										
Cash and short term funds	356 674	345 323	316 936	314 978	13 670	4 955	26 067	25 387	1	3
Due from banks and other financial institutions	479 256	1 004 314	479 216	1 003 259					40	1 055
Derivative financial instruments	130 487	37 532	130 487	37 532						
Advances	10 486 434	9 141 531	10 574 998	9 187 789					(88 564)	(46 258)
Investment securities	1 898 611	2 067 510	919 641	941 460	954 261	1 102 910	18 280	16 326	6 429	6 814
Accounts receivable	116 208	94 582	79 548	79 388	23 212	15 903	1 266	1 099	12 182	(1 808)
Policy loans on investments contracts	22 767	19 407			22 767	19 407				
Reinsurance assets	286 944	389 471			285 046	388 936	1 898	535		
Investments in associates	21 464	5 044	5 375	4 853					16 089	191
Tax asset	517	17 456		16 381					517	1 075
Deferred tax asset	508	19 706					497		11	19 706
Property and equipment	236 406	188 455	211 475	164 315	1 952	1 007	172	79	22 807	23 054
Investment properties		4 070		4 070						
Intangible assets	58 946	67 105	265 797	285 209	27 803	34 329			(234 654)	(252 433)
Non current assets held for sale	4 823		4 823							
Total assets	14 100 045	13 401 506	12 988 296	12 039 234	1 328 711	1 567 447	48 180	43 426	(265 142)	(248 601)
Equity and liabilities										
Liabilities										
Deposits and current accounts	10 600 680	9 676 281	10 600 680	9 676 281						
Due to banks and other financial institutions	22 731	353 834	22 731	353 438						396
Derivative financial instruments	115 631	61 919	115 631	61 919						
Creditors and accruals	296 628	246 681	251 597	207 961	30 865	28 032	9 723	11 143	4 443	(455)
Gross outstanding claims	11 377	1 430			5 866	579	5 511	851		
Gross unearned premium	18 058	15 517					18 058	15 517		
Provision for unintimated claims	2 740	1 826					2 740	1 826		
Policyholder liabilities under insurance contracts	927 304	1 103 914			927 304	1 103 914				
Policyholder liabilities under investment contracts	36 066	38 302			36 066	38 302				
Post retirement benefit liability	21 671	37 539	21 636	37 248	35	291				
Tax liability	5 511	1 190	4 184	620	481	1 156	634	1 362	212	(1 948)
Deferred tax liability	18 090	17	66 771	31 182					(48 681)	(31 165)
Long term liabilities	261 238	235 503	261 238	235 503						
Total liabilities	12 337 725	11 773 953	11 344 468	10 604 152	1 000 617	1 172 274	36 666	30 699	(44 026)	(33 172)
Equity										
Capital and reserves attributable to ordinary equity holders										
Ordinary shares	1 291	1 321	1	1	10 000	10 000	4 000	4 000	(12 710)	(12 680)
Share premium	195 066	257 792	1 142 791	1 142 791	185 368	185 368			(1 133 093)	(1 070 367)
Reserves	1 444 138	1 224 134	501 036	292 290	132 726	199 805	7 514	8 727	802 862	723 312
Capital and reserves attributable to ordinary equity holders	1 640 495	1 483 247	1 643 828	1 435 082	328 094	395 173	11 514	12 727	(342 941)	(359 735)
Minority interest	121 825	144 306							121 825	144 306
Total equity	1 762 320	1 627 553	1 643 828	1 435 082	328 094	395 173	11 514	12 727	(221 116)	(215 429)
Total equity and liabilities	14 100 045	13 401 506	12 988 296	12 039 234	1 328 711	1 567 447	48 180	43 426	(265 142)	(248 601)

39 Average balance sheet and effective interest rates

	30 June 2009			30 June 2008		
	Average balance N$'000	Average rate %	Interest income / expense N$'000	Average balance N$'000	Average rate %	Interest income / expense N$'000
Assets						
Cash and short-term funds	412 106	0.5	2 170	561 188	1.2	6 651
Due from banks and other financial institutions	809 524	7.0	56 686	423 106	5.8	24 523
Derivative financial instruments	15 679			7 344		
Advances	9 731 483	14.1	1 376 033	8 807 776	15.3	1 349 097
Investment securities	1 957 837	7.5	146 908	1 968 544	6.3	123 246
Accounts receivable	656 260			275 355		
Investment in associates	7 371			357		
Intangible assets	59 161			82 540		
Investment property, property and equipment	211 385			188 803		
Deferred tax assets	8 987			51 647		
Total assets	13 869 793	11.4	1 581 797	12 366 660	12.2	1 503 517
Liabilities and equity						
Liabilities						
Deposits and current accounts	10 242 040	7.8	798 544	9 096 660	8.0	726 669
Due to banks and other financial institutions	166 344	9.7	16 218	241 260	10.0	24 126
Derivative financial instruments	17 192			23 192		
Policyholder liabilities	1 129 709			862 488		
Creditors and accruals	241 222			237 293		
Tax liability	46 843			48 025		
Post retirement benefit fund liability	39 590			36 506		
Deferred tax liabilities	3 351					
Long term liabilities	261 883	9.1	23 818	265 496	9.0	23 815
Total liabilities	12 148 174	6.9	838 580	10 810 920	7.2	774 610
Total equity	1 721 619			1 555 740		
Total equity and liabilities	13 869 793	6.0	838 580	12 366 660	6.3	774 610

40 Critical accounting estimates and judgements in applying accounting policies

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

(a) Credit impairment losses on loans and advances

The group assesses its credit portfolios for impairment at each balance sheet date. In determining whether an impairment loss should be recorded 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.

For purposes of these judgements the performing portfolio is split into two parts:

(i) The first part consists of the portion of the performing portfolio where there is objective evidence of the occurrence of an impairment event. In the Retail and WesBank portfolios the account status, namely arrears versus non arrears status, is taken as a primary indicator of an impairment event. In the Commercial portfolios other indicators such as the existence of "high risk" accounts, based on internally assigned risk ratings and management judgement, are used, while the Wholesale portfolio assessment includes a judgemental review of individual industries for objective signs of distress.

A portfolio specific impairment ("PSI") calculation to reflect the decrease in estimated future cash flows is performed for this sub segment of the performing portfolio. The decrease in future cash flows is primarily estimated based on analysis of historical loss and recovery rates for comparable sub segments of the portfolio.

(ii) The second part consists of the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified. A so called incurred-but-not-reported ("IBNR") provision is calculated on this sub segment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non performing status and similar risk indicators over an estimated loss emergence period.

Estimates of roll rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from 1 - 12 months.

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 its obligations in full. WesBank's loans are impaired upon its classification status, i.e. following an event driven approach and specific assessment of the likelihood to repay. Commercial and Wholesale loans are analysed on a case by case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for Commercial and Wholesale loans) for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Refer to note 13 for a detailed analysis of the impairment of advances and the carrying amounts of the specific and portfolio provisions.

(b) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by independent qualified senior personnel. All models are certified before they are used, and models are calibrated and back tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect the reported fair value of financial instruments.

Refer to notes 11 for a detailed analysis of the derivatives and the carrying amounts of the different types of derivative instruments. Note 37 provides additional details on the calculation of fair value of financial instruments not quoted in active markets.

(c) Impairment of available-for-sale equity instruments

The group determines that available-for-sale equity instruments are impaired and recognised as such in the income statement, when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates among other factors, the normal volatility in share prices. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

40 Critical accounting estimates and judgements in applying accounting policies (continued)

(c) Impairment of available-for-sale equity instruments (continued)

The group determined that the impairment of available-for-sale equity instruments were not appropriate for the year under review.

(d) Income taxes

There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

(e) Financial risk management

The Group's risk management policies are disclosed in the Risk Report on pages 143 to 149 of the annual report. The repricing analysis is provided in note 43.5.

(f) Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash generating units ("CGU") has been determined based on value-in-use calculations, being the net present value of the discounted cash flows of the CGU less the tangible net asset value of the CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in notes to these financial statements.

(g) 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 the income statement 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 the income statement and may affect planned funding of the pension plans.

The assumptions related to the expected return on plan assets are determined in a uniform basis, considering long term historical returns, assets 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 28.

(h) Share-based payments

Share-based payment costs arise from the issue of share options to employees. These share options are classified as equity-settled share-based payments and as such, the fair value cost is determined on date of grant on an actuarial basis using a number of assumptions. These assumptions used in determining the fair value cost include expected volatility, expected dividend yield, the discount rate and the expected forfeit of lapse rate. In accordance with the principles of valuing equity-settled share-based payments, only a change in the actual experience of forfeits compared to the estimated forfeit rate assumption, will impact on the charge in the income statement. All other assumptions are determined at grant date and are not amended.

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 32 for the detailed information regarding the share-based payment expense and the assumptions used in determining the expense, liability and reserve.

41 Standards and interpretations issued but not yet effective

The group will comply with the following new standards and interpretations applicable to its business from the stated effective date.

