FNB Namibia Holdings

Consolidated unaudited group results

for the 6 months ended 31 December 2012

FNB First National Bank | FNB Insurance Brokers | FNB Namibia Unit Trusts | RMB Namibia | OUTsurance Namibia | WesBank

www.fnbnamibia.com.na

Condensed consolidated statement of comprehensive income

	Unaudited six months ended 31 December		Audited year ended 30 June
	2012 N$m	2011 [1] N$m	2012 N$m
Continuing operations			
Interest and similar income	807	759	1 525
Interest expense and similar charges	(312)	(314)	(635)
Net interest income before impairment of advances	**495**	**445**	**890**
Impairment reversal on advances	1	27	42
Net interest income after impairment of advances	**496**	**472**	**932**
Non-interest income	432	358	740
Net insurance premium income	48	41	84
Net claims and benefits paid	(25)	(20)	(41)
Fair value adjustment to financial liabilities		3	4
Income from operations	**951**	**854**	**1 719**
Operating expenses	(460)	(422)	(884)
Net income from operations	**491**	**432**	**835**
Share of profit from associates after tax	1	1	3
Income before tax	**492**	**433**	**838**
Indirect tax	(10)	(10)	(17)
Profit before tax	**482**	**423**	**821**
Direct tax	(162)	(142)	(282)
Profit for the period from continuing operations	**320**	**281**	**539**
Discontinued operations			
Profit attributable to discontinued operation		**26**	**1**
Profit after tax on sale of discontinued operation			**232**
Profit for the period	**320**	**307**	**772**
Other comprehensive income for the period			
Continuing operations	**(1)**		**5**
Gain on available-for-sale financial assets	(5)	(1)	7
Deferred income tax relating to other comprehensive income	4	1	(2)
Total comprehensive income for the period	**319**	**307**	**777**
Profit for the period attributable to:			
Ordinary shareholders	314	289	762
Equity holders of the parent	314	289	762
Non-controlling interests	6	18	10
Profit for the period	**320**	**307**	**772**
Total comprehensive income for the period attributable to:			
Ordinary shareholders	313	289	766
Equity holders of the parent	313	289	766
Non-controlling interests	6	18	11
Total comprehensive income for the period	**319**	**307**	**777**
Earnings per share (cents)			
Basic and diluted earnings per share (cents)			
From continued operations	121.3	106.7	204.5
From discontinued operations		5.1	89.8
	121.3	**111.8**	**294.3**

[1] *Comparatives have been reclassified. These reclassifications are unaudited.*

Condensed consolidated statement of financial position

	Unaudited as at 31 December		Audited as at
	2012 N$m	2011 [1] N$m	30 Jun 2012 N$m
Assets			
Cash and cash equivalents	716	1 731	1 002
Due from banks and other financial institutions	911	1 750	1 926
Derivative financial instruments	26	21	27
Advances	15 655	13 280	14 077
Investment securities	2 342	1 948	2 144
Accounts receivable	278	45	216
Investments in associates	4	2	4
Tax asset			
Property and equipment	284	292	287
Intangible assets	7	22	11
Deferred tax asset	3		3
Reinsurance assets		1	1
Non-current assets and disposal group held for sale		1 459	
Total assets	**20 226**	**20 551**	**19 698**
Equity and liabilities			
Liabilities			
Deposits	17 210	16 358	16 239
Due to banks and other financial institutions	72	50	48
Short trading positions		81	
Derivative financial instruments	71	42	60
Creditors and accruals	145	128	230
Tax liability	35	163	152
Employee benefits	107	100	128
Deferred tax liability	24	3	19
Policyholders liabilities under insurance contracts	42	36	45
Tier two liabilities	393	268	393
Liabilities directly associated with disposal group held for sale		1 174	
Total liabilities	**18 099**	**18 403**	**17 314**
Capital and reserves attributable to ordinary equity holders of parent	2 104	1 991	2 362
Non-controlling interests	23	157	22
Total equity	**2 127**	**2 148**	**2 384**
Total equity and liabilities	**20 226**	**20 551**	**19 698**

[1] *Comparatives have been reclassified. These reclassifications are unaudited.*

