Contents

The annual financial statements should be read in conjunction with the
FNB Namibia Holdings Annual report, available on our website **www.fnbnamibia.com.na**

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Directors' responsibility statement

To the member of First National Bank of Namibia Limited

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

The directors have reviewed the appropriateness of the accounting policies, and concluded that estimates and judgements are prudent. The group has complied in all material respects with the requirements set out in BID2 with regards to asset classification, suspension of interest and provisioning. The group's policies with this regard are stated in the notes on accounting policies, disclosed on pages 5 to 23.

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

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

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

The directors have reviewed the group's budget for the year to 30 June 2013. On the basis of this review and in the light of the current financial position, the directors have no reason to believe that First National Bank of Namibia Limited and its subsidiaries will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the financial statements.

The group's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 3. The consolidated annual financial statements of the group and company, which appear on pages 4 to 100 have been approved by the board of directors and are signed on its behalf by:

C J Hinrichsen
Chairman

I J M Leyenaar
Chief Executive Officer

Windhoek
16 August 2012

Independent auditor's report

To the Member of First National Bank of Namibia Limited

We have audited the group annual financial statements and the annual financial statements of First National Bank of Namibia Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2012, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 4 to 98.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of First National Bank of Namibia Limited as at 30 June 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in Namibia.

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

Per RH Mc Donald
Partner

PO Box 47, Windhoek, Namibia
27 September 2012

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

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

Director:
G Brand

Directors' report

The directors present their annual report, which forms part of the annual financial statements of the group and of the company for the year ended 30 June 2012.

Nature of business

The company is a registered bank offering a full range of banking services in Namibia.

Share capital

The company's authorised share capital at the end of reporting period consists of 4 000 (2011: 4 000) ordinary shares of N$ 1.

The issued ordinary share capital remained unchanged at 1 200 ordinary shares.

Dividends

During the current year dividends of N$192 million (2011: N$569 million), were declared and paid by the company.

Interest of directors

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

Group results

The financial statements on pages 24 to 100 set out fully the financial position, results of operations and cash flows of the company and the group.

Directorate

The composition of the board of First National Bank of Namibia Limited is as follows:

- C J Hinrichsen # (Chairman)
- J J Comalie (Ms)
- C J Giddy *
- C L R Haikali
- L J Haynes*
- J K Macaskill *
- S H Moir *
- I J M Leyenaar * (Chief Executive Officer)
- Adv VR Rukoro
- I I Zaamwani-Kamwi (Ms)

 # German ** South African*

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

Management by third parties

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

Insurance

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

Property and equipment

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

Holding company

The holding company of First National Bank of Namibia Limited is FNB Namibia Holdings Limited a NSX listed company and its ultimate holding company is FirstRand Limited dual listed on the NSX and JSE, which is incorporated in the Republic of South Africa.

Subsidiary and associate

Interest in subsidiaries and associates are set out in note 14 and 13 respectively to the annual financial statements.

Company secretary and registered offices

Company secretary
Y Katjirua

Registered office
209 Independence Avenue
Windhoek

Postal address
P O Box 195
Windhoek
Namibia

Events subsequent to reporting date

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

Accounting policies

1. Introduction

First National Bank of Namibia group ("the group") is a financial services group providing banking services.

The group adopted the following accounting policies in preparing its consolidated annual financial statements. The principal accounting policies are consistent in all material aspects with those adopted in the previous year, except for the adoption of:

- IFRS 7 Financial Instruments: Disclosures amended in October 2010 to include additional disclosure requirements for financial assets transferred but not derecognised and for financial assets that are derecognised, but the entity retains some form of continuing involvement after the transaction. This amendment addresses disclosure in the annual financial statements and does not impact the recognition and measurement of financial assets.

- IAS 24 Related Party Disclosures was amended to remove certain disclosure requirements for government related entities, clarifies the definition of a related party and introduces a requirement for entities to disclose commitments to related parties. This amendment addresses disclosure in the annual financial statements and does not affect recognition and measurement.

- As part of its annual improvements project the IASB made amendments to a number of accounting standards. The 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. The annual improvements project for 2010 is effective for annual periods commencing on or after 1 January 2011. The group has adopted the amendments made as part of the annual improvement project for 2010 during the current financial year, with the exception of the improvements made to IFRS 3 and IAS 27, which were effective for annual periods commencing on or after 1 July 2010. These amendments do not have a significant impact on the group's results nor has it resulted in the restatement of prior year numbers.

2. Basis of presentation

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

These financial assets and liabilities include:

- financial assets and liabilities held for trading;
- financial assets classified as available-for-sale;
- derivative financial instruments;
- financial instruments at fair value through profit and loss;
- investment properties valued at fair value; and
- employee benefits liabilities, valued using projected unit credit methods.

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

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

3. Consolidation

3.1 Subsidiaries

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

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

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

3..2 Business combinations

The group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The consideration transferred for the acquisition is measured at the fair value of the assets transferred, equity instruments issued and the liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the acquisition date fair value of any existing equity interest held in the subsidiary. The contingent asset or liability is initially measured at fair value at acquisition date. A contingent obligation to pay contingent consideration is classified as equity or liability. The contingent asset or liability is subsequently measured at fair value with fair value changes recognised against the acquisition cost where they qualify as the measurement period adjustment as per IFRS 3 as recognised in accordance with the IFRS applicable to that asset or liability. Contingent considerations that are classified as equity are not re-measured after acquisition date. Transaction costs are expensed as incurred.

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

The excess of the consideration transferred, the amount of any non controlling interest in the subsidiary and the acquisition date fair value of any previous equity interest in the subsidiary over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

3.3 Associates

Associates are entities in which the group holds an equity interest of between 20% and 50%, but has no control. The group is presumed to have significant influence where it holds an equity interest of between 20% and 50%. Investments acquired and held exclusively with the view to dispose of in the near future (within 12 months) are not accounted for using the equity accounting method, but are measured at fair value less cost to sell in terms of the requirements of IFRS 5.

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

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

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

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

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

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

3.4 Acquisitions of subsidiaries under common control

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

The cost of an acquisition of a subsidiary under common control is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Any costs directly attributable to the acquisition are written off against reserves. On acquisition the carrying values of assets and liabilities are not restated to fair value. The acquirer incorporates assets and liabilities at their pre-combination carrying amounts. Any excess/

deficit of the purchase price over the pre-combination recorded ultimate holding company's net asset value of the subsidiary is adjusted directly to equity. Any differences to values of the subsidiary's underlying assets and liabilities compared to those presented by the ultimate holding company and adjustments to achieve harmonisation of accounting policies will be adjusted on consolidation. Under this approach comparatives are not restated.

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

4. Interest income and interest expense

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

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

- funding liabilities that fund amortised cost assets: and
- interest on intercompany balances.

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

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

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

5. Fair value income

The group includes profits, losses and fair value adjustments on trading financial instruments (including derivative instruments which do not qualify for hedge accounting in terms of IAS 39) as well as financial instruments at fair value through profit and loss in fair value income as it is earned.

6. Fee and commission income

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

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

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

7. Fee and commission expenses

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

8. Dividend income

The group recognises dividends when the group's right to receive payment is established. This is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares.

9. Foreign currency translation

9.1 Functional and presentation currency

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

9.2 Transactions and balances

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

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

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

Foreign currency translation differences on monetary items classified as available-for-sale, such as foreign currency bonds designated as available-for-sale are recognised as a translation gain or loss in profit and loss when incurred.

Translation differences on non-monetary items, classified as available-for-sale, such as equities are included in the other comprehensive income component of the statement of comprehensive income when incurred.

10. Borrowing costs

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

11. Direct and indirect taxes

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

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

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

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

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

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

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

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

12. Recognition of assets

12.1 Assets

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

12.2 Contingent assets

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

13. Liabilities, provisions and contingent liabilities

13.1 Liabilities and provisions

The group recognises liabilities, including provisions, when:

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

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

13.2 Contingent liabilities

The group discloses a contingent liability when:

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

14. Acceptances

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

15. Cash and cash equivalents

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

- coins and bank notes:
- money at call and short notice;
- balances with central banks; and
- balances with other banks.