		Effective date
IFRIC 15 Amendments	**Agreements for the Construction of Real Estate** The interpretation clarifies when real estate sales should be accounted for in terms of IAS 11 Construction Contracts or IAS 18 Revenue. The interpretation is not applicable to the group.	Annual periods commencing on or after 1 January 2009
IFRIC 16	**Hedges of a Net Investment of a Foreign Operation** The interpretation clarifies which risks can be hedged under a hedge of the net investment in a foreign operation and by which entities within the group the hedging instruments can be held in order to qualify as a hedge of a net investment in a foreign operation. The group does not currently apply hedge accounting to net investments in foreign operations.	Annual periods commencing on or after 1 October 2008
IFRIC 17	**Distribution of Non-cash Assets to Owners** The interpretation clarifies how an entity should measure distribution of assets other than when it pays cash dividends to its owners. At present there is diversity in practice when accounting for these dividends payable. This assets will be measured at their fair value, and the difference between the fair value and the carrying will be recorded in the profit or loss for the period. The impact of this interpretation on the group is not considered to be significant.	Annual periods commencing on or after 1 July 2009
IFRIC 18	**Transfers of Assets from Customer** The interpretation clarifies how an entity should treat items of property, plant and equipment from its customers that must be used to connect those customers to a network and provide them with ongoing access to a supply of commodities such as electricity, gas or water. An entity could also receive cash from customers for the acquisition or construction of such items of property, plant and equipment. This Interpretation applies to the accounting for such transfers. This amendment is not expected to impact the group's results significantly.	Annual periods commencing on or after 1 July 2009
IFRS 1 and IAS 27 (revised)	**Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate** The amendments to IFRS 1 allow first time adopters of IFRS 1 to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. This amendment will not impact the group as the group adopted IFRS in full in the financial year ending 30 June 2006. Consequently, IFRS 1 is not longer appropriate.	Annual periods commencing on or after 1 January 2009
IFRS 2 (amended)	**Vesting Conditions and Cancellations** The amendments to IFRS 2 clarify that vesting conditions are performance conditions and service conditions only. The amendment also clarify that cancellations of share options by parties other than the entity are to be accounted for in the same way as cancellations by the entity. This amendment is not expected to impact the group's results significantly.	Annual periods commencing on or after 1 January 2009
IFRS 2 (amended)	**Group Cash-settled Share-based Payment Transactions** The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments make clear that: An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendment is not expected to impact the group's results significantly.	Annual periods commencing on or after 1 January 2010

41 Standards and interpretations issued but not yet effective (continued)

IFRS 3 and IAS 27 (revised)	**Revision to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements** The revised IFRS 3 retains the current basic requirements. The most significant amendments are that the acquisition related costs will now be recognised as an expense in the income statement when incurred, rather than including it in goodwill. The revised IFRS 3 also states that contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRSs, usually in the income statement rather than by adjusting goodwill. The amendment to IAS 27 requires that changes in a parent's ownership interest in a subsidiary that does not result in a loss of control to be accounted for within equity. The amendments are expected to affect the group's accounting for business combinations after the effective date. The amendments to IAS 27 will require a prospective change in accounting policy for the group in line with the amended transitional provisions.	Annual periods commencing on or after 1 July 2009
IFRS 7	**Financial Instruments: Disclosures** The amendments to IFRS 7 will require enhanced disclosures about fair value measurements and liquidity risk. The amendment addresses disclosure in the annual financial statements and will not effect recognition and measurement.	Annual periods commencing on or after 1 January 2009
IFRS 8	**Operating Segments** IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable operating segments. Operating segments are components of an entity about which separate financial information is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. The standard addresses disclosure in the annual financial statements and will not effect recognition and measurement. The impact on the revised disclosure is not expected to be significant.	Annual periods commencing on or after 1 January 2009
IAS 1 (revised)	**Presentation of Financial Statements** The main change in the revised IAS 1 is the requirement to present all non-owner transactions in the statement of comprehensive income. The amendment also requires two sets of comparative numbers to be provided for the financial position in any year where there has been a restatement or reclassification of balances. The amendments will not affect the financial position or results of the group but will introduce some changes to the presentation of the financial position, changes in equity and financial results of the group.	Annual periods commencing on or after 1 January 2009
IAS 23 (amended)	**Borrowing Costs** The amendment removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The capitalisation of borrowing costs as part of the cost of such assets is therefore now required. The group's accounting policy is to capitalise borrowing costs on a qualifying asset. The amendment will therefore not have an effect on the group's results.	Annual periods commencing on or after 1 January 2009
IAS 32 (amended)	**Financial Instruments Puttable at Fair value** The amendment to IAS 32 requires the classification of certain puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a pro rata share of the entity only on liquidation as equity. The amendments sets out specific criteria that are to be met to present the instruments as equity together with related disclosure requirements. This amendment is not expected to have an impact to the group.	Annual periods commencing on or after 1 January 2009

41 Standards and interpretations issued but not yet effective (continued)

IAS 39 (amended)	**Eligible Hedged Items** The amendment clarifies that inflation may only be hedged in instances where changes in inflation are contractually specified portions of cash flows of a recognised financial instrument. It also clarifies that an entity is permitted to designate purchased or net purchased options as a hedging instrument in a hedge of a financial or non-financial item and to improve effectiveness, an entity is allowed to exclude the time value of money from the hedging instrument. This amendment is not expected to have a significant impact to the group.	Annual periods commencing on or after 1 July 2009
Annual Improvements	**Annual Improvements Project** As part of its annual improvements projects, the IASB has issued its editions of annual improvements. The annual improvement projects aim is to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement.	
	Annual improvements project undertaken in the 2008 calendar year.	Annual periods commencing on or after 1 January 2009
	Annual improvements project undertaken in the 2009 calendar year. There are no significant changes in either of the improvement projects that are expected affect the group.	Annual periods commencing on or after 1 January 2010

42 Reclassification of prior year amounts due to developing practice

Certain balances as at 30 June 2008 were restated in the current year to allow for improved classification. These reclassifications do not change the profit before taxes or the tax charge, and hence, only gross amounts are disclosed below.

N$'000	June 2008 (As previously presented)	Reclassifications	June 2008 (After reclassification)
Consolidated income statement			
Interest and similar income	1 481 417	22 100	1 503 517
Non interest income			
- fees and commissions	334 050	(8 293)	325 757
- gains less losses from investment activities	35 344	(22 100)	13 244
Operating expenses	(625 932)	8 293	(617 639)

43 Risk management

The risk report of the group appears on page 143 to 149 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 exposure 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 risks that the business is exposed to are detailed in this note

43.1 Maximum exposure to credit risk

Total exposure (items where credit risk exposure exist)

N$'000	2009	2008
Cash and short term funds	151 506	133 230
- Balances with other banks	40 948	30 611
- Balances with central banks	110 558	102 619
Due from banks and other financial institutions	479 256	1 004 314
Advances	10 486 434	9 141 531
- Overdraft and managed accounts	1 556 827	1 178 949
- Card loans	66 057	
- Instalment sales	1 603 196	1 473 603
- Lease payments receivable	82 645	67 672
- Home loans	5 265 172	4 834 055
- Term loans	1 603 279	1 358 864
- Other	309 258	228 388
Derivatives	130 487	37 532
Investment securities	1 559 965	1 560 715
- Listed investment securities - debt	7 016	6 265
- Unlisted investment securities - debt	1 552 949	1 554 450
Accounts receivable	71 553	46 735
Amounts not recognised on balance sheet	2 365 793	1 696 251
Guarantees	647 729	442 862
Letters of credit	67 379	121 519
Irrevocable commitments	1 650 685	1 131 870
Total	15 244 994	13 620 308

43.2 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 1 to FR 100, with the FR 1 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 S&P.

43 Risk management (continued)

43.3 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 43.2 for the FR rating mapping to international and national rating scales):

N$'000	2009 Total neither past due nor impaired	Overdraft and Managed accounts	Card loans	Instalment sales	Homeloans	Term loans
FR 28 - 91	9 543 164	1 197 451	67 978	1 670 070	5 036 203	1 571 462
Above FR 92	92 547	4 368	41	8 142	48 389	31 607
Total	9 635 711	1 201 819	68 019	1 678 212	5 084 592	1 603 069

N$'000	2008 Total neither past due nor impaired	Overdraft and Managed accounts	Card loans	Instalment sales	Homeloans	Term loans
FR 28 - 91	8 561 038	1 172 875		1 560 378	4 348 453	1 479 332
Above FR 92	193 368	40 438		6 910	84 063	61 957
Total	8 754 406	1 213 313		1 567 288	4 432 516	1 541 289

N$'000	2009 Negotiable certificates of deposits	Treasury bills	Other Government and Government guaranteed stock	Other dated securities	Other investment securities	Derivatives	Cash and short term funds	Due from banks and other financial institutions	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)	100 230	355 141	267 900	186 068	231 797	2 393	356 674	479 256	1 979 459
Unrated					418 828	128 094			546 922
Total	100 230	355 141	267 900	186 068	650 625	130 487	356 674	479 256	2 526 381

N$'000	2008 Negotiable certificates of deposits	Treasury bills	Other Government and Government guaranteed stock	Other dated securities	Other undated securities	Derivatives	Cash and short term funds	Due from banks and other financial institutions	Total
International scale mapping (National equivalent):									
AAA to BB- (A to BBB)	116 044	544 138	201 473	66 109	159 384	32 280	345 323	1 004 314	2 469 065
Unrated					473 567	5 252			478 819
Total	116 044	544 138	201 473	66 109	632 951	37 532	345 323	1 004 314	2 947 884

43 Risk management (continued)

43.3 Credit quality (continued)

		2009						
				Past due but not impaired				
N$'000	Age analysis	Neither past due nor impaired	Renegotiated but current	1 - 30 days	31 - 60 days	61 - 90 days	Impaired	Total
	Advances							
	- Overdraft and managed accounts	1 201 819		584 331		77 136	57 276	1 920 562
	- Card loans	68 019			834	457	3 307	72 617
	- Instalment sales	1 678 212			23 809	5 878	25 289	1 733 188
	- Home loans	5 084 592			121 058	42 823	138 427	5 386 900
	- Term loans	1 603 069			9 429	1 752	12 240	1 626 490
		9 635 711		584 331	155 130	128 046	236 539	10 739 757
	Accounts receivable							
	- Items in transit	32 019						32 019
	- Deferred staff cost	44 655						44 655
	- Other accounts receivable	39 534						39 534
		116 208						116 208
	Policy loans on investments contracts	22 767						22 767
	Total	9 774 686		584 331	155 130	128 047	236 539	10 878 732

		2008						
				Past due but not impaired				
N$'000	Age analysis	Neither past due nor impaired	Renegotiated but current	1 - 30 days	31 - 60 days	61 - 90 days	Impaired	Total
	Advances							
	- Overdraft and managed accounts	1 213 313		4 435			52 661	1 270 409
	- Instalment sales	1 567 288		36 450	1 727	1 358	23 146	1 629 969
	- Home loans	4 432 516		207 282	51 586	83 958	136 765	4 912 107
	- Term loans	1 541 289		10 880	2 681	4 749	14 533	1 574 132
		8 754 406		259 047	55 994	90 065	227 105	9 386 617
	Accounts receivable							
	- Items in transit	4 537						4 537
	- Deferred staff cost	47 847						47 847
	- Other accounts receivable	42 198						42 198
		94 582						94 582
	Policy loans on investments contracts	19 407						19 407
	Total	8 868 395		259 047	55 994	90 065	227 105	9 500 606

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.