Condensed consolidated statement of changes in equity

	Attributable to equity holders of the parent			Non-controlling interests		
	Unaudited six months ended 31 December		Audited year ended	Unaudited six months ended 31 December		Audited year ended
	2012 N$m	2011 N$m	30 June 2012 N$m	2012 N$m	2011 N$m	30 June 2012 N$m
Balance as at beginning of the period	**2 362**	**1 820**	**1 820**	**22**	**166**	**166**
Total comprehensive income for the period	314	289	766	6	18	11
Share option costs	2	2	4			
Dividends paid	(573)	(106)	(212)	(5)	(27)	(27)
Change in ownership interest in subsidiaries		(11)	(10)			(128)
Consolidation of share trusts	(1)	(3)	(6)			
Balance as at end of the period	**2 104**	**1 991**	**2 362**	**23**	**157**	**22**

Condensed consolidated statement of cash flows

	Unaudited six months ended 31 December		Audited year ended June
	2012 N$m	2011 [1] N$m	2012 N$m
Net cash generated from operations	594	1 719	559
Tax paid	(290)	(248)	(153)
Net cash flow from operating activities from continuing operations	304	1 471	406
Net cash outflow from investing activities from continuing operations	(14)	(60)	284
Net cash outflow from financing activities from continuing operations	(576)	(108)	(116)
Net increase in cash and cash equivalents	**(286)**	**1 303**	**574**
Cash and cash equivalents at beginning of the period [2]	1 002	428	428
Cash and cash equivalents at end of the period	**716**	**1 731**	**1 002**

[1] *Comparatives have been reclassified. These reclassifications are unaudited.*

[2] *Includes mandatory reserve deposits with central bank*

Condensed consolidated segment information

	Unaudited six months ended 31 December		Audited year ended June
	2012 N$m	2011 N$m	2012 N$m
Income from operations continuing operations:			
FNB	892	805	1 617
OUTsurance	26	24	50
Other [3]	33	25	52
	951	**854**	**1 719**
Profit before tax:			
FNB	441	393	771
OUTsurance	18	15	27
Other [3]	23	15	23
Profit for the period from continuing operations	482	423	821
Momentum		30	10
Profit for the period from continuing and discountinued operations	**482**	**453**	**831**
Total assets:			
FNB	20 265	19 198	19 752
Momentum		1 459	
OUTsurance	86	73	99
Other [3]	(125)	(179)	(153)
	20 226	**20 551**	**19 698**

[3] *Other segment includes FNB Insurance Brokers, property and consolidation entries*

Headline earnings reconciliation

	Unaudited six months ended 31 December		Audited year ended June
	2012 N$m	2011 N$m	2012 N$m
Earnings attributable to equity holders of the parent	314	289	762
Headline earnings adjustment			
Realised gains on available for sale financial assets		(9)	(9)
Profit on disposal of subsidiary			(232)
Impairment of intangible asset			5
Headline earnings	**314**	**280**	**526**
From continued operations	**314**	**267**	**525**
From discontinued operations		**13**	**1**

Contingent liabilities and capital commitments

	Unaudited six months ended 31 December		Audited year ended June
	2012 N$m	2011 N$m	2012 N$m
Contingent liabilities	1 420	1 073	1 350
Capital commitments: contracted for	2	10	8
not contracted for	423		408

Features of the group results

	Unaudited six months ended 31 December		Audited year ended June
	2012	2011	2012
Financial statistics			
Headline and diluted headline earnings per share (cents)	121.3	108.3	203.1
From continued operations	121.3	103.0	202.9
From discontinued operations		5.3	0.2
Ordinary dividends per share (cents) – (declared for the period)	46.0	41.0	82.0
Number of shares in issue (millions) – ordinary*	259.3	259.2	259.0
Weighted number of shares in issue (millions) – ordinary*	259.1	258.9	259.0
* after consolidation of share trusts			
Net asset value per share (cents)	812	768	912
Closing share price (cents)	1 667	1 356	1 466
Market capitalisation (millions)	4 461	3 629	3 923
Price earnings ratio	6.9	6.1	5.0
Price to book ratio	2.1	1.8	1.6
Selected ratios			
Return on average shareholders' equity (%)	30.7	28.2	25.8
Return on average assets (%)	3.1	3.1	2.9
Cost to income ratio (%)	48.2	44.6	52.4