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

16. Financial instruments

16.1 General

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

The group classifies its financial assets in the following categories:

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

Financial liabilities are classified in the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

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

Financial instruments are initially recognised at fair value plus transaction costs for all financial instruments not carried at fair value through profit or loss. Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique, the variables of which include only data from observable markets, the group defers such differences (day-one gains or losses). Day-one gains or losses are amortised on a straight-line basis over the life of the financial instrument. To the extent that the inputs determining the fair value of the instrument become observable, or on derecognition of the instrument, day-one gains or losses are recognised immediately in profit or loss.

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

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

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

16.2 Financial instruments at fair value through profit or loss

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

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

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

- results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- is a group of financial assets and/or financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
- is a financial asset or liability containing significant embedded derivatives that clearly require bifurcation.

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

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

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

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

16.3 Loans and receivables

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

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

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

16.4 Held-to-maturity investments

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

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

16.5 Available-for-sale financial assets

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

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

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

16.6 Financial liabilities

Financial liabilities are measured at amortised cost, except for certain liabilities that are designated as at fair value through profit or loss. Interest paid is recognised in profit or loss over the period of the borrowing using the effective interest method. Discounts or premiums on financial liabilities carried at amortised cost are amortised on a basis that reflects the effective interest rate on the debentures over their life span.

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

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

16.7 Offsetting financial instruments

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

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

16.8 Embedded derivatives

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

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

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

16.9 Derecognition

The group derecognises a financial asset when:

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

Where the group retains substantially all the risks and rewards of ownership of the financial asset, the group continues to recognise the financial asset.

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

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

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

The group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. A substantial modification of the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one.

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

16.10 Sale and repurchase agreements

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

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances relating the repurchase transactions and recognised in line with the requirements of IAS 39 The difference between purchase and resale price is treated as interest and accrued over the life of the reverse repos using the effective interest method.

Securities lent to counterparties are retained in the consolidated financial statements of the group.

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

17. Impairment of financial assets

17.1 General

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

17.2 Assets carried at amortised cost

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

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

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

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

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

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

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

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

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

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

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

17.3 Past due advances

Advances are considered past due in the following circumstances:

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

In these instances, the full outstanding amount is considered overdue even if part of it is not yet due. The days past due is referenced to the earliest due date of the loan.

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

17.4 Renegotiated advances

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

17.5 Available-for-sale financial assets

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

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

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

18. Derivative financial instruments and hedging

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

The fair value of publicly traded derivatives are based on quoted bid prices for assets held or liabilities to be issued, and current offer prices for assets to be acquired and liabilities held. The fair value of non-traded derivatives is based on discounted cash flow models and option pricing models as appropriate, the group recognises derivatives as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

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

The hedge of a foreign currency firm commitment can either be accounted for as a fair value or a cash flow hedge. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

18.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

18.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the other comprehensive income component of the statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss.

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

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

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

19. Property and equipment

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

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

Property and equipment are depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

Freehold properties and properties held under finance lease are broken down into significant components that are depreciated to their respective residual values over the economic lives of these components.

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

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

20. Investment properties

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

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

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

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

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

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

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

21. Leases

21.1 A group company is the lessee

21.1.1 Finance leases

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

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

21.1.2 Operating leases

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

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

21.2 A group company is the lessor

21.2.1 Finance leases

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

21.2.2 Operating leases

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

21.2.3 Instalment credit agreements

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

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

22. Intangible assets

22.1 Goodwill

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

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

For impairment purposes goodwill is allocated to the lowest components of the business that is expected to benefit from synergies of the combination and at which management monitors goodwill ("cash generating unit"). Each cash-generating unit represents a grouping of assets no higher than a primary business or reporting segment as contemplated below. The recoverable amount of a cash generating unit is the higher of fair value less costs to sell and value in use.

22.2 Computer software development costs

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

The group carries capitalised software assets at cost less amortisation and any impairment losses. It amortises these assets on a straight-line basis at a rate applicable to the expected useful life of the asset, but not exceeding three years. Management reviews the carrying value wherever objective evidence of impairment exists. The carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in profit and loss when incurred.

22.3 Other intangible assets

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

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

The group carries capitalised trademarks, patents and similar assets at cost less amortisation and any impairments. It amortises these assets at a rate applicable to the expected useful life of the asset, but not exceeding 20 years. Management reviews the carrying value whenever objective evidence of impairment exists. Carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. The recoverable amount is the higher of fair value less cost to sell and value in use. Any impairment is recognised in profit and loss when incurred.

Amortisation and impairments of intangible assets are reflected under operating expenses in profit and loss.

23. Employee benefits

23.1 Post-employment benefits

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

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

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

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

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

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

23.2 Post-retirement medical benefits

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

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

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

23.3 Termination benefits

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

23.4 Severance pay

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

- The employee is dismissed under certain circumstances; or
- Dies while employed.

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

23.5 Leave pay accrual

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

23.6 Bonuses

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

23.7 Recognition of actuarial gains and losses

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

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

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

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

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

24. Borrowings

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

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

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

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

25. Share Capital

25.1 Share issue costs

Shares are classified as equity when there is no obligation to transfer cash or assets. Incremental costs directly related to the issue of new shares or options are shown as a deduction from equity. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

25.2 Dividends paid

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

26. Fiduciary activities

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

27. Share based payment transactions

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

27.1 Equity-settled share based compensation plans

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

The fair value of the options is determined excluding non market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the group revises its estimate of the number of options expected to vest. The group recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

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

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

27.2 Cash-settled share based payment compensation plans

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

28. Disposal groups held for sale

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

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

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

Any impairment losses on initial classification to held for sale are recognised in profit and loss.
The non-current assets and disposal groups held for sale will be derecognised immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date will be the lower of:

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

29. Reclassification of prior year numbers

During the financial year the some reclassifications were made to the statement of comprehensive income and statement of financial position. Refer to note 31 for the effect of reclassification on prior year.

30. 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.

30.1 Credit impairment losses on loans and advances

The group assesses its credit portfolios for impairment at each end of reporting period. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

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's 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 10 for a detailed analysis of the impairment of advances and the carrying amounts of the specific and portfolio provisions.

30.2 Fair value of derivatives

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

Refer to notes 8 for a detailed analysis of the derivatives and the carrying amounts of the different types of derivative instruments. Note 29 provides additional details on the calculation of fair value of financial instruments not quoted in active markets.

30.3 Impairment of available-for-sale equity instruments

The group determines that available-for-sale equity instruments are impaired and recognised as such in the statement of comprehensive income, 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 judgment. In making this judgment the group evaluates among other factors the normal volatility in share prices. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

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

30.4 Income taxes

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

30.5 Financial risk management

The group's risk management policies are disclosed in the Risk Report on pages 180 to 188 of the FNB Namibia Holdings annual report. The repricing analysis is provided in note 30.

30.6 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 note 16 to these financial statements.

30.7 Employee benefit liabilities

The cost of the benefits and the present value of the post retirement medical obligations and severance pay: death in service depends 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 profit and loss arising from these obligations include the expected long term rate of return on the relevant plan assets, the discount rate and the expected salary and pension increase rates. Any changes in these assumptions will impact the charge to the profit and loss and may affect planned funding of the post retirement 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 severance pay 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 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 20.

30.8 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 profit and loss. 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 has 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 24 for the detailed information regarding the share-based payment expense and the assumptions used in determining the expense, liability and reserve.

31. Statements issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the group's financial statements are listed below. This listing is of standards and interpretations issued, which the group reasonably expects to be applicable at a future date. The group intends to adopt those standards when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income (amended)

This amendment was issued to eliminate inconsistencies in the presentation of items in the statement of other comprehensive income. The amendment requires an entity to group the items of other comprehensive income on the basis of whether the amounts will subsequently be reclassified to profit or loss or not i.e. the statement of comprehensive income should be split between items that will be reclassified to profit or loss and items that will not be reclassified to profit or loss.

This amendment addresses disclosure in the annual financial statements and will not affect recognition and measurement. The impact of the revised disclosure is not expected to be significant.

IAS 12 Income Taxes (amended)

IAS 12 requires that deferred tax assets is measured based on whether the entity expects to recover the carrying amount of the asset through use or through sale. This assessment of the method of recovery may be difficult to assess for investment property measured using the fair value model. The amendment provides a practical solution by introducing a presumption that the carrying amount of such investment property will normally be recovered through sale. As a result of the amendment, SIC 12 Income Taxes - Recovery of Revalued Non-Depreciable Assets has been withdrawn.