43 Risk Management (continued)

43.4.1 Liquidity cash flow analysis

Undiscounted cash flows

N$'000	2009 Total amount	Term to maturity Call - 3 months	4 - 12 months	Over 12 months
Maturity analysis of liabilities based on the undiscounted amount of the contractual payment				
Liabilities				
Deposits and current accounts	11 059 205	9 080 534	1 925 123	53 548
Due to bank and other financial institutions	22 731	22 731		
Derivative financial instruments	115 631	53 626	56 247	5 758
Creditors and accruals	296 628	278 327	18 301	
Gross outstanding claims	11 377		11 377	
Gross unearned premium	18 058		18 058	
Provision for unintimated claims	2 740		2 740	
Policyholder liabilities under insurance contracts	927 304	80 360	26 689	820 255
Policyholder liabilities under investment contracts	36 066	4 825	1 469	29 772
Post retirement medical liability	21 671			21 671
Tax liability	5 511		5 511	
Deferred tax liability	18 090			18 090
Long term liabilities	331 370		23 790	307 580
Financial and other guarantees	1 430 216	1 164 871	223 459	41 886
Facilities not drawn	1 650 685	1 650 685		

N$'000	2008 Total amount	Term to maturity Call - 3 months	4 - 12 months	Over 12 months
Maturity analysis of liabilities based on the undiscounted amount of the contractual payment				
Liabilities				
Deposits and current accounts	9 710 483	8 188 000	1 488 518	33 965
Due to bank and other financial institutions	353 834	353 834		
Derivative financial instruments	61 919	11 152	7 827	42 940
Creditors and accruals	246 681	182 544	64 137	
Gross outstanding claims	1 430		1 430	
Gross unearned premium	15 517		15 517	
Provision for unintimated claims	1 826		1 826	
Policyholder liabilities under insurance contracts	1 103 914	90 406	26 906	986 602
Policyholder liabilities under investment contracts	38 302	6 712	1 355	30 235
Post retirement medical liability	37 539			37 539
Tax liability	1 190		1 190	
Deferred tax liability	17			17
Long term liabilities	355 160		23 790	331 370
Financial and other guarantees	564 381	500 951	28 893	34 537
Facilities not drawn	1 131 870	1 131 870		

The table above represents the undiscounted cash flows of liabilities and includes all cash flows related to the principal amounts as well as future payments. The balances in the table above will not agree directly with the balances on the balance sheet for the following reasons:

- The amounts included in the table above are contractual undiscounted amounts whereas the balance sheet is prepared using the discounted amounts;
- The table includes contractual cash flows with respect to off balance sheet items which have not been recorded on the balance sheet;
- Cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

43 Risk Management (continued)

43.4.2 Liquidity cash flow analysis (continued)

Contractual discounted cash flows

	2009			
		Term to maturity		
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Maturity analysis of assets and liabilities based on the present value of the expected payment				
Total assets	14 100 045	3 856 315	1 096 619	9 147 111
Total equity and liabilities	14 100 045	9 205 489	1 922 933	2 971 623
Net liquidity gap		(5 349 174)	(826 314)	6 175 488
Cumulative liquidity gap		(5 349 174)	(6 175 488)	

	2008			
		Term to maturity		
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Maturity analysis of assets and liabilities based on the present value of the expected payment				
Total assets	13 401 506	4 151 190	1 294 220	7 956 096
Total equity and liabilities	13 401 506	8 832 648	1 574 504	2 994 354
Net liquidity gap		(4 681 458)	(280 284)	4 961 742
Cumulative liquidity gap		(4 681 458)	(4 961 742)	

The table above represents the 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.

Liquidity mismatch analysis

The purpose of liquidity mismatch is to anticipate the maturities in the balance sheet 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 balance sheet 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.

43 Risk Management (continued)

43.5 Repricing profile

	2009				
	Repricing profile				
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months	Non interest bearing
Items are allocated to time periods with reference to the earlier of the next contractual interest rate repricing date and the maturity date					
Total assets	14 100 045	12 056 272	440 611	398 066	1 205 096
Total equity and liabilities	14 100 045	8 788 352	1 782 540	313 757	3 215 396
Net repricing gap		3 267 920	(1 341 929)	84 309	(2 010 300)
Cumulative repricing gap		3 267 920	1 925 991	2 010 300	

	2008				
	Repricing profile				
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months	Non interest bearing
Items are allocated to time periods with reference to the earlier of the next contractual interest rate repricing date and the maturity date					
Total assets	13 401 506	11 796 330	262 828	187 394	1 154 954
Total equity and liabilities	13 401 506	8 541 834	1 483 086	269 468	3 107 118
Net repricing gap		3 254 496	(1 220 258)	(82 074)	(1 952 164)
Cumulative repricing gap		3 254 496	2 034 238	1 952 164	

43.6 Currency risk

	2009				
	Currency concentration				
N$'000	Total	NAD/ZAR	USD	EUR	Other
The table below summarise the group's assets and liabilities at carrying amounts, categorised by currency, as at the balance sheet date.					
Total assets	14 100 045	13 635 718	294 421	102 326	67 580
Total equity and liabilities	14 100 045	13 699 786	249 336	96 554	54 369

	2008				
	Currency concentration				
N$'000	Total	NAD/ZAR	USD	EUR	Other
The table below summarise the group's assets and liabilities at carrying amounts, categorised by currency, as at the balance sheet date.					
Total assets	13 401 506	12 989 049	348 121	62 854	1 482
Total equity and liabilities	13 401 506	13 094 485	261 211	45 810	

43 Risk Management (continued)

43.7 Sensitivity analysis

Banking market risk

Net interest income sensitivity

Assuming no management intervention, a parallel 100 basis point increase in all yield curves would increase the forecast net interest income for the next year by N$30 million (2008: N$29 million), while a parallel decrease in all yield curves would decrease the forecast income by N$38 million (2008: N$29 million)

Foreign currency risk sensitivity analysis

Other than 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 derivates are reported in profit and loss.

Insurance risk sensitivity

The results of the sensitivity testing in the table below illustrate that the assumptions regarding future mortality and morbidity experience have an impact on the actuarial liability. This is to be expected given the nature of the business (risk insurance). This implies future trends in mortality and morbidity experience, whether positive or negative, will impact on profits in the future. The sensitivities provided, in isolation, are not amounts that can be simply extrapolated to determine prospective earnings forecasts.

		2009 N$'000	2008 N$'000
Policyholders liabilities under Insurance Contracts		927 304	1 103 914
Change in liability			
Worse mortality	10%	2 967	2 207
Worse morbidity	10%	485	384
Worse PI inception rates	10%		
Lower investment returns	-1%	16 505	13 361
Worse terminations	-10%	10 256	7 646
Worse expenses	10%	7 224	6 996
Worse expenses inflation	10%	9 870	9 887

43 Risk Management (continued)

43.7 Sensitivity analysis (continued)

Market risk sensitivity on insurance business

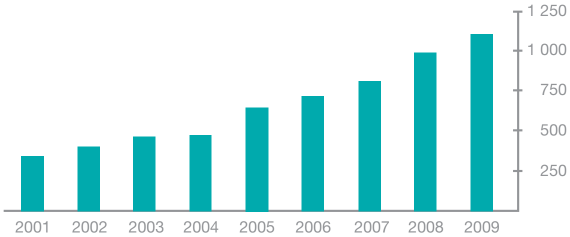
The table below shows the result of sensitivity testing on the group's profit or loss (before tax) and equity for reasonable possible changes in the risk variables. The sensitivity analysis indicates the effect of changes in the risk factors arising from the impact of the changes in these factors on the group's financial assets and liabilities.The sensitivity analysis does not take into consideration that the group's assets and liabilities are actively managed.

		2009	
		Impact on profit / (loss) N$'000	Impact on equity N$'000
Interest rate risk			
Local government bonds			
Lower limit	9.17%	(195)	(129)
Upper limit	10.67%	195	724
Cash			
Lower limit	11.17%	(1 923)	(278)
Upper limit	12.67%	1 923	278
Equity price risk			
Lower limit	10.50%	(1 177)	(4 230)
Upper limit	14.50%	1 177	4 230

		2008	
		Impact on profit / (loss) N$'000	Impact on equity N$'000
Interest rate risk			
Local government bonds			
Lower limit	9.17%	(500)	(905)
Upper limit	10.67%	500	929
Cash			
Lower limit	11.17%	(139)	(342)
Upper limit	12.67%	139	342
Equity price risk			
Lower limit	10.50%	(2 129)	(5 439)
Upper limit	14.50%	2 129	5 439