Capital adequacy of FNB

	2012 N$m	2011 N$m	2012 N$m
Risk weighted assets			
Credit risk	12 624	10 237	11 640
Market risk	26	4	38
Operational risk	1 939	1 763	1 843
Total risk weighted assets	**14 589**	**12 004**	**13 521**
Regulatory capital			
Share capital and share premium	1 143	1 143	1 143
Retained profits	636	607	895
Capital impairment: intangible assets	(173)	(197)	(183)
Total tier 1	1 606	1 553	1 855
Eligible subordinated debt	390	260	390
General risk reserve, including portfolio impairment	159	143	144
Current audited board approved profits	191	73	
Total tier 2	740	476	534
Total tier 1 and tier 2 capital	**2 346**	**2 029**	**2 389**
Capital adequacy ratios			
Tier 1	11.0%	12.8%	13.7%
Tier 2	5.1%	3.9%	4.0%
Total	**16.1%**	**16.7%**	**17.7%**
Tier 1 leverage ratio	7.9%	8.1%	9.4%

Return on equity 31%

Group overview

FNB Namibia Holdings Group (the group) is moving ever closer to its goal of becoming the most valued financial services provider in Namibia.

Despite the absence of two non-recurring sources of revenue in the corresponding period last year, profit from continuing operations increased by 14% in the six months ended 31 December 2012 (N$320 million against N$281 million). This enabled it to fulfil two further goals – to improve returns to shareholders and to entrench a sustainable business model.

Last year's non-recurring revenue items arose from a N$ 27 million impairment reversal and the proceeds on the group's disposal of its shareholding in Visa Incorporated at a profit of N$9 million.

Three factors were fundamental to the overall performance: year on year advances growth of 18%, non-interest revenue up 19% and operating expenses contained at a 9% increase.

An interim dividend of 46 cents was declared in January 2013 against 41 cents last year.

As reported last year, the group sold its 51% shareholding in Momentum Namibia to Metropolitan Life Namibia on 29 June 2012. Its financial performance is therefore more accurately reflected by considering the performance of continuing operations.

Earnings per share from continuing operations increased by 14% to 121.3 cents (2011: 106.7 cents). Headline earnings per share increased by 12% to 121.3 cents (2011: 108.3 cents).

In line with the group's strategy to improve capital efficiencies, return on average equity improved to 30.7% (2011: 28.2%). The cost to income ratio is 48%, reflecting the emphasis on operational efficiency.

Review of key operating entities

First National Bank of Namibia Ltd (FNB)

Statement of comprehensive income

Net interest income increased by 10% to N$488 million (2011: N$443 million). However, FNB's Investment Banking Division's loan transactions are, for accounting purposes, designated at fair value through profit and loss. Fair value income of N$26 million is shown under non-interest income rather than interest income. Therefore normalised interest income growth was 16%, in line with the 16% growth in average advances. Through the low interest cycle, margins have been well managed.

In the previous year the net impairment reversal of N$27 million arose as a result of rigorous actuarial calculation based on historic data, mainly relating to the portfolio impairment.

This relief was not expected to recur in the current reporting period. Consistent and sound lending policy and prolonged low interest rates resulted in a further net release of N$1 million specific impairment in the current period. This is unlikely to be repeated.

Non interest income increased by 20% to N$403 million. Excluding the N$26 million fair value income reflected under non-interest income, the growth is 13%. Banking fee and commission income grew by 18% to N$350 million, on the back of good growth in accounts and transaction volumes.

The launch of E-wallet in December 2012 is part of our strategy to encourage customers to change from traditional branch banking to electronic channels. Over the past year, cell phone banking transactions, albeit from a small base, have increased by 83% and internet banking volumes are up 18%.

Foreign exchange income at N$32 million was marginally down on the corresponding period last year on lower volumes and increased competition.

Non interest expenditure increased by 10% to N$441 million. The higher than inflation cost escalation is due to new representation points, additional staff, the roll out of Account Opening Optimisation and E-wallet system development costs.