This amendment is not expected to have a significant impact on the group.

IAS 19 Employee Benefits (revised)

The main changes include the removal of the corridor approach, which allowed entities the option to defer the recognition of actuarial gains and losses on defined benefit plans. The revised standard requires that all remeasurement arising from defined benefit plans be presented in other comprehensive income. It also includes enhanced disclosure requirements for defined benefits plans.

The group is in the process of assessing the impact the revised IAS 19 would have on the financial statements.

IAS 27 Separate Financial Statements (amended)

IAS 27 removes the accounting and disclosure requirements for consolidated financial statements as a result of the issue of IFRS 10 and IFRS 12, which establish new consolidation and disclosure standards.

IAS 27 (amended) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

This amendment is not expected to have a significant impact on the group's results.

IAS 28 Investments in Associates and Joint ventures (amended)

IAS 28 Investments in Associates and Joint Ventures (amended) supersedes IAS 28 Investments in Associates as a result of the issue of IFRS 11 and IFRS 12.The new IAS 28 prescribes the accounting for investment in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The disclosure requirements relating to these investments are now contained in IFRS 12.

This amendment is not expected to have a significant impact on the group's results.

IAS 32 Financial Instruments: Presentation

This amendment requires entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its statement of financial position and the effects of set-off on the entity's rights and obligations.

This amendment is not expected to have a significant impact on the group's results.

IFRS 1 First-time Adoption of International Financial Reporting Standards (amended)

On 13 March 2012 the IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. It provides the same relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

The group is not a first-time adopter and this amended standard will therefore have no impact.

IFRS 7 Financial Instruments: Disclosures (amended)

This amendment requires entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its statement of financial position and the effects of set-off on the entity's rights and obligations.

This amendment is not expected to have a significant impact on the group's disclosures.

IFRS 9 Financial Instruments

IFRS 9 is the first phase in the IASB's three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. This phase deals with the classification and measurement of financial assets and financial liabilities. Financial assets can be classified as financial assets at amortised cost or fair value. The classification is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial liabilities can also be classified as financial liabilities at amortised cost or fair value in line with the existing requirements of IAS 39. If an entity elects to measure its financial liabilities at fair value, it should present the portion of the change in fair value due to changes in its own credit risk in other comprehensive income.

The group is in the process of assessing the impact that IFRS 9 would have on the financial statements. Until the process is completed, the group is unable to determine the significance of the impact of IFRS 9.

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a new control model for determining which entities should be consolidated. The standard also provides guidance on how to apply the principle of control to specific situations in order to identify whether an investor controls an investee. IFRS 10 supersedes a portion of IAS 27 Separate and Consolidated Financial Statements and SIC 12 Consolidation – Special Purpose Entities.

The group is in the process of assessing the impact that IFRS 10 would have on the financial statements. Until the process is completed, the group is unable to determine the significance of the impact of IFRS 10.

IFRS 11 Joint Arrangements

The standard supersedes IAS 31 Joint Ventures and aims to improve on IAS 31 by establishing accounting principles that are applicable to all joint arrangements. The standard distinguishes between two types of joint arrangements, joint operations and joint ventures. The accounting for joint operations remains unchanged from IAS 31 and all joint ventures should be equity accounted in the financial statements of the venturer.

The standard is not expected to have a significant impact on the group.

IFRS 12 Disclosure of Interests in Other Entities

The standard aims to provide consistent disclosure requirements for subsidiaries, joint arrangements, associates and structured entities. IFRS 12 requires disclosure of information that will enable users to evaluate the nature of the risks associated with the interest and the effect of the interest on the financial position, performance and cash flows of the reporting entity.

This amendment addresses disclosure in the annual financial statements and will not affect recognition and measurement. The group is still in the process of assessing the impact of the revised disclosure.

IFRS 13 Fair Value Measurement

IFRS 13 was issued in order to eliminate inconsistencies in the guidance on how to measure fair value and disclosure requirements that currently exist under the different IFRSs that require or permit fair value measurement. It provides a fair value hierarchy, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The group is in the process of assessing the impact that IFRS 13 would have on the financial statements. Until the process is completed, the group is unable to determine the significance of the impact of IFRS 13.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This Interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs').

The Interpretation falls outside the scope of the group's operations and will have no impact on the group.

Annual Improvements

The IASB issued Annual Improvements 2009-2011 Cycle in May 2012, as its latest set of annual improvements. The collection of amendments to International Financial Reporting Standards is in response to six issues addressed during the 2009-2011 cycle.

There are no significant changes in the improvement projects that are expected to affect the group.

Statements of comprehensive income
for the year ended 30 June

		Group		Company	
N$'000	Notes	**2012**	2011	**2012**	2011
Interest and similar income	2.1	1 524 351	1 417 337	1 483 888	1 370 011
Interest expense and similar charges	2.2	(635 618)	(577 079)	(635 618)	(577 079)
Net interest income before impairment of advances		888 733	840 258	848 270	792 932
Impairment reversal of losses on advances	10	41 913	12 398	42 918	12 967
Net interest income after impairment of advances		930 646	852 656	891 188	805 899
Non interest income	3	681 831	583 032	680 019	588 175
Fair value adjustment to financial liabilities	22	4 391	(716)	4 391	(716)
Income from operations		1 616 868	1 434 972	1 575 598	1 393 358
Operating expenses	4	(830 917)	(757 316)	(835 727)	(768 070)
Net income from operations		785 951	677 656	739 871	625 288
Share of profit from associate company after tax	13	949	254		
Income before indirect tax		786 900	677 910	739 871	625 288
Indirect tax	5.1	(16 304)	(16 883)	(16 025)	(16 622)
Profit before direct tax		770 596	661 027	723 846	608 666
Direct tax	5.2	(262 080)	(226 979)	(245 933)	(208 691)
Profit for the year		**508 516**	434 048	**477 913**	399 975
Other comprehensive income					
Gain on available-for-sale financial assets		4 440	480	4 440	480
Deferred income tax effect on other comprehensive income		(1 634)	162	(1 634)	162
Other comprehensive income for the year		**2 806**	642	**2 806**	642
Total comprehensive income for the year		**511 322**	434 690	**480 719**	400 617
Profit for the year attributable to:					
Ordinary shareholders		508 516	434 048	477 913	399 975
Total comprehensive income for the year attributable to:					
Ordinary shareholders		511 322	434 690	480 719	400 617

Statements of financial position
at 30 June

N$'000	Notes	Group 2012	Group 2011 [1]	Group 2010 [1]	Company 2012	Company 2011 [1]	Company 2010 [1]
Assets							
Cash and cash equivalents	7.1	968 800	412 913	402 129	968 800	412 913	402 129
Due by banks and other financial institutions	7.2	1 927 620	763 051	851 182	1 927 620	763 051	851 182
Derivative financial instruments	8	27 125	24 161	57 119	27 125	24 161	57 119
Advances	9	14 153 604	12 538 500	11 311 742	13 435 059	11 740 230	10 443 163
Investment securities	11	2 055 601	1 578 439	1 492 893	2 055 601	1 578 439	1 492 893
Accounts receivable	12	176 999	126 820	78 310	175 076	125 705	74 239
Investment in associate company	13	2 769	1 820	2 566	1 154	1 154	1 154
Investment in subsidiary company	14				483 906	600 657	711 352
Property and equipment	15	256 568	256 416	239 499	213 561	214 075	197 815
Intangible assets	16	183 335	211 051	240 512	181 372	207 741	235 585
Non current held for sale				753			
Total assets		**19 752 421**	15 913 171	14 676 705	**19 469 274**	15 668 126	14 466 631
Liabilities and equity							
Liabilities							
Deposits	17.1	16 679 315	13 356 400	12 068 023	16 678 090	13 355 665	12 068 023
Due to banks and other financial institutions	17.2	32 924	43 910	53 346	32 924	43 910	53 346
Short trading positions	18		51 889			51 889	
Derivative financial instruments	8	60 228	21 743	58 019	60 228	21 743	58 019
Creditors and accruals	19	158 563	210 288	147 235	155 991	208 153	145 733
Employee liabilities	20	125 119	111 438	97 344	125 119	111 438	97 344
Tax liability		144 702	23 738	31 251	137 384	22 559	29 946
Deferred tax liability	21	51 602	39 774	35 974	56 463	45 068	40 924
Tier two liabilities	22	392 627	270 618	269 632	392 627	270 618	269 632
Total liabilities		**17 645 080**	14 129 798	12 760 824	**17 638 826**	14 131 043	12 762 967
Equity							
Ordinary shares	23	1	1	1	1	1	1
Share premium	23	1 142 791	1 142 791	1 142 791	1 142 791	1 142 791	1 142 791
Reserves		964 549	640 581	773 089	687 656	394 291	560 872
Total equity		**2 107 341**	1 783 373	1 915 881	**1 830 448**	1 537 083	1 703 664
Total liabilities and equity		**19 752 421**	15 913 171	14 676 705	**19 469 274**	15 668 126	14 466 631

[1] Comparatives have been reclassified, refer to note 31.