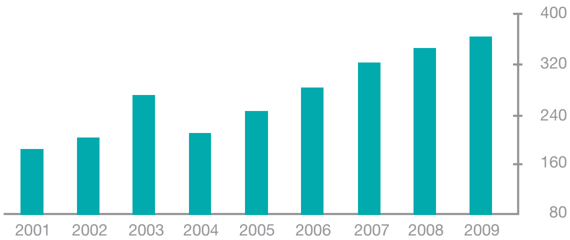
Closing ordinary share price

cents



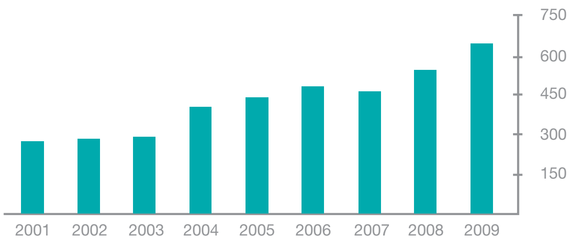
Headline earnings

N$ million



Net asset value per share

cents



Features of the group results

For the year ending 30 June

	% change	2009	2008
Share performance			
Earnings per share (cents)	(6)	136.1	145.2
Headline earnings per share (cents)	9	135.6	124.7
Diluted headline earnings per share (cents)	9	135.6	124.7
Dividends per share (cents) - ordinary (Actual declared in financial period)	6	56.0	53.0
Closing share price (cents) - ordinary	18	1 180.0	996.0
Number of shares in issue (millions) - ordinary*	(2)	258.4	264.4
Weighted number of shares in issue (millions) - ordinary*	(2)	260.2	264.4
Dividend cover (times) - ordinary (based on normalized earnings)		2.4	2.4
Net asset value per share (cents)	13	634.9	561.0
Dividend yield (%) - ordinary dividend		4.7	5.3
Earnings yield (%) - ordinary shares		11.5	14.6
Price to Book ratio	6	1.9	1.8
Price: Earnings ratio - ordinary shares	26	8.7	6.9
* after consolidation of employee share trust			
Selected ratios			
Return on average shareholders' equity (%)		22.7	28.2
Return on average assets (%)		2.6	3.4
Cost to income ratio (%)		50.2	45.9
Capital adequacy			
Banking group (%)		20.3	20.7
Swabou Life (CAR) (times)	(41)	3.0	5.1
OUTsurance - solvency margin (%)		42.2	59.3
Return on investment			
Closing share price end of year (cents)		1 180	996
Opening share price beginning of year (cents)		(996)	(792)
Capital gain (cents)		**184**	**204**
Dividends (cents)		56	53
Total return, including capital gain (cents)		**240**	**257**
Return on investment (%)		**24**	**32**

FNB Namibia Holdings Limited
Company income statement
for the year ended 30 June

N$'000	Note	2009	2008
Non interest income			
- gains less losses from investment activities	2	187 714	208 688
Interest expense and similar charges	8	(1 662)	(4 334)
Income from operations		186 052	204 354
Operating expenses	3	(2 079)	(3 171)
Income before tax		183 973	201 183
Indirect tax	4	(101)	(127)
Profit before tax		183 872	201 056
Direct tax	4		
Profit for the year		183 872	201 056
Attributable to:			
Equity holders of the company		183 872	201 056

Company balance sheet
as at 30 June

N$'000	Note	2009	2008
Assets			
Accounts receivable		2 190	1 300
Investment in associates	6	15 691	263
Investment in subsidiaries	7	1 258 570	1 257 986
Tax asset		279	279
Total assets		1 276 730	1 259 828
Equity and liabilities			
Liabilities			
Loan from group company	8	17 530	36 804
Creditors and accruals		2 148	1 212
Total liabilities		19 678	38 016
Equity			
Ordinary shares	11	1 338	1 338
Share premium	11	280 810	280 810
Reserves		974 904	939 664
Capital and reserves attributable to ordinary equity holders		1 257 052	1 221 812
Total equity and liabilities		1 276 730	1 259 828

FNB Namibia Holdings Limited
Company statement of changes in equity

for the year ended 30 June

N$'000	Share capital	Share premium	Share based payment reserve	Retained earnings	Total ordinary shareholders' funds
Balance at 1 July 2007	1 338	280 810	2 217	870 930	1 155 295
Profit for the year				201 056	201 056
Staff share options costs			704		704
BEE Consortium share option costs			1 229		1 229
Ordinary final dividend: 26 October 2007				(69 574)	(69 574)
Ordinary interim dividend: 28 March 2008				(66 898)	(66 898)
Balance at 30 June 2008	1 338	280 810	4 150	935 514	1 221 812
Profit for the year				183 872	183 872
BEE Consortium share option costs			1 220		1 220
Ordinary final dividend: 29 October 2008				(74 926)	(74 926)
Ordinary interim dividend: 3 April 2009				(74 926)	(74 926)
Balance at 30 June 2009	1 338	280 810	5 370	969 534	1 257 052

Company cash flow statement

for the year ended 30 June

N$'000	2009	2008
Cash flows from operating activities		
Cash generated by operations*	185 193	170 036
Working capital changes		
- Increase current assets	(890)	(1 300)
- Increase / (decrease) in current liabilities	936	(2 448)
Net cash generated from operations	185 239	166 288
Tax paid	(101)	(34 341)
Net cash flow from operating activities	185 138	131 947
Cash flows from investment activities		
Net (decrease) / increase in loans from group company	(19 274)	38 666
Proceeds on sale of shares in subsidiary		4 900
Investment in subsidiary	(584)	(39 041)
Acquisition of 40% interest in FNB Insurance Brokers (Namibia) (Pty) Ltd, during the year.	(15 428)	
Net cash flow from investment activities	(35 286)	4 525
Cash flows from financing activities		
Dividends paid	(149 852)	(136 472)
Net cash flow from financing activities	(149 852)	(136 472)
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 profit before tax to cash generated by operation**		
Profit before tax	183 973	201 183
Adjusted for:		
- Profit on sale of subsidiaries		(33 080)
- Share payment cost	1 220	1 933
Cash generated from operation	185 193	170 036

FNB Namibia Holdings Limited
Notes to the company annual financial statements
for the year ended 30 June

N$'000	2009	2008
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 Holdings Group. For detailed accounting policies refer to pages 44 to 62 of this annual report.

2 Non interest income

N$'000	2009	2008
Gains less losses from investment activities		
- Dividends received		
- Subsidiaries	186 834	174 708
- Associates	880	900
- Net profit realised on sale of interest in subsidiaries		33 080

During the prior year, the company sold 35% of its interest in Swabou Life Assurance Company Limited to Momentum Group Limited, and a 49% of Swabou Insurance Company Limited to FirstRand STI Holdings Limited, and realised the profit of N$33,1 million.

N$'000	2009	2008
Gross gains less losses from investment activities	187 714	208 688

3 Operating expenses

N$'000	2009	2008
Auditors' remuneration		
- Audit fees	857	748
- Prior year under provision		374
Total Auditors' remuneration	857	1 122
BEE consortium share option costs	1 220	1 229
Other share option costs		704
Other operating costs		
- Other operating expenditure	2	116
Total operating expenditure	2 079	3 171

N$'000		2009	2008
4	**Tax**		
	Indirect Tax		
	Value added tax	101	127
	Total indirect tax	101	127
	Direct Tax		
	The company earned no taxable income (2008: nil), the efective tax rate is 0% (2008: 0%).		
5	**Dividends per share**		
	A final dividend (dividend no. 26) of 26.0 cents per share was declared on 16 August 2007 in respect of the six months ended 30 June 2007 and payable on 26 October 2007.		69 574
	An interim dividend (dividend no. 27) of 25.0 cents per share was declared on 6 February 2008 for the six months ended 31 December 2007 and paid on 28 March 2008.		66 898
	A final dividend (dividend no. 28) of 28.0 cents per share was declared on 16 August 2007 in respect of the six months ended 30 June 2008 and payable on 29 October 2008.	74 926	
	An interim dividend (dividend no. 29) of 28.0 cents per share was declared on 6 February 2008 for the six months ended 31 December 2008 and paid on 3 April 2009.	74 926	
		149 852	136 472
	Final dividend of 28.0 cents (2008: 28.0 cents) per share was declared subsequent to year-end.	74 926	

6 Investments in associates

N$'000		2009	2008
Unlisted investments			
Carrying value at beginning of the year		263	263
During the year, the company acquired a 40% interest in FNB Insurance Brokers (Namibia) (Pty) Ltd.		15 428	
Carrying value at end of the year		15 691	263
The list of associates are:	Nature of business		
Avril Payment Solutions (Pty) Ltd	Payroll administrators	263	263
FNB Insurance Brokers (Namibia) (Pty) Ltd	Insurance brokers	15 428	
RMB Asset Management Namibia (Pty) Ltd	Asset management		

Refer to note 17 in the group financial statements for full details of associates

Refer to note 36 in the group financial statements for full related party tranasctions and balances.

7 Investments in subsidiaries

N$'000		2009	2008
Unlisted investments			
Carrying value at beginning of the year		1 257 986	1 191 322
Net movements		584	66 664
Carrying value at end of the year		1 258 570	1 257 986
The list of subsidiaries are:	Nature of business		
First National Bank of Namibia Ltd	Commercial bank	1 142 792	1 142 792
First National Asset Management and Trust Company (Pty) Ltd	Estate and trust services		
Talas Properties (Windhoek) (Pty) Ltd	Property company	2 967	2 967
Swabou Life Assurance Company Limited	Long term insurance	101 038	100 454
OUTsurance Insurance Company of Namibia Ltd**	Short term insurance	6 298	6 298
FNB Namibia Unit Trust Ltd	Unit trust management	5 475	5 475
** Swabou Insurance Company Ltd changed its name to OUTsurance Insurance Company of Namibia Limited during the year under review.		1 258 570	1 257 986

Refer to note 18 in the group financial statements for full details of investment in subsidiaries.

Refer to note 36 in the group financial statements for full related party tranasctions and balances.

8 Loan from group company

	2009	2008
Balances with Talas Properties (Windhoek) (Pty) Ltd		
Balance at 1 July	(36 804)	1 862
Repaid / (Received) during the year	19 274	(38 666)
Balance at 30 June	(17 530)	(36 804)
Interest paid	1 662	4 334

9 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.

10 Related party transactions

During the year and prior year, the company has entered into transactions with its subsidiaries (note 8) and received dividend (note 2) and paid interest (note 8).

Refer to note 36 in the group financial statements for related party transactions and balances.