Profit for the period increased by 12% to N$292 million (2011: N$261 million). Profit on the underlying core banking business activities increased by

Advances up 18%

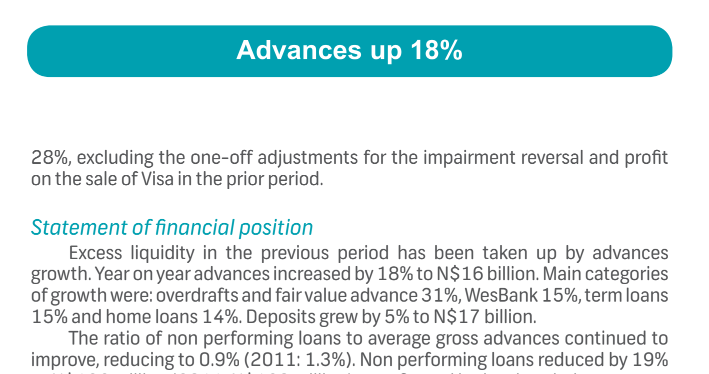
28%, excluding the one-off adjustments for the impairment reversal and profit on the sale of Visa in the prior period.

Statement of financial position

Excess liquidity in the previous period has been taken up by advances growth. Year on year advances increased by 18% to N$16 billion. Main categories of growth were: overdrafts and fair value advance 31%, WesBank 15%, term loans 15% and home loans 14%. Deposits grew by 5% to N$17 billion.

The ratio of non performing loans to average gross advances continued to improve, reducing to 0.9% (2011: 1.3%). Non performing loans reduced by 19% to N$136 million (2011: N$168 million), as reflected in the chart below:

Gross Advances vs NPL's & Impairment



FNB remains well capitalised with a total capital adequacy of 16.1% (2011: 16.7%) – well above the statutory requirement of 10%. Economic risk is backed by a strong Tier 1 capital level of 11.0% (2011: 12.8%).

In assessing capital, FNB believes it is appropriate to view its capital requirements in terms of long-term growth strategy in relation to the group's potential to generate future capital through earnings. Rigorous stress testing is performed annually and forms an integral part of the capital management process.

OUTsurance

The 25% increase in profit after tax for the first six months of the year is distorted by accounting provisions made in the previous year and now released as they are no longer required. Despite an 18% growth in net earned premium income, the expected start-up losses experienced on the newly launched Business OUTsurance product as well as the more normal but a higher loss ratio experienced compared to last year's corresponding period had a negative impact.

The solvency margin of 38% as at 31 December 2012 (2011: 37%) is well above the regulatory required 15% and indicates the claims-paying ability of OUTsurance.

Group outlook

The greatest identified unknown is how and when the global environment will exit the lacklustre growth stage, and therefore downside risks to global and local growth remain. Namibia, like most regional economies, will continue to experience positive growth in 2013. The construction of the Husab mining project and the Otjikoto gold mine are among the key projects due to commence in 2013. These projects hold positive knock-on effects for growth. For example,

Dividends per ordinary share of 46 cents

the N$21 billion Husab project will employ between 4 000 and 6 000 people during construction, which augers well for domestic spending.

Credit demand, which is a good proxy for consumer and business confidence, started accelerating during the second half of 2012 by 16% on average on an annualised basis. This has been the strongest second half performance in the credit environment since 2006. We view this as a precursor to a revival in private sector led investment over the medium term, especially in commercial property. Husab and Otjikoto gold should have a positive knock-on effect for household spending.

Given these prospects, combined with several other factors – our strategy of building enduring and rewarding customer and stakeholder relationships; further capitalising on efficiencies throughout the operations; and managing increased risks confronting the financial services industry – the group is well positioned to deliver sustainable returns to all stakeholders.

For and on behalf of the board

CJ Hinrichsen
Chairman
Windhoek, 13 February 2013

Dividend declaration

Notice is hereby given that an interim dividend (number 39) of 46 cents per ordinary share was declared on 31 January 2013 for the half year ended 31 December 2012. The last day to trade shares on a cum dividend basis will be on 1 March 2013 and the first day to trade ex dividend will be 4 March 2013. The record date will be 8 March 2013 and the payment date 27 March 2013.

By order of the board

Yamillah Katjirua
Company Secretary
Windhoek, 13 February 2013

Basis of presentation

The group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the Namibian Companies Act. The principal accounting policies are consistent in all material aspects with those applied as at 30 June 2012. The adoption of new and revised Standards and Interpretations which have become applicable during the current period has not resulted in changes to the group's accounting policies. The estimates and judgements made in applying the accounting policies are consistent with those applied and disclosed in the annual financial statements for the year ended 30 June 2012.

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