Statements of changes in equity
for the year ended 30 June

N$ '000	Share capital	Share premium	General risk reserve *	Share-based payment reserve	Available-for-sale reserve	Retained earnings	Total equity
Group							
Balance at 1 July 2010	1	1 142 791		5 906	11 301	755 882	1 915 881
Total comprehensive income for the year					642	434 048	434 690
Profit for the year						434 048	434 048
Other comprehensive income for the year					642		642
Share-based payments				2 123			2 123
Dividends paid						(569 321)	(569 321)
Balance at 30 June 2011	1	1 142 791		8 029	11 943	620 609	1 783 373
Total comprehensive income for the year					2 806	508 516	511 322
Profit for the year						508 516	508 516
Other comprehensive income for the year					2 806		2 806
Transfer to / (from) reserves			42 232			(42 232)	
Share-based payments				4 202			4 202
Dividends paid						(191 556)	(191 556)
Balance at 30 June 2012	**1**	**1 142 791**	**42 232**	**12 231**	**14 749**	**895 337**	**2 107 341**
Company							
Balance at 1 July 2010	1	1 142 791		5 906	11 301	543 665	1 703 664
Total comprehensive income for the year					642	399 975	400 617
Profit for the year						399 975	399 975
Other comprehensive income for the year					642		642
Share-based payments				2 123			2 123
Dividends paid						(569 321)	(569 321)
Balance at 30 June 2011	1	1 142 791		8 029	11 943	374 319	1 537 083
Total comprehensive income for the year					2 806	477 913	480 719
Profit for the year						477 913	477 913
Other comprehensive income for the year					2 806		2 806
Share-based payments				4 202			4 202
Transfer to / (from) reserves			42 232			(42 232)	
Dividends paid						(191 556)	(191 556)
Balance at 30 June 2012	**1**	**1 142 791**	**42 232**	**12 231**	**14 749**	**618 444**	**1 830 448**

* Credit risk reserve in compliance with Bank of Namibia requirements

Statements of cash flows
for the year ended 30 June

N$'000	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Cash flows from operating activities					
Cash receipts from customers	25.2	2 210 540	1 972 858	2 169 295	1 933 478
Cash paid to customers, suppliers and employees	25.3	(1 348 172)	(1 227 746)	(1 354 685)	(1 240 116)
Cash flows from operating activities	25.1	862 368	745 112	814 610	693 362
Increase in income earning assets	25.4	(3 262 005)	(1 242 577)	(3 338 965)	(1 318 687)
Increase in deposits and other liabilities	25.5	3 202 549	1 376 652	3 199 506	1 375 366
Tax paid	25.6	(142 216)	(247 655)	(132 230)	(228 719)
Net cash flows from operating activities		**660 696**	631 532	**542 921**	521 322
Cash flows from investing activities		(43 253)	(51 427)	74 522	58 783
Capital expenses to maintain operations	25.7	(44 232)	(53 506)	(43 210)	(52 495)
Reduction in loan to subsidiary				116 751	110 695
Proceeds from the disposal of non current asset held for sale			1 496		
Proceeds from sale of property and equipment		979	583	981	583
Cash flows from financing activities		(61 556)	(569 321)	(61 556)	(569 321)
Redemption of tier two liabilities		(260 000)		(260 000)	
Proceeds from tier two liabilities		390 000		390 000	
Dividends paid	25.8	(191 556)	(569 321)	(191 556)	(569 321)
Net increase in cash and cash equivalents		555 887	10 784	555 887	10 784
Cash and cash equivalents at beginning of the year *		412 913	402 129	412 913	402 129
Cash and cash equivalents at end of the year *	7.1	**968 800**	412 913	**968 800**	412 913

* Includes mandatory reserve deposits with central bank.

1. Accounting policies

The accounting policies of the group are set out on pages 5 to 23.

2. Analysis of interest income and interest expenditure.

N$'000	2012 Group Fair value	2012 Group Amortised cost	2012 Group Total	2012 Company Fair value	2012 Company Amortised cost	2012 Company Total
2.1 Interest and similar income						
Interest on:						
- Advances		1 298 288	1 298 288		1 259 230	1 259 230
- Cash and short term funds		86 136	86 136		86 136	86 136
- Investment securities	110 494	2 656	113 150	110 494	2 656	113 150
- Unwinding of discounted present value on non performing loans (note 10)		6 718	6 718		6 152	6 152
- Impaired advances		5 092	5 092		4 718	4 718
- Unwinding of discounted present value on off-market advances		4 844	4 844		4 844	4 844
- Net release of deferred fees and expenses		10 123	10 123		9 658	9 658
Interest and similar income	**110 494**	**1 413 857**	**1 524 351**	**110 494**	**1 373 394**	**1 483 888**

N$'000	2011 Group Fair value	2011 Group Amortised cost	2011 Group Total	2011 Company Fair value	2011 Company Amortised cost	2011 Company Total
Interest on:						
- Advances		1 240 463	1 240 463		1 197 222	1 197 222
- Cash and short term funds		60 253	60 253		60 253	60 253
- Investment securities	84 662	9 239	93 901	84 662	9 239	93 901
- Unwinding of discounted present value on non performing loans (note 10)		8 763	8 763		7,240	7 240
- Impaired advances		(394)	(394)		(2 417)	(2 417)
- Unwinding of discounted present value on off-market advances		5 930	5 930		5 930	5 930
- Net release of deferred fees and expenses		8 421	8 421		7 882	7 882
Interest and similar income	84 662	1 332 675	1 417 337	84 662	1 285 349	1 370 011

N$'000	2012 Group and company Fair value	2012 Amortised cost	2012 Total	2011 Group and company Fair value	2011 Amortised cost	2011 Total
2.2 Interest expense and similar charges						
Interest on:						
- Deposits from banks and financial institutions		549	549		927	927
- Current accounts		68 239	68 239		71 097	71 097
- Savings deposits		5 668	5 668		5 098	5 098
- Call deposits		214 266	214 266		209 142	209 142
- Term deposits		123 515	123 515		119 949	119 949
- Negotiable certificates of deposits		198 090	198 090		147 312	147 312
- Tier two liabilities	17 548	7 743	25 291	23 554		23 554
Interest expense and similar charges	**17 548**	**618 070**	**635 618**	23 554	553 525	577 079

3. Non interest income

N$'000	Group 2012	Group 2011	Company 2012	Company 2011
3.1 Fees and commissions				
- Card commissions	52 918	53 681	52 918	53 681
- Cash deposit fees	102 574	75 623	102 574	75 470
- Commissions - bills, drafts and cheques	22 815	15 567	22 798	15 865
- Service fees	251 893	215 630	251 845	215 611
- Fiduciary fees	1 993	2 007	1 993	2 007
- Other fee and commission related income	191 815	173 820	191 343	180 183
- Broking commission received	19 350	20 585	19 350	20 585
	643 358	556 913	**642 821**	563 402
Fee and commission expense:				
- Transaction processing fees	(34 061)	(29 790)	(34 061)	(29 973)
- Cash sorting handling and transportation charges	(5 962)	(4 331)	(5 595)	(4 126)
- Card and cheque book related	(1 860)	(1 180)	(1 860)	(1 180)
- ATM commissions paid	(2 264)	(2 136)	(2 264)	(2 136)
- Other	(11 158)	(7 922)	(11 158)	(7 922)
Fee and commission expense	**(55 305)**	(45 359)	**(54 938)**	(45 337)
Net fees and commission income	**588 053**	511 554	**587 883**	518 065

Certain of the above fees relates to the fact that the group provides custody and trustee services to third parties.