	2009	2008
11 Share capital		
Authorised		
990 000 000 (2008: 990 000 000) ordinary shares with a par value of 0.5 cents per share	4 950	4 950
10 000 000 (2008: 10 000 000) cumulative convertible redeemable preference shares with a par value of 0.5 cents per share	50	50
	5 000	5 000
Issued		
267 593 250 (2008: 267 593 250) ordinary shares with a par value of 0.5 cents per share	1 338	1 338
2 (2008: 2) cumulative convertible redeemable preference shares with a par value of 0.5 cents 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 shares are under the control of the directors until the next annual general meeting. All issued shares are fully paid up.

Corporate governance statement

Introduction

Corporate governance is aimed at promoting greater corporate accountability, transparency and stakeholder confidence and the board of directors subscribe to these principles and incorporate the principles of leadership, sustainability and good corporate citizenship.

Corporate governance is standardised across the group to ensure the high standards the group has set itself are implemented and monitored consistently in all its operations.

The group is committed to being a good corporate citizen and a world class leader in the financial services industry, and this can be confirmed by examining the group's practices.

The group believes that the implementation of its strategies is best managed at subsidiary and divisional level. While the non-executive directors acknowledge the need for their independence, they recognise the importance of good communication and close cooperation with executive directors. Teamwork between directors is an essential part of the group's philosophy.

Application of King Code on Corporate Governance

The group subscribes to the principles of the Code of Corporate Practices and Conduct (King Code). The directors are satisfied that the way in which the group is directed and controlled, complies with this Code in all material respects.

Code of ethics

The board is responsible to cultivate and promote an ethical corporate culture within which integrity permeates throughout the company as set out in the group's Code of Ethics. The object of the group's code of ethics is to enable employees to always act according to defined ethical principles. This code commits all employees to the highest standards of integrity, behaviour and ethics in dealing with all stakeholders.

All staff are required to, at all times familiarise themselves with this code and to adhere to it, as it is regarded as a strategic business imperative and a source of competitive advantage.

The board of directors

Functions of the board

The board is responsible and accountable for providing effective corporate governance, direction and control of the company. The directors have a duty to exercise leadership, enterprise, integrity and judgment based on transparency, fairness, accountability and responsibility. All directors subscribe to the code of ethics which forms part of the board charter, and their performance is monitored by the directors' affairs and governance committee.

In terms of its charter, the board is responsible for appointing the chief executive officer of the holding company and its subsidiaries, adopting a corporate strategy, major plans of action, policies and procedures as well as monitoring operational performance. This includes identifying risks which impact on the group's sustainability and monitoring risk management and internal controls, compliance management, corporate governance, business plans, key performance indicators, including non-financial criteria and annual budgets.

The board is also responsible for managing successful and productive relationships with all stakeholders that foster trust and confidence in the company.

All directors, both executives and non-executives, carry full fiduciary responsibility and owe a duty of care and skill to the group in terms of governing legislation.

Composition

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

The board of the company comprised of eleven directors: one executive director and ten non-executive directors. Of the non-executive directors, eight are independent.

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

Appointment

The appointment of directors is set out in a formalized process and appointments are made at the annual shareholder's meeting. The board of directors on the recommendation of the directors' affairs and governance committee, which serves as the nominations committee for the group, appoints the directors in compliance with regulatory requirements. The board takes cognisance of its needs in terms of different skills, experience, diversity, size and demographics.

All non-executive directors are subject to retirement by rotation and re-election by shareholders periodically in accordance with the Articles of Association. A staggered rotation ensures continuity of experience and knowledge. Brief curriculum vitae of each director standing for election or re-election at the annual general meeting accompanies the notice of the meeting. The reappointment of non-executive directors is not automatic and is subject to performance and eligibility. The board does not believe it should limit the number of terms an individual may serve. Long-serving directors provide valuable insight into the operations and future of the company based on their experience of the group's history, policies and objectives.

The board believes that 70 is an appropriate retirement age for directors. Directors will only be nominated for re-election after their 70th birthday at the discretion of the board.

Board meetings

The board meets quarterly, with additional meetings convened as and when necessary.

Directors have full and unrestricted access to management and all group information and properties. They are also entitled to seek independent professional advice and or training at the group's expense in support of their duties. Directors may meet separately with management without the attendance of executive directors. 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.

The board met four times during the year and the table below shows the attendance of directors at the FNB Namibia Holding's board meetings as well as board committee meetings:

	Board				Audit Committee				Directors Affairs and Governance Committee			Remuneration Committee			
Name of Director	Aug 08	Nov 08	Feb 09	May 09	Aug 08	Oct 08	Feb 09	May 09	Aug 08	Nov 08	March 09	Aug 08	Oct 08	March 09	May 09
H-D Voigts (chairman) I NED	√	√	√	√	NM	NM	NM	NM	√	√	√	√	√	√	√
VR Rukoro (CEO) Executive	√	√	√	√	At	At	At	At	At	At	At	At	At	At	At
HWP Böttger I NED	√	√	√	√	√	√	√	√	NM	NM	NM	NM	NM	NM	NM
CLR Haikali I NED	√	A	√	A	NM	NM	NM	NM	√	A	√	√	√	√	A
C J Hinrichsen* I NED	_	_	_	√	_	_	_	_	_	_	NM	_	_	_	NM
JR Khethe NED	√	√	√	√	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
JK Macaskill NED	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
SH Moir I NED	√	√	√	√	√	√	√	√	NM	NM	NM	√	A	√	√
MN Ndilula I NED	√	√	√	A	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
PT Nevonga I NED	√	√	√	√	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
II Zaamwani-Kamwi (Ms) I NED	√	√	A	√	√	A	A	A	NM	NM	NM	√	√	√	A

A = Apologies tendered; NM = Not a member; I NED = Independent NED;
NED = Non Executive Director, * Appointed March 2009; AT = Attendee

Directors development

Training and development of directors is conducted through a formalized process that takes into account performance evaluation of the directors and the board as a whole. Directors undergo a formalized orientation programme at appointment and continuing professional development which includes exposure to new developments relevant to their role and the company.

Two training sessions were conducted for directors during the past year. These sessions cover important topics such as recent developments on corporate governance, updates on legislative developments, as well as relevant developments in the groups' areas of operation. Directors are also at liberty to suggest any area they may feel uncomfortable with for training.

Directors evaluation

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

Subsidiary boards and board committees

The company has three major subsidiaries. These are:

- First National Bank of Namibia Limited;
- Swabou Life Assurance Company Limited; and
- OUTsurance Insurance Company of Namibia Limited (formerly Swabou Insurance Company of Namibia Limited).

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

Board committees assist the directors in the discharge of their duties and responsibilities. At company level, in addition to the executive committee (Exco), committees exist to deal with remuneration, audit, directors' affairs and governance, and credit risk. These 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. Independent professional advice may be obtained at the group's expense in support of their duties.

Audit committee

The group's audit committee assists the board in discharging its responsibilities relative to internal controls, financial control and reporting, shareholder reporting and corporate governance generally. To this end, it has adopted a terms of reference dealing with membership, structure, authority and duties. The group's audit committee has complied with its terms of reference.

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

- ensuring the integrity, reliability and accuracy of accounting and financial reporting systems;
- ensuring that appropriate systems are in place to identify and monitor risk, controls and compliance with the law and codes of conduct;
- evaluating the adequacy and effectiveness of internal audit, risk and compliance assurance functions;
- maintaining transparent and appropriate relationships with the external auditors; and
- reviewing the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors.

The committee is also authorised to investigate any activity or concern externally on any matter within its terms of reference.

The committee consists of non-executive directors. The group chief executive officer, the group chief financial officer and the head of internal audit attend ex-officio. The external auditors attend all meetings.

The committee met four times during the year.

Remuneration committee

The committee consists of non-executive directors with the group chief executive officer attending in an ex-officio capacity.

Its primary objective is to develop the remuneration policy for the group. It is responsible for:

- the remuneration, bonus and share incentive scheme policies and practices in the group;
- all forms of remuneration and reward to directors (including a preview of executive directors' remuneration proposals, whose remuneration is approved by the Directors' Affairs and Governance committee) and senior management including, but not limited to, fees, basic pay, perks and other benefits, bonus and incentive payments, restraint of trade, issuing of share options; and
- reviewing of proposals to the board and shareholders on non-executive director remuneration, and
- reviewing and approving annual salary increases and bonus awards of staff.

Non-executive directors' fees are based on market comparisons, and are reviewed on an annual basis. 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 note 6.1 of the group's annual financial statements.

The committee met four times during the year.

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.

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

- its determination and evaluation of 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 remuneration, other benefits and employment conditions of the CEO and executive directors;
- the self-assessment of the effectiveness of the board as a whole and the contribution of each director, which self-assessment shall be co-ordinated by the chairperson of the board; and
- ensuring that succession plans are in place for key posts (as determined by the committee from time to time) in the group.

The committee reviews the structure and composition of the boards of significant operating companies within the group.

The committee is composed of three non-executive directors, two of which are independent.

The committee met three times during the year.

Strategic committee ("Stratco")

This committee assists the board in the formulation of strategies and meets once a month. Membership consists of the group chief executive officer, bank chief executive officer, group chief financial officer and group chief strategy officer.

Executive committee ("Exco")

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

- asset and liability management committee (ALCO);
- procurement; and
- investment committee.
- operational risk and compliance committee
- balance sheet management committee

BEE committee

This committee was established in terms of the BEE agreement entered into between FirstRand Bank Holdings Limited, FNB Namibia Holdings Limited and the BEE consortia. The purpose of this committee is to monitor the progress made by the consortia in meeting their targets for the vesting of their share options and to make recommendations to FirstRand Bank Holdings Limited regarding the vesting of the tranches. The committee is chaired by a non-executive director and membership includes representation of FirstRand Bank Holdings Limited, the consortia and members of the executive management of the group.

