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.

N$'000	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.

N$'000	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

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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

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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

N$'000	2009 Home loans	Instalment sales	Over-drafts 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

N$'000	2008 Home loans	Instalment sales	Over-drafts 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	Held-for-trading	Total fair value: Designated at fair value through profit or loss	Available-for-sale	Total amortised cost: Loans and receivables	Total
	2008				
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

Notes to the consolidated annual financial statements

for the year ended 30 June

17.4 Summarised financial information of associate companies

N$'000	Total		Avril Payment Solutions (Pty) Ltd		FNB Insurance Brokers (Namibia) (Pty) Ltd		Namclear (Pty) Ltd		RMB Asset Management Namibia (Pty) Ltd	
	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

	Total 2009	Total 2008	Avril Unaudited February 2009	Avril Audited February 2008	FNB Insurance Unaudited June 2009	FNB Insurance June 2008	Namclear Unaudited June 2009	Namclear Unaudited December 2008	RMB Unaudited June 2009	RMB Audited June 2008
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	% 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	2008	Total investment (Total Indebtedness) 2009	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 2009	Discount rates 2008	Growth rates 2009	Growth rates 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

	2009	2008
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

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.

Consolidated balance sheet as at 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
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)

N$'000 Age analysis	2009						
			Past due but not impaired				
	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

N$'000 Age analysis	2008						
			Past due but not impaired				
	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	2009 Call - 3 months	2009 4 - 12 months	2009 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	2008 Call - 3 months	2008 4 - 12 months	2008 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

N$'000	2009 Carrying amount	Term to maturity 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)	

N$'000	2008 Carrying amount	Term to maturity 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

N$'000	2009 Carrying amount	Repricing profile 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	

N$'000	2008 Carrying amount	Repricing profile 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

N$'000	2009 Currency concentration 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

N$'000	2008 Currency concentration 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