N$'000	Group 2012	Group 2011	Company 2012	Company 2011
3.2 Fair value income				
Foreign exchange trading	67 624	62 449	67 624	62 449
Treasury trading operations				
- Debt instruments trading	5 458	3 766	5 458	3 766
- Derivatives revaluation	(33 553)	(626)	(33 553)	(626)
Designated at fair value through profit or loss	40 634		40 634	
	80 163	65 589	**80 163**	65 589

Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, and translated foreign currency assets and liabilities. Interest rate instruments includes gains and losses from government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives.

3. Non interest income *continued*

N$'000	Group 2012	Group 2011	Company 2012	Company 2011
3.3 Gains less losses from investing activities				
- Gain on realisation of available-for-sale financial assets	9 475	484	9 475	484
- Gains on investment securities designated at fair value through profit or loss		2 489		2 489
- Dividends other	50	53	50	53
- Dividends received from associate company				1 000
	9 525	3 026	**9 525**	4 026
3.4 Other non interest income				
- Rental income	1 625	1 625		
- Other income	2 461	643	2 444	642
- Profit / (loss) on sale of property and equipment	4	595	4	(147)
	4 090	2 863	**2 448**	495
Total non interest income	**681 831**	583 032	**680 019**	588 175
Non interest income, analysis by category.				
3.5 Non interest income	**681 831**	583 032	**680 019**	588 175
Fee and commission income: Instruments at amortised cost	588 053	511 554	587 883	518 065
Fair value income: Held for trading	39 529	65 589	80 163	65 589
Fair value income: Designated at fair value through profit or loss	40 634	2 489		2 489
Fair value income: Financial assets available-for-sale	9 475	484	9 475	484
Dividends received: Non financial assets and liabilities				1 000
Dividends received: Financial assets available-for-sale	50	53	50	53
Other non interest income: Non financial assets and liabilities	4 090	2 863	2 448	495

4. Operating expenses

N$'000	Group 2012	Group 2011	Company 2012	Company 2011
Auditors' remuneration				
- Current year	3 203	3 062	2 865	2 780
- Fees for other services	23	44	23	44
Auditors' remuneration	**3 226**	3 106	**2 888**	2 824
Amortisation of intangible assets				
- Trademarks	17 561	19 303	16 214	17 686
- Software	10 155	10 158	10 155	10 158
Amortisation of intangible assets (note 16)	**27 716**	29 461	**26 369**	27 844
Depreciation				
- Leasehold property	6 177	5 736	6 177	5 736
- Equipment	31 666	25 789	31 308	25 436
Automatic teller machines	2 820	2 478	2 820	2 478
Computer equipment	9 639	10 088	9 639	10 062
Furniture and fittings	11 523	7 002	11 334	6 863
Motor vehicles	384	224	384	224
Office equipment	7 300	5 997	7 131	5 809
Depreciation (note 15)	**37 843**	31 525	**37 485**	31 172
Operating lease charges				
- Properties	23 455	20 060	24 681	21 180
- Equipment	4 968	4 127	4 968	4 126
Operating lease charges	**28 423**	24 187	**29 649**	25 306
Directors' emoluments				
- Services as directors	1 993	1 855	1 993	1 855
- Other services	2 884	2 580	2 884	2 580
Directors' emoluments	**4 877**	4 435	**4 877**	4 435
Professional fees	7 347	3 566	7 285	3 529
Direct staff costs				
- Salaries, wages and allowances	328 077	306 357	328 077	306 357
- Off-market staff loans amortisation	4 844	5 930	4 844	5 930
- Contributions to employee funds	76 164	68 962	76 164	68 962
Defined contribution schemes: pension	36 733	33 990	36 733	33 990
Defined contribution schemes: medical	39 431	34 972	39 431	34 972
- Retirement fund surplus recognised (note 20.3)		(4 658)		(4 658)
- Severance pay provision: death in service (note 20.2)	(201)	1 177	(201)	1 177
- Post retirement medical expenses (note 20.2)	2 802	3 430	2 802	3 430
- Social security levies	1 107	1 206	1 107	1 206
- Share-based payments (note 25.1)	9 974	5 077	9 974	5 077
Direct staff costs	**422 767**	387 481	**422 767**	387 481
- Other	15 824	14 637	15 824	14 637
Total staff costs	**438 591**	402 118	**438 591**	402 118

4. Operating expenses *continued*

N$'000	Group 2012	Group 2011	Company 2012	Company 2011
Other operating costs				
- Insurance	9 853	12 847	9 681	12 658
- Advertising and marketing	43 610	43 300	43 627	43 726
- Property and maintenance related expenses	37 671	33 315	36 372	32 229
- Legal fees	4 377	4 464	4 315	4 281
- Postage	4 147	4 515	4 128	4 431
- Printing and stationery	12 579	11 382	12 592	11 382
- Telecommunications	10 514	11 522	10 678	11 522
- Travel and accommodation	8 419	9 010	8 419	9 010
- Computer and processing related costs	112 698	96 657	112 467	96 372
- Other	39 026	31 906	46 304	45 231
Other operating costs	**282 894**	258 918	**288 583**	270 842
Total operating expenses	**830 917**	757 316	**835 727**	768 070

5. Tax

N$'000	Group 2012	Group 2011	Company 2012	Company 2011
5.1 Indirect tax				
Value-added tax (net)	11 779	12 466	11 501	12 205
Stamp duties	4 525	4 417	4 524	4 417
Total indirect tax	**16 304**	16 883	**16 025**	16 622
5.2 Direct tax				
Namibian normal tax				
- Current				
Current year	251 886	223 017	236 172	204 385
- Deferred				
Current year	10 194	3 962	9 761	4 306
Total direct tax	**262 080**	226 979	**245 933**	208 691
Tax rate reconciliation – Namibian normal tax	%	%	%	%
Effective rate of tax	34.01%	34.34%	33.98%	34.29%
Total tax has been affected by:				
Non-taxable income	0.45%	0.30%	0.45%	0.30%
Non deductable amounts	(0.46%)	(0.64%)	(0.43%)	(0.59%)
Standard rate of tax	**34.00%**	34.00%	**34.00%**	34.00%

6. Analysis of assets and liabilities

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 5 to page 23 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore by measurement basis:

Group	**2012**						
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 cash equivalents			968 800				968 800
Due by banks and other financial institutions			1 927 620				1 927 620
Derivative financial instruments	27 125						27 125
Advances		484 537	13 669 067				14 153 604
Investment securities	48 967		102 607	1 904 027			2 055 601
Accounts receivable			176 999				176 999
Investment in associate company						2 769	2 769
Property and equipment						256 568	256 568
Intangible assets						183 335	183 335
Total assets	**76 092**	**484 537**	**16 845 093**	**1 904 027**		**442 672**	**19 752 421**
Liabilities							
Deposits					16 679 315		16 679 315
Due to banks and other financial institutions					32 924		32 924
Derivative financial instruments	60 228						60 228
Creditors and accruals					158 563		158 563
Tax liability						144 702	144 702
Employee liabilities						125 119	125 119
Deferred tax liability						51 602	51 602
Tier two liabilities					392 627		392 627
Total liabilities	**60 228**				**17 263 429**	**321 423**	**17 645 080**

6. Analysis of assets and liabilities *continued*

Group	2011						
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 cash equivalents			412 913				412 913
Due by banks and other financial institutions			763 051				763 051
Derivative financial instruments	24 161						24 161
Advances			12 538 500				12 538 500
Investment securities	64 319		53 626	1 460 494			1 578 439
Accounts receivable			126 820				126 820
Investment in associate company						1 820	1 820
Property and equipment						256 416	256 416
Intangible assets						211 051	211 051
Total assets	88 480		13 894 910	1 460 494		469 287	15 913 171
Liabilities							
Deposits					13 356 400		13 356 400
Due to banks and other financial institutions					43 910		43 910
Short trading positions	51 889						51 889
Derivative financial instruments	21 743						21 743
Creditors and accruals					210 288		210 288
Tax liability						23 738	23 738
Employee liabilities						111 438	111 438
Deferred tax liability						39 774	39 774
Tier two liabilities		270 618					270 618
Total liabilities	73 632	270 618			13 610 598	174 950	14 129 798