Share dealings

Directors, senior executives, participants in the share option schemes, or persons who may have knowledge of price sensitive information may not trade in the company's shares for about two and a half months after the reporting period end, but before the announcement of the interim and year-end results. This prohibition also covers periods where the company is trading under cautionary announcements. Additional closed periods may be invoked by the board.

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

Financial statements

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

The financial statements in this report have been prepared by management in accordance with 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 judgements and estimates.

Auditor 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.

Succession planning

The group benefits from an extensive pool of people with diverse experience and competence at senior management level.

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 has an affirmative action policy to achieve employment equity in the workplace and 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.

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 and determinations passed there under, while the long-term and short-term insurance, unit trusts and asset management 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.

With the exception of the regulatory requirement to have a fully localised core banking system, the board is satisfied that the group 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. With regard to the regulatory requirement to localise the core banking system, the banking group has been given dispensation by the Bank of Namibia until 30 December 2009.

Social responsibility and sustainability

The group satisfies its social responsibility through the FNB Foundation which on a yearly basis supports worthy community upliftment 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.

Group company secretary

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

All directors have unrestricted access to the group company secretary.

Communication with shareholders

The group 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 with shareholders in order to build and maintain relationships.

Following the publication of its financial results, it engages with investors and analysts both locally and internationally to present the results and answer questions in respect thereof.

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

Risk report

Introduction

Risk-taking, in an appropriate manner, is a fundamental part of the group's business activity and an essential component of its planning process. This is achieved by keeping risk management at the centre of the executive agenda and by building a culture in which risk management is embedded in the everyday management of the business.

The risk appetite of the group is always monitored in managing the business. Risk appetite refers to the level of risk that the group is willing to accept in fulfilling business objectives. These risks are first understood on an inherent basis, which involves understanding the main drivers to such risks in the absence of any controls. Thereafter, there is an assessment of the residual level of risks, taking into account the controls that are in place to manage such risks. Where the residual level is outside the risk appetite, further controls and action are defined to bring these risks within the risk appetite. An important aspect of this approach is the recognition that risk management is not limited solely to the downside or risk avoidance, but is about taking risk knowingly.

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

The group remains committed to the objective of increasing shareholder value by developing and growing business that is consistent with its risk appetite, and through building more effective risk management capabilities.

Responsibility for risk management resides at all levels within the group, from the executive down through the organisation to each manager. We are seeking an appropriate balance in our business, and continue to build the risk management capabilities that will help us to deliver our growth plans in a controlled environment.

Risk management principles

Risk management in the group is guided by several principles, the most important of which are:

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

Responsibility and accountability

The responsibility for risk management resides with management at all levels, from members of the board to individuals throughout the group.

Overall risk management policies, risk appetite and tolerances are established on a group basis by senior management, reviewed and where appropriate, approved by the board of directors. These policies are clearly communicated throughout the group and apply to all businesses within the group.

Integrated Risk Management Framework

The Business Performance and Risk Management Framework as adopted by the group is effective, comprehensive and consistent for the purposes that it has been developed. Under this framework, responsibilities for risk management remain with line-management. Management allocates resources to support the framework.

Risks are appropriately identified, evaluated and managed, considering the interrelationships between risks. This process happens on a continuous basis. Under this framework, structured risk self-assessments take place on a recurring basis. Risk assessments consider both the likelihood of an event occurring, as well as the impact the risk would have, should the event in question occur.

Protection of our reputation

A strong corporate reputation is a valuable asset to a financial institution.

By managing and controlling the risks incurred in the course of conducting business, the group protects its reputation. This means avoiding large concentrations of exposures of all kinds, as well as transactions that are sensitive for tax, legal, regulatory, social, environmental or accounting reasons. A cautious approach is adopted to other risks that cannot be sensibly evaluated or priced.

Risk governance

Risk governance is the approach that balances the demands for entrepreneurship, control and transparency, while supporting the group's objectives with an efficient decision-making process.

The management of risk in the group is guided and monitored by a number of committees. The details regarding the composition and main responsibilities of our board of directors and board committees are contained in the corporate governance statement of the annual report.

Risk, policies and procedures

In our ordinary course of business, we are exposed to various risks, including credit, interest rate and liquidity, operational and reputational risks. Below is an overview.

Credit risk

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. Credit risk arises from two types of transactions:

- Lending transactions, giving rise to counterparty risk (the risk that a counterparty to a transaction will be unable or unwilling to repay capital and interest on advances and loans granted to it);
- Trading transactions, giving rise to issuer and settlement risk. Issuer risk is the risk that payments due from the issuer of a financial instrument will not be received.

Settlement risk is the risk that settlement of a transaction does not take place as expected, with one party effecting settlement as they fall due but not receiving settlements to which they are entitled.

Management and measurement of credit risk

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

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

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

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

Credit risk classification and impairment policy

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

Specific impairments

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

- our exposure to the customer;
- capability of the client to generate sufficient cashflow 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.

Balance sheet risk management

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

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

Interest rate risk

Interest rate risk is the impact on the net interest earnings and sensitivity to economic value, as a result of increases or decreases in the absolute levels of interest rates. It is managed by ongoing measurement of the interest rate mismatch and basis risk, translated into sensitivity of interest income and economic value across varying interest rate scenarios.

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

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

Liquidity risk

Liquidity risk is the risk that the group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend.

Sources of liquidity risk include unforeseen withdrawals of demand deposits, restricted access to new funding with appropriate maturity and interest rates characteristics, inability to liquidate a marketable asset timeously with minimal risk of capital loss, unpredicted customer non-payment of a loan obligation and a sudden increased demand for loans.

Liquidity management is vital to preserving market confidence, safeguarding our reputation and ensuring sustainable growth. The following elements form part of the liquidity management process:

- short and long-term cash flow management;
- maintaining a structurally sound balance sheet;
- ensuring the availability of sufficient contingency liquidity;
- preserving a diversified funding base;
- undertaking regular liquidity stress testing and
- maintaining liquidity contingency plans.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is inherent in the group's operations. The goal is to manage this risk to acceptable levels and to minimise unexpected events. Senior management is responsible for identifying and mitigating operational risks.

Operational risk includes amongst others the management of business continuity risk, information security risk, information risk management as well as our response to financial crime.

Business continuity risk

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

Information risk management

Changes to IT systems can introduce risk if not properly planned, assessed and implemented with care. Information security continues to receive attention so that the group can respond proactively to threats to data, systems and information.

Changes to line and business continuity environments are subject to a robust process to minimise disruptions.

Financial crime

The group has zero tolerance to financial crime, both internal and external. Incidents are fully investigated to understand source and cause, achieve recovery and initiate legal action, and implement appropriate mitigating action.

Reputational risk

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

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

It fosters an acute awareness at all levels of the impact of practices that may result in the breakdown of trust and confidence in the organisation.

Policies and practices are regularly enforced through transparent communication, accurate reporting, internal audit and regulatory compliance review and risk management practices.

Solvency risk

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

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

Market risk

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. Exchange rate risks as well as Interest rate risk are the primary risks in this category. The bank operates within a risk management framework where principles of managing risks associated with trading positions are set.

Trading limits are approved by the board, with the day-to-day operations and utilisation thereof resting with the group treasurer. Accordingly, the risk of adverse movements arising from interest rates is managed in the dealing room within treasury, where operations take place within limits assigned to each dealer, based on his/her knowledge, expertise and experience.

The group treasurer and independent risk manager monitor the trading portfolio daily and report weekly to relevant risk monitoring structures in the group and to the chief executive officer of the bank.

Market risk related operational risk

All activities are authorised and conducted using operational systems that are adequate for the recording, valuation and settlement of all transactions.

Security measures are in place to prevent access of unauthorised persons. In line with generally accepted good risk management practices, the group has an adequate segregation of duties in respect if dealing, confirmation, settlement and risk exposure measurement.

Counterparty risk

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

Insurance risk

Insurance risk is the risk that future risk claims and expenses will exceed the value placed on insurance liabilities. It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. The timing is specifically influenced by future mortality, longevity, morbidity, withdrawal and expenses about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows differing from those projected in the policyholder liability calculations. As such, each assumption represents a source of uncertainty.

The larger the portfolio of uncorrelated insurance risks, the smaller the relative variability around the expected outcome will be. In addition, a more diversified portfolio of risks is less likely to be affected across the board by a change in any subset of the risks.

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality, morbidity, termination rates, expenses and investment performance. The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected, and, in the extreme, that the actual claims and benefits exceed the liabilities.

Insurance events are by nature random and the actual number and amount of claims and benefits could be different from the number and amount of claims and benefits estimated. The larger the portfolio of contracts, the smaller the expected variation between actual and expected experience becomes. In addition, the more diversified a portfolio of risks, the smaller the impact of deviation of actual experience in a particular risk factor, compared to the assumption. The lack of diversification in respect of type and amount of risk can increase insurance risk.

Swabou Life is exposed to the following types of risks as a result of the insurance contracts it issues:

- Mortality, longevity and morbidity risk;
- Persistency risk;
- Expense risk; and
- Business volume risk.

The main insurance risks are set out below, as well as Swabou Life's approach to the management of these risks.