6. Analysis of assets and liabilities *continued*

Company N$'000	2012 Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
Assets							
Cash and cash equivalents			968 800				968 800
Due by banks and other financial institutions			1 927 620				1 927 620
Derivative financial instruments	27 125						27 125
Advances		484 537	12 950 522				13 435 059
Investment securities	48 967		102 607	1 904 027			2 055 601
Accounts receivable			175 076				175 076
Investment in associate company						1 154	1 154
Investment in subsidiary company						483 906	483 906
Property and equipment						213 561	213 561
Intangible assets						181 372	181 372
Total assets	**76 092**	**484 537**	**16 124 625**	**1 904 027**		**879 993**	**19 469 274**
Liabilities							
Deposits					16 678 090		16 678 090
Due to banks and other financial institutions					32 924		32 924
Derivative financial instruments	60 228						60 228
Creditors and accruals					155 991		155 991
Employee liabilities						125 119	125 119
Tax Liability						137 384	137 384
Deferred tax liability						56 463	56 463
Tier two liabilities					392 627		392 627
Total liabilities	**60 228**				**17 259 632**	**318 966**	**17 638 826**

6. Analysis of assets and liabilities *continued*

Company

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
	2011						
Assets							
Cash and cash equivalents			412 913				412 913
Due by banks and other financial institutions			763 051				763 051
Derivative financial instruments	24 161						24 161
Advances			11 740 230				11 740 230
Investment securities	64 319		53 626	1 460 494			1 578 439
Accounts receivable			125 705				125 705
Investment in associate company						1 154	1 154
Investment in subsidiary company						600 657	600 657
Property and equipment						214 075	214 075
Intangible assets						207 741	207 741
Total assets	88 480		13 095 525	1 460 494		1 023 627	15 668 126
Liabilities							
Deposits					13 355 665		13 355 665
Due to banks and other financial institutions					43 910		43 910
Short trading positions	51 889						51 889
Derivative financial instruments	21 743						21 743
Creditors and accruals					208 153		208 153
Tax liability						22 559	22 559
Employee liabilities						111 438	111 438
Deferred tax liability						45 068	45 068
Tier two liabilities		270 618					270 618
Total liabilities	73 632	270 618			13 607 728	179 065	14 131 043

7.1 Cash and cash equivalents

	Group		Company	
N$'000	**2012**	2011	**2012**	2011
Coins and bank notes	226 954	213 388	226 954	213 388
Balances with central bank	740 804	198 678	740 804	198 678
Balances with other banks	1 042	847	1 042	847
	968 800	412 913	**968 800**	412 913
Mandatory reserve balances included in above:	**166 371**	148 787	**166 371**	148 787

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank in terms of the Banking Institutions Act, 1998 (No 2 of 1998). These deposits bear little or no interest.

Fair value

The carrying value approximates the fair value of total cash and short term funds.

7.2 Due by banks and other financial institutions

Due by banks and financial institutions				
- In the normal course of business	**1 927 620**	763 051	**1 927 620**	763 051

The carrying value approximates the fair value.

Geographical split:				
Namibia	97 312	100 494	97 312	100 494
South Africa	1 206 512	30 406	1 206 512	30 406
North America	557 772	554 439	557 772	554 439
Europe	64 806	77 072	64 806	77 072
Other	1 218	640	1 218	640
	1 927 620	763 051	**1 927 620**	763 051

8. Derivative financial instruments

Use of derivatives

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

The group's derivative activities do not give rise to significant open positions in portfolios of derivatives. Positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

Interest rate derivatives comprising mainly 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.

As mentioned above, derivatives classified as held for trading include non qualifying hedging derivatives, ineffective hedging derivatives and the component of hedging derivatives that are excluded from assessing hedge effectiveness. Non qualifying hedging derivatives are entered into for risk management purposes but do not meet the criteria for hedge accounting. These include derivatives managed in conjunction with financial instruments designated at fair value.

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present the group's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates. 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.

8. Derivative financial instruments

Further information pertaining to the risk management of the group is set out in note 30.

	Group and company 2012			
	Assets		Liabilities	
N$'000	Notional	Fair value	Notional	Fair value
Currency derivatives				
- Forward rate agreements	229 601	7 066	145 780	4 677
- Options	551 705	16 947	551 705	16 947
Interest rate derivatives				
- Swaps	45 000	3 112	477 288	38 604
Total held for trading	**826 306**	**27 125**	**1 174 773**	**60 228**

	Group and company 2011			
	Assets		Liabilities	
	Notional	Fair value	Notional	Fair value
Currency derivatives				
- Forward rate agreements	369 511	10 556	313 650	8 548
- Options	198 469	7 806	198 469	7 806
Interest rate derivatives				
- Swaps	305 000	5 799	394 610	5 389
Total held for trading	872 980	24 161	906 729	21 743

9. Advances

N$'000	Group 2012	Group 2011	Company 2012	Company 2011
Notional value of advances	14 346 819	12 796 094	13 612 325	11 981 716
Contractual interest suspended	(35 674)	(45 966)	(32 034)	(41 885)
Gross advances	**14 311 145**	12 750 128	**13 580 291**	11 939 831
Sector analysis				
Agriculture	626 610	450 602	626 610	450 602
Banks and financial services	183 163	285 878	183 163	285 878
Building and property development	2 047 934	2 211 664	2 047 934	2 211 664
Government and public authorities	231 177	107 101	231 177	107 101
Individuals	8 069 570	7 183 622	7 338 716	6 373 325
Manufacturing and commerce	2 109 457	1 415 992	2 109 457	1 415 992
Mining	154 057	193 844	154 057	193 844
Transport and communication	247 856	216 825	247 856	216 825
Other services	641 321	684 600	641 321	684 600
Gross advances	**14 311 145**	12 750 128	**13 580 291**	11 939 831
Impairment of advances (note 10)	(157 541)	(211 628)	(145 232)	(199 601)
Net advances	**14 153 604**	12 538 500	**13 435 059**	11 740 230
Geographic analysis (based on credit risk)				
Namibia	**14 153 604**	12 538 500	**13 435 059**	11 740 230
Category analysis				
Card loans	99 794	88 518	99 794	88 518
Overdrafts and managed accounts	1 378 539	1 492 021	1 378 532	1 492 021
Loans to other financial institutions	183 163	285 878	183 163	285 878
Instalment sales	2 190 276	1 834 643	2 190 271	1 834 637
Lease payments receivable	127 983	89 229	127 983	89 229
Home loans	7 221 825	6 549 139	6 490 983	5 738 848
Term loans	2 088 335	1 907 243	2 088 335	1 907 243
Assets under agreement to resell		52 757		52 757
Investment bank term loans	484 537		484 537	
Other	536 693	450 700	536 693	450 700
Gross advances	**14 311 145**	12 750 128	**13 580 291**	11 939 831
Impairment of advances (note 10)	(157 541)	(211 628)	(145 232)	(199 601)
Net advances	**14 153 604**	12 538 500	**13 435 059**	11 740 230
Portfolio analysis				
Designated at fair value through profit and loss	484 537		484 537	
Loans and receivables	13 669 067	12 538 500	12 950 522	11 740 230
	14 153 604	12 538 500	**13 435 059**	11 740 230

Fair value

The fair value of advances is set out in note 29.

A maturity analysis of advances is set out in note 30 and is based on the remaining periods to contractual maturity from the year-end.

9. Advances *continued*

Analysis of Instalment sales and lease payments receivable

N$'000	Group and company 2012 Within 1 year	Between 1 and 5 years	Total
Lease payments receivable	74 405	72 171	146 576
Suspensive sale Instalments receivable	1 067 711	1 473 643	2 541 354
	1 142 116	1 545 814	2 687 930
Less : Unearned finance charges	(222 830)	(143 978)	(366 808)
Total	**919 286**	**1 401 836**	**2 321 122**

N$'000	Group and company 2011 Within 1 year	Between 1 and 5 years	Total
Lease payments receivable	50 022	51 676	101 698
Suspensive sale Instalments receivable	997 983	1 119 740	2 117 723
	1 048 005	1 171 416	2 219 421
Less : Unearned finance charges	(173 171)	(118 123)	(291 294)
Total	874 834	1 053 293	1 928 127

The group and company have not sold or pledged any advances to third parties.

Under the terms of lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment.