Mortality and morbidity risks

The risk that actual experience in respect of the rates of mortality and morbidity may be higher than what is assumed in pricing and valuation varies, depending on the terms of different products. The material classes of business most affected by these risks are as follows.

i. Individual insurance business

Products are sold directly to individuals providing benefits on death and disability, including impairment, or in the event of suffering a critical illness. The main insurance risk relates to the possibility that rates of death or disability may be higher than expected. This may be due to:

- Normal statistical variation due to the random nature of insurance events;
- Incorrect assumptions regarding future experience;
- Natural catastrophes such as floods or earthquakes, and unnatural catastrophes such as acts of terrorism;
- The impact of HIV/AIDS or epidemics such as bird or swine flu;
- Anti-selection such as where a client who has a pre-existing condition or disease purchases a product where a benefit will be paid on death or in the event of contracting such a disease;
- The effect of selective withdrawal which means policyholders are less likely to withdraw voluntarily if they are more likely to need the cover in the foreseeable future;
- Economic conditions resulting in more disability claims; and
- Concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

For contracts with fixed and guaranteed benefits and fixed future premiums there are no mitigating terms that reduce the risk accepted by Swabou Life. Therefore Swabou Life employs the following underwriting controls to ensure that only acceptable risks are accepted:

- Underwriting, which is the assessment of health risk, hazardous pursuits or financial risk, including the requirement of a negative HIV test as a condition for accepting risk, charging extra premiums or declining cover where applicable based on the outcome of the underwriting, and differentiating premiums for risk factors such as age and smoker status;
- Appropriate pricing including allowing for known risks based on actual claims experience, and making use of profit-testing techniques;
- Regular review of premium rates and approval of the approach to setting premium rates by the Statutory Actuary;
- A guarantee period shorter than the policy term applies to risk business, and enables Swabou Life to review premium rates on in-force contracts during the life of contracts. The guarantee period on whole-life products is generally within the range of 10 to 15 years; and
- Appropriate policy conditions, including setting appropriate maximum income replacement ratios in the case of products providing disability benefits, and approval of policy conditions by the Statutory Actuary.

The following additional controls and measures are in place in order to ensure that Swabou Life manages it's exposure to mortality and morbidity risk:

- Claims assessment processes to ensure only valid claims are paid;
- Reserving for AIDS risk in accordance with the guidelines issued by the Actuarial Society of South Africa as set out in Professional Guidance Note ("PGN") 105; and
- Reinsurance to limit Swabou Life's liability on particularly large claims or substandard risks. On individual pure risk business, Swabou Life reinsures up to N$100 000 per life of the mortality risk and of the morbidity risk. The maximum retention on aggregate mortality and morbidity risks on any one life is N$100 000.

ii. Group risk business

Employee benefit products provide life and disability cover to members of a group, such as employees of companies or members of trade unions. Typical benefits are:

- Life insurance (mostly lump sum, but some children and spouse's annuities)
- Disability insurance (lump sum and income protection)
- Dread disease cover and
- Continuation of insurance option

The products are, as a rule, quite simple and mostly basic products with a one-year renewable term. In most cases the products are compulsory for all employees although it has become more common recently to provide members with a degree of choice when selecting risk benefits.

Underwriting on group business is much less stringent than for individual business as there is typically less scope for anti-selection. The main reason for this is that participation in Swabou Life's insurance programmes is normally compulsory, and as a rule members have limited choice in the level of benefits. Where choice in benefits and levels is offered, this is accompanied by an increase in the level of underwriting to combat anti-selection.

Groups are priced using standard mortality and morbidity tables plus an explicit AIDS loading. The price for an individual scheme is adjusted for the following risk factors:

- Region
- Salary structure
- Gender structure
- Industry

Swabou Life reinsures all lump sum benefits and disability income benefits.

iii. Individual annuity business

Annuity contracts provide a specified regular income in return for a lump sum consideration. The income is normally provided for the life of the annuitant. In the case of a joint-life annuity, the income is payable until the death of the last survivor. The income may furthermore be paid for a minimum guaranteed period and may be fixed or increased at a fixed rate or in line with inflation. The mortality risk in this case is that the annuitants may live longer than assumed in the pricing of the contract. This is known as the risk of longevity.

Swabou Life manages its risk by reinsuring guaranteed increases to ensure that it can match the risk profile with appropriate assets.

iv. Permanent health insurance business

Swabou Life also pays Permanent Health Insurance ("PHI") income to disabled employees, the bulk of which are from employee benefit insured schemes. The income payments continue to the earlier of death, recovery or retirement of the disabled employee. There is therefore the risk of lower recovery rates or lower mortality rates than assumed, resulting in claims being paid for longer periods. Claims in payment are reviewed annually to ensure claimants still qualify and rehabilitation is managed and encouraged.

Swabou Life reinsures all Permanent Health Insurance benefits.

Persistency risk

Persistency risk relates to the risk that policyholders may cease or reduce their contributions, or withdraw their benefits and terminate their contracts prior to the contractual maturity date of a contract.

Expenses such as commission and acquisition expenses are largely incurred at outset of the contract. These upfront costs are expected to be recouped over the term of a contract from fees and charges from the contract. Therefore, if the contract or premiums are terminated before the contractual date, expenses might not have been fully recovered, resulting in losses being incurred. As a result, the amount payable on withdrawal normally makes provision for recouping any outstanding expenses. However, losses may still occur if the expenses incurred exceed the value of a policy, which normally happens early on in the term of recurring premium policies, or where the withdrawal amount does not fully allow for the recovery of all unrecouped expenses. This may either be due to a regulatory minimum applying, or because of product design.

In addition to setting realistic assumptions with regards to termination rates (rates of withdrawal and lapse), based on Swabou Life's actual experience specific amounts are set aside to cover the expected cost of any lost charges when policyholders cease their premiums or terminate their contracts.

Expense risk

There is a risk that Swabou Life may experience a loss due to actual expenses being higher than those assumed when pricing and valuing policies. This may be due to inefficiencies, higher than expected inflation, lower than expected volumes of new business or higher than expected terminations resulting in a smaller in-force book size.

Swabou Life regularly performs expense investigations and sets pricing and valuation assumptions to be in line with actual experience, with allowance for inflation. The latest investigation was performed at 30 June 2009. The inflation assumption furthermore allows for the expected gradual shrinking of the number of policies arising from the run-off of books closed to new business arising from past acquisitions.

Business volume risk

There is a risk that Swabou Life may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration. A significant portion of the new business acquisition costs are variable and relate directly to sales volumes. The fixed cost component can be scaled down if there is an indication of a permanent decline in business volumes.

Insurance risk sensitivity

Sensitivity testing determines that the assumptions regarding future mortality and morbidity experience have an impact on the actuarial liability. This is to be expected given the nature of the business (risk insurance). This implies future trends in mortality and morbidity experience, whether positive or negative, will impact on profits in the future. The sensitivity provided, in isolation, are not amounts that can be simply extrapolated to determine prospective earnings forecasts.

Reinsurance risk

Reinsurance risk is the risk of default from reinsurance companies contracted. The company only enters into reinsurance treaties with reinsurances within the FirstRand Company or subsidiaries of large international reinsurance companies and no instances of default have yet been encountered.

Claims risk

Pro-active training of staff takes place to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risk.

The conduct of staff within the group is subject to the group's code of ethics, which is communicated to all concerned staff.

Capital management

The capital management information is set out in the CFO's report on pages 25 to 30 of the group annual financial statements.

Internal audit

The group's internal audit function performs an independent appraisal activity with the full cooperation of the board and management. It has the authority to independently determine the scope and extent of work to be performed. Its objective is to assist executive management with the effective discharge of their responsibilities by examining and evaluation of the group's activities, resultant business risks and systems of internal control. Its mandate requires it to bring any significant control weaknesses to the attention of management and the audit committee for remedial action. Based on the recommendations of executive management and review of the group audit committee, the board relies on the adoption of appropriate risk management and internal control. Internal audit reports functionally to the group audit committee and administratively to the CEO of the group.

Nothing has come to the attention of the directors or the external or internal auditors to indicate that any material breakdown in the functioning of internal controls and systems has occurred at a group level during the year under review.

Internal control

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

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

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

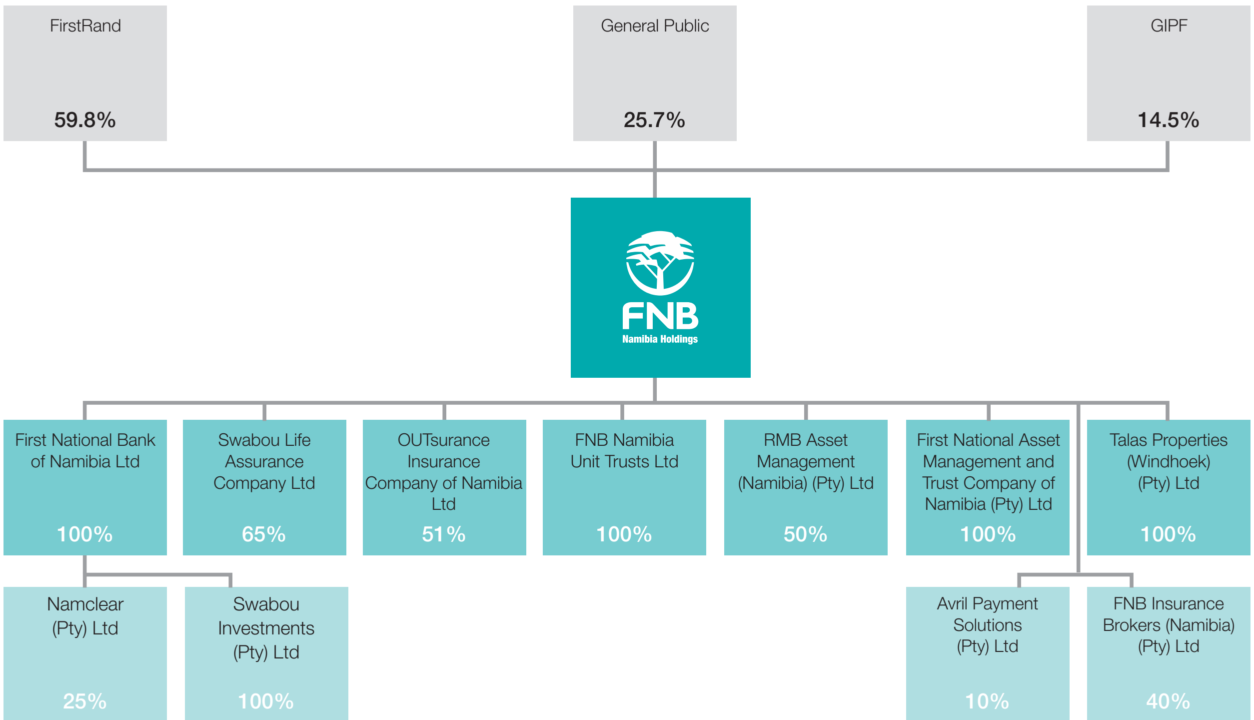
Audited quantitative risk management information, which forms an integral part of this Risk Report, is disclosed in note 43 of these annual financial statements.