Credit risk mitigation

Collateral is an important mitigant of credit risk. In accordance with the group credit risk management strategy the following principle types of collateral are held as security for monies lent by the group:

- Vehicle finance: Vehicles subject to the finance agreement normally serve as collateral. In general, vehicles which make up the collateral can be sold when the customer has defaulted under the agreement and has either signed a voluntary notice of surrender or the bank has obtained judgement against the customer.
- Property finance: Collateral consists of first and second mortgages over property, as well as personal guarantees.
- Personal loans and overdrafts exposures are generally secured via cession of call deposits, investment policies, debtors and personal guarantees.
- Credit card exposures are generally unsecured.
- Agricultural finance: Collateral consist of first and second covering bonds over the farms.

It is the group's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, through physical inspection as appropriate. For mortgage portfolios, collateral valuations are updated on an ongoing basis through physical valuation where necessary. However in the event of default more detailed review and valuation of collateral are performed, this therefore yields a more accurate financial effect.

The valuation at inception is based on physical inspection.

9. Advances *continued*

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

	Group and company			
	2012		2011	
	Performing	Non performing	Performing	Non performing
Installment sales and lease payments receivable	4 743	2 294	1 500	1 781
Home loans	23 254	58 309	27 609	75 904
	27 997	**60 603**	29 109	77 685

The financial effect of collateral and other credit enhancements has been calculated with reference to the unsecured loss given default ("LGD") per class for the performing book (IBNR and portfolio specific impairments) and the non-performing book separately. The amounts disclosed above represent the difference between the statement of financial position impairment using the actual LGD and the proxy unsecured LGD for all secured portfolios.

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

10. Impairment of advances

Significant loans and advances are monitored by the credit division and are impaired according to the group's impairment policy when an indication of impairment is observed.

The following factors are considered when determining whether there is objective evidence that the asset has been impaired:

- Breaches of loan covenants and conditions;
- The time period of overdue contractual payments;
- Actuarial credit models;
- Loss of employment or death of the borrower; and
- The probability of liquidation of the customer.

Where objective evidence of impairment exists, impairment testing is performed based on the loss given default ("LGD"), probability of default ("PD") and exposure at default ("EAD").

10. Impairment of advances *continued*

Analysis of movement in impairment of advances per class of advance

N$'000	Group 2012							
	Card loans	Overdrafts and managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	2 550	63 270	32 803	45 705	67 300	211 628	64 643	146 985
Amounts written off	(431)	(3 397)	(3 373)	(2 119)	(2 289)	(11 609)	(11 609)	
Unwinding of discounted present value on non performing loans		(1 011)		(5 029)	(678)	(6 718)	(6 718)	
Net new impairments created / (released)	89	(40 545)	6 353	2 606	(4 263)	(35 760)	9 240	(45 000)
Closing balance	**2 208**	**18 317**	**35 783**	**41 163**	**60 070**	**157 541**	**55 556**	**101 985**
Increase / (decrease) in provision	89	(40 545)	6 353	2 606	(4 263)	(35 760)	9 240	(45 000)
Recoveries of bad debts previously written off	(34)	(1 010)	(3 505)	(675)	(929)	(6 153)	(6 153)	
Impairment (release) / loss recognised in the statement of comprehensive income	**55**	**(41 555)**	**2 848**	**1 931**	**(5 192)**	**(41 913)**	**3 087**	**(45 000)**

N$'000	Group 2011							
	Card loans	Overdrafts and managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	4 458	78 640	39 466	53 925	70 196	246 685	99 700	146 985
Amounts written off	(822)	(3 804)	(7 635)	(2 889)	(4 012)	(19 162)	(19 162)	
Unwinding of discounted present value on non performing loans		(1 799)		(6 573)	(391)	(8 763)	(8 763)	
Net new impairments created / (released)	(1 086)	(9 767)	972	1 242	1 507	(7 132)	(7 132)	
Closing balance	2 550	63 270	32 803	45 705	67 300	211 628	64 643	146 985
Increase / (decrease) in provision	(1 086)	(9 767)	972	1 242	1 507	(7 132)	(7 132)	
Recoveries of bad debts previously written off	(48)	(619)	(3 412)	(904)	(283)	(5 266)	(5 266)	
Impairment (release) / loss recognised in the statement of comprehensive income	(1 134)	(10 386)	(2 440)	338	1 224	(12 398)	(12 398)	

10. Impairment of advances *continued*

N$'000	Company 2012							
	Card loans	Overdrafts and managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	2 550	63 273	33 972	32 758	67 048	199 601	60 791	138 810
Amounts written off	(431)	(3 397)	(3 373)	(2 967)	(2 289)	(12 457)	(12 457)	
Unwinding of discounted present value on non performing loans		(1 011)		(4 463)	(678)	(6 152)	(6 152)	
Net new impairments created / (released)	89	(40 545)	6 353	2 606	(4 263)	(35 760)	9 240	(45 000)
Closing balance	**2 208**	**18 320**	**36 952**	**27 934**	**59 818**	**145 232**	**51 422**	**93 810**
Increase / (decrease) in provision	89	(40 545)	6 353	2 606	(4 263)	(35 760)	9 240	(45 000)
Recoveries of bad debts previously written off	(34)	(1 010)	(3 505)	(1 680)	(929)	(7 158)	(7 158)	
Impairment (release) / loss recognised in the statement of comprehensive income	**55**	**(41 555)**	**2 848**	**926**	**(5 192)**	**(42 918)**	**2 082**	**(45 000)**

N$'000	Company 2011							
	Card loans	Overdrafts and managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	4 458	78 643	39 466	41 047	69 944	233 558	94 909	138 649
Amounts written off	(822)	(3 804)	(7 635)	(2 889)	(4 012)	(19 162)	(19 323)	161
Unwinding of discounted present value on non performing loans		(1 799)		(5 050)	(391)	(7 240)	(7 240)	
Net new impairments created / (released)	(1 086)	(9 767)	2 141	(350)	1 507	(7 555)	(7 555)	
Closing balance	2 550	63 273	33 972	32 758	67 048	199 601	60 791	138 810
Increase / (decrease) in provision	(1 086)	(9 767)	2 141	(350)	1 507	(7 555)	(7 555)	
Recoveries of bad debts previously written off	(48)	(619)	(3 412)	(1 050)	(283)	(5 412)	(5 412)	
Impairment (release) / loss recognised in the statement of comprehensive income	(1 134)	(10 386)	(1 271)	(1 400)	1 224	(12 967)	(12 967)	

10. Impairment of advances *continued*

N$'000	Group 2012 Total value net of interest in suspense	Group 2012 Security held	Group 2012 Specific impairments
Non performing lendings by sector			
Agriculture	6 236	4 173	2 365
Banks and financial services	186		186
Building and property development	18 336	8 726	11 195
Individuals	85 685	69 386	30 246
Manufacturing and commerce	18 946	16 495	5 947
Mining	217		217
Transport and communication	531	33	517
Other	11 806	5 213	4 883
Total non performing lendings	**141 943**	**104 026**	**55 556**
Non performing lendings by category			
Card loans	1 643		1 643
Overdrafts and managed accounts	16 114	15 834	10 893
Instalment sales	11 963	2 385	8 493
Lease payments receivable	1 474	150	1 324
Home loans	96 079	73 097	26 811
Term loans	9 799	9 210	4 632
Other	4 871	3 350	1 760
Total non performing lendings	**141 943**	**104 026**	**55 556**
Geographical split:			
Namibia	**141 943**	**104 026**	**55 556**

N$'000	Group 2011 Total value net of interest in suspense	Group 2011 Security held	Group 2011 Specific impairments
Non performing lendings by sector			
Agriculture	10 497	10 470	1 018
Banks and financial services	1 231		1 230
Building and property development	31 108	18 858	15 252
Individuals	97 578	79 681	36 077
Manufacturing and commerce	4 548	1 020	2 739
Mining	349		348
Transport and communication	901		910
Other	19 788	13 990	7 069
Total non performing lendings	166 000	124 019	64 643
Non performing lendings by category			
Card loans	2 008		2 009
Overdrafts and managed accounts	14 051	7 940	9 900
Instalment sales	13 011	1 061	10 653
Lease payments receivable	4 963	2 510	2 453
Home loans	117 771	102 006	34 175
Term loans	7 537	3 812	5 300
Other	6 659	6 690	153
Total non performing lendings	166 000	124 019	64 643
Geographical split:			
Namibia	166 000	124 019	64 643