Shareholder’s information

Shareholders' diary

Financial year-end	30 June
Declaration of final dividend	19 August 2009
Announcement of results	16 September 2009
Publication of annual financial statements	17 September 2009
Last record date	2 October 2009
Payment of final dividend	28 October 2009
Annual general meeting	25 November 2009
Publication of interim results	February 2010
Declaration of interim dividend	February 2010
Payment of interim dividend	April 2010

Group structure of FNB Namibia group



Group corporate information

Company name	Holding %	Registration No
FNB Namibia Holdings Ltd		88/024
Avril Payment Solutions (Pty) Ltd	10	2002/580
First Finance (Pty) Ltd	100	2002/058
First National Asset Management and Trust Company of Namibia (Pty) Ltd	100	91/125
First National Bank Nominees Namibia (Pty) Ltd	100	96/138
First National Bank of Namibia Ltd	100	2002/0180
FNB Insurance Brokers (Namibia) (Pty) Ltd	40	78/02244/07
FNB Namibia Unit Trusts Ltd	100	89/485
Namclear (Pty) Ltd	25	97/004
Namibia Properties Investment (Pty) Ltd	100	2003/0645
OUTsurance Insurance Company of Namibia Ltd	51	89/524
RMB Asset Management (Namibia) (Pty) (Ltd)	50	2003/781
Sunrise Properties (Pty) Ltd	100	88/065
Swabou Investments (Pty) Ltd	100	94/081
Swabou Life Assurance Company Ltd	65	91/369
Talas Properties (Windhoek) (Pty) Ltd	100	282/68

Share analysis - ordinary shares

Range of shareholders	Shareholders		Shares held	
	Number	%	Number	%
1 - 999	1 094	42.8	406 015	0.2
1 000 - 1 999	412	16.1	531 579	0.2
2 000 - 2 999	191	7.5	463 360	0.2
3 000 - 3 999	87	3.4	293 246	0.1
4 000 - 4 999	51	2.0	222 921	0.1
5 000 - 9 999	214	8.4	1 435 441	0.5
over 10 000	507	19.8	264 240 688	98.7
	2 556	100.0	267 593 250	100.0

Stock exchange performance	2009	2008
Share price (cents)		
- high for the year	1 180	996
- low for the year	996	792
- closing price per share	1 180	996
Number of shares traded (000's)	12 034	1 549
Value of shares traded (N$ '000's)	140 509	14 357
Number of shares traded as percentage of issued shares (%)	4.49	0.58

Category	Shareholders		Shares held	
	Number	%	Number	%
Corporate bodies	29	1.1	165 665 344	61.9
Nominee companies	7	0.3	75 980 948	28.4
Private individuals	2 500	97.8	15 793 565	5.9
Trusts	20	0.8	10 153 393	3.8
	2 556	100.0	267 593 250	100.0

Analysis of major shareholders	Number of shares	% of issued shares
FirstRand Bank Holdings Limited	159 914 144	59.8
Government Institutions Pension Fund*	38 921 371	14.5
Standard Bank (Namibia) Nominees (Pty) Ltd	27 232 295	10.2
CBN Nominees (Pty) Ltd	7 051 399	2.6
FNB Employee Share Incentive Trust	8 698 667	3.3
Sovereign Capital (Pty) Ltd	3 559 517	1.3
Chappa'ai Investments Forty Two (Pty) Ltd	1 884 509	0.7

* All Government Institutions Pension Fund shares are held by Standard Bank (Namibia) Nominees (Proprietary) Limited.

FirstRand Bank Holdings Limited, Standard Bank (Namibia) Nominees (Proprietary) Limited and Government Institutions Pension Fund are the only shareholders who beneficially hold more than 5% of the issued ordinary shares in the Company. The nominee companies mentioned above are registered shareholders in the Company, but hold the shares on behalf of other beneficial owners.

Only 2 issued preference shares were in existence at 30 June 2009 (2008: 2). These preference shares were 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-second (22nd) 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 25 November 2009 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 2009 be adopted.

3. Ordinary resolution number 3

RESOLVED THAT the final dividend declared on 19 August 2009 of 28 cents per ordinary share be and hereby is approved.

4. Ordinary resolution number 4

To ratify the appointment of the director who was appointed during the course of the year and who retires in terms of the Company's Articles of Association and being eligible, offers himself for re-election:
Mr. CJ Hinrichsen

5. Ordinary resolution number 5

To approve the appointment of the under mentioned directors who retire in terms of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

5.1 Ms. II Zaamwani-Kamwi;

5.2 Mr. JK Macaskill; and

5.3 Mr. HD Voigts

Brief curricula vitae of the directors appear after this notice.

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 direct control of the directors who are hereby authorised to allot or issue shares on such terms and such conditions as they deem fit, subject to the provisions of the Companies Act {Act 61 of 1973, as amended ("the Act")}, the Articles of Association of the Company and the Listings Requirements of the Namibian 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 remuneration of the directors as set out in note 6 to the annual financial statements for the year ended 30 June 2009 be approved.

10. Ordinary resolution number 10

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 188 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, 23 November 2009.

By order of the board FNB Namibia Holdings Limited.

Yamillah Katjirua
Company Secretary
16 September 2009

Registered office
First National Bank Building
209 Independence Avenue
P O Box 195, Windhoek, Namibia

Transfer secretaries
Transfer Secretaries (Proprietary) Limited
Shop 8, Kaiserkrone Centre, Post Street Mall
P O Box 2401, Windhoek, Namibia

Curricula vitae of the directors

Mr C J Hinrichsen
Date of birth: 9 May 1943
Independent Non-executive Director
Appointed: March 2009
BA, LLB (Wits), BA Honours (UNISA),
Admitted Legal Practitioner

Directorships: Candida (Pty) Ltd, Tovsorel Investments (Pty) Ltd, Bismark (Pty) Ltd, Ausspannplaza Investments No. 4 (Pty) Ltd
Trusteeships: Namibia Legal Practitioners Trust, Goreangab Trust

Ms II Zaamwani-Kamwi
Date of birth: 11 November 1958
Independent Non-executive Director
Appointed: January 2000
LLB (Hons) - London; LLM - Dundee

Directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, Namdeb Diamond Corporation (Pty) Ltd (CEO), Namdeb Property (Pty) Ltd, NamGem Diamond Manufacturing (Pty) Ltd, Diamond Board of Namibia, Fishcor and Seaflower Lobster, NOSA Namibia, Zantang Investments (Pty) Ltd, UNAM Council, Namibia Nature Foundation, Namibia Institute of Mining and Technology, Chamber of Mines Council, Junior Achievement Namibia, Vocational and Training Board, Namibia Chamber of Commerce & Industry, NABCOA, XNET Trust Fund

Mr JK Macaskill
Date of birth: 07 March 1950
Non-executive Director
Appointed: March 2003
BCom (BEM) - University of Pretoria;
CAIB / AEP - UNISA

Directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, First National Bank of Swaziland Ltd, First National Bank of Botswana Ltd, First National Bank of Lesotho Ltd, Celpay Holdings Ltd

Mr H-D Voigts
Date of birth: 26 March 1938
Independent Non-executive Chairman
Appointed: February 1988

Directorships: FNB Namibia Holdings Ltd (Chair), First National Bank of Namibia Ltd (Chair), FNB Foundation, Swakop Textiles (Pty) Ltd, The Automobile Association of Namibia, Wecke & Voigts Investments (Pty) Ltd, Wecke & Voigts (Pty) Ltd, Windhoek Uitspan Sentrum (Edms) Bpk

Form of proxy

FNB Namibia Holdings Limited
(Incorporated in the Republic of Namibia)
(Registration number: 88/024)
(Share code: FNB) (ISIN: NA 0003475176)
("the Company")

I / We ______________________________ (name in full)

being the holder(s) of ______________________ ordinary shares in the Company do hereby appoint:

1. ______________________________ or failing him / her

2. ______________________________ or failing him / her

3. the chairman of the annual general meeting,

as my/our proxy to act for me/us at the annual general meeting (as the case may be) which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolution in respect of the shares in the issued capital of the Company registered in my/our name/s in accordance with the following instructions (see note):

	For*	Against*	Abstain*
1. Ordinary resolution 1: Approval of minutes of the previous annual general meeting			
2. Ordinary resolution 2: Adoption of annual financial statements for 30 June 2009			
3. Ordinary resolution 3: Approval of final dividend declared			
4. Ordinary resolution 4: Ratification of the appointment of director: CJ Hinrichsen			
5. Ordinary resolution 5: Election of directors			
5.1 Ms Zaamwani-Kamwi;			
5.2 Mr JK Macaskill; and			
5.3 Mr H-D Voigts			
6. Ordinary resolution 6: FNB Employee Share Incentive Scheme			
7. Ordinary resolution 7: Control of unissued shares			
8. Ordinary resolution 8: Re-appointment of auditors			
9. Ordinary resolution 9: Approval of directors' remuneration			
10. Ordinary resolution 10: Authority to sign documents			

* Insert an X in the appropriate spaces above to indicate how you wish your votes to be cast. However, if you wish to cast your votes in respect of less than all of the shares that you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at ______________________ this __________ day of ______________________ 2009

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, Shop 8, Kaiserkrone Centre, Post Street Mall (PO Box 2401) Windhoek, Namibia by no later than 15:00 on Monday, 23 November 2009. 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, 23 November 2009.

4. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairman of the annual general meeting.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairman is satisfied as to the manner in which the member wishes to vote.

9. Where there are joint holders of ordinary shares:

i. any one holder may sign the form of proxy;

ii. 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.