10. Impairment of advances *continued*

N$'000	Company 2012 Total value net of interest in suspense	Security held	Specific impairments
Non performing lendings by sector			
Agriculture	6 236	4 173	2 365
Banks and financial services	186		186
Building and property development	18 336	8 726	11 195
Individuals	71 020	55 502	26 112
Manufacturing and commerce	18 946	16 495	5 947
Mining	217		217
Transport and communication	531	33	517
Other	11 806	5 213	4 883
Total non performing lendings	**127 278**	**90 142**	**51 422**
Non performing lendings by category			
Card loans	1 643		1 643
Overdrafts and managed accounts	16 114	15 834	10 893
Instalment sales	11 963	2 385	8 493
Lease payments receivable	1 474	150	1 324
Home loans	81 414	59 213	22 677
Term loans	9 799	9 210	4 632
Other	4 871	3 350	1 760
Total non performing lendings	**127 278**	**90 142**	**51 422**
Geographical split:			
Namibia	**127 278**	**90 142**	**51 422**

	Company 2011 Total value net of interest in suspense	Security held	Specific impairments
Non performing lendings by sector			
Agriculture	10 497	10 470	1 018
Banks and financial services	1 231		1 230
Building and property development	31 108	18 858	15 252
Individuals	82 505	60 092	32 225
Manufacturing and commerce	4 548	1 020	2 739
Mining	349		348
Transport and communication	901		910
Other	19 789	13 990	7 069
Total non performing lendings	150 928	104 430	60 791
Non performing lendings by category			
Card loans	2 008		2 009
Overdrafts and managed accounts	14 051	7 940	9 900
Instalment sales	13 011	1 061	10 653
Lease payments receivable	4 963	2 510	2 453
Home loans	102 698	82 417	30 323
Term loans	7 538	3 812	5 300
Other	6 659	6 690	153
Total non performing lendings	150 928	104 430	60 791
Geographical split:			
Namibia	150 928	104 430	60 791

11. Investment securities

N$'000	Held for trading	Available-for-sale	Loans and receivables	Total
	Group and company 2012			
Total listed				
Other government and guaranteed stock	41 939	336 144		378 083
Other dated securities		7 921		7 921
Total	**41 939**	**344 065**		**386 004**
Total unlisted				
Negotiable certificates of deposits			102 607	102 607
Treasury bills	7 028	1 559 962		1 566 990
Other dated securities				
Total	**7 028**	**1 559 962**	**102 607**	**1 669 597**
Total investment securities	**48 967**	**1 904 027**	**102 607**	**2 055 601**
Valuation of investments				
Market value of listed investments				386 004
Directors valuation of unlisted investments				1 669 713
Total valuation				**2 055 717**

N$'000	Held for trading	Available-for-sale	Loans and receivables	Total
	Group and company 2011			
Total listed				
Equities		12 273		12 273
Other government and guaranteed stock	61 329	311 963		373 292
Other dated securities		7 350		7 350
Total	61 329	331 586		392 915
Total unlisted				
Negotiable certificates of deposits			53 626	53 626
Treasury bills	2 990	1 079 098		1 082 088
Other dated securities		49 810		49 810
Total	2 990	1 128 908	53 626	1 185 524
Total investment securities	64 319	1 460 494	53 626	1 578 439
Valuation of investments				
Market value of listed investments				392 915
Directors valuation of unlisted investments				1 185 524
Total valuation				1 578 439

11. Investment securities *continued*

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

Refer to note 29, fair value of financial instruments for the methodologies used to determine the fair value of investment securities.

Information regarding other investments as required in terms of Schedule 4 of the Companies Act, 2004 is kept at the company's registered offices. This information is open for inspection in terms of the provisions of Section 120 of the Companies Act.

No financial instruments held for trading form part of the group's liquid asset portfolio in terms of the Banking Institutions Act, (No 2 of 1998) and other foreign banking regulators requirements. The total liquid asset portfolio is N$2 324 million (2011: N$1 609 million).

12. Accounts receivable

	Group		Company	
N$'000	**2012**	2011	**2012**	2011
Accounts receivable				
- Items in transit	50 430	71 762	50 415	71 774
- Deferred staff costs	40 057	39 128	40 057	39 128
- Other accounts receivable	86 512	15 930	84 604	14 803
Total	**176 999**	126 820	**175 076**	125 705

The carrying value of accounts receivable approximates the fair value.

The credit quality of the above balances is provided in the risk management note 30.

13. Investment in associate company

Details of investments in unlisted associate company

Group and Company N$ '000	Nature of business	Issued ordinary share capital	Number of ordinary shares held	Year end
Unlisted investment				
Namclear (Pty) Ltd	Interbank clearing house	4	1	31 December

There has been no change from the prior year.

Effective holdings and carrying amounts in unlisted associate company

N$ '000	Effective holding %		Group carrying amount		Investment at cost less impairments	
	2012	2011	**2012**	2011	**2012**	2011
Unlisted investment						
Namclear (Pty) Ltd	25	25	2 769	1 820	1 154	1 154
Total unlisted			**2 769**	1 820	**1 154**	1 154

Detail information of unlisted associate company

	Namclear (Pty) Ltd		Namclear (Pty) Ltd	
	Unaudited June 2012	Unaudited June 2011	**Unaudited June 2012**	Unaudited June 2011
Opening balance	1 820	2 566	1 154	1 154
Share of profit	949	254		
Dividends received		(1 000)		
Closing balance	**2 769**	1 820	**1 154**	1 154
Valuation				
Unlisted investment at directors' valuation	**2 769**	1 820	**1 154**	1 154

13. Investment in associate company *continued*

Summarised financial information of associate company

N$ '000	Group Namclear (Pty) Ltd Unaudited June 2012	Unaudited June 2011
Statement of financial position		
Non-current assets	1 370	3 974
Current assets	15 540	16 164
Current liabilities	(4 900)	(11 325)
Non-current liabilities	(92)	
Equity	**11 918**	8 813
Total share of profits from associate company	**949**	254

Refer to note 27 for details of related party balances and transactions.

The most recent audited annual financial statements of associates are used by the group in applying the equity method of accounting for associates. These are not always drawn up to the same date as the financial statements of the group. In instances where significant events occurred between the last financial statement date of an associate and the financial statement date of the group, the effect of such events are adjusted for, where material. Where the last financial statement date of an associate was more than three months before the financial statement date of the group, the group uses the unaudited management accounts of the associate. The group has applied this principle consistently since adopting the equity accounting method for associates.

14. Investment in subsidiary company

Significant subsidiary	Nature of business	Date of acquisition	Country of incorporation	Listed/ unlisted	Effective holding **% 2012**	Effective holding % 2011
Swabou Investments (Pty) Ltd Number of shares issued: 2 of 0.5 cents each (2011: 2 of 0.5 cents each)	Home loans	1 July 2003	Namibia	Unlisted	100	100

N$ '000	Aggregate income of subsidiary (before tax) **2012**	Aggregate income of subsidiary (before tax) 2011	Total Indebtness **2012**	Total Indebtness 2011	Total investment **2012**	Total investment 2011
Swabou Investments (Pty) Ltd	**45 623**	65 846	**483 906**	600 657	**483 906**	600 657

Interest paid by Swabou Investments (Pty) Ltd to First National Bank of Namibia Ltd totalled N$40 million (2011: N$48 million).

15. Property and equipment

N$ '000	Cost 2012	Accumulated depreciation and impairments 2012	Carrying amount 2012	Cost 2011	Accumulated depreciation and impairments 2011	Carrying amount 2011
	Group					
Property						
Freehold land and buildings	170 502	(18 916)	151 586	156 124	(18 916)	137 208
Leasehold property	33 928	(27 291)	6 637	30 613	(21 172)	9 441
	204 430	(46 207)	158 223	186 737	(40 088)	146 649
Equipment						
Automatic teller machines	24 551	(17 476)	7 075	22 555	(15 502)	7 053
Computer equipment	62 214	(44 783)	17 431	61 083	(36 354)	24 729
Furniture and fittings	93 781	(44 231)	49 550	88 562	(35 714)	52 848
Motor vehicles	6 555	(2 819)	3 736	6 263	(2 758)	3 505
Office equipment	53 429	(32 876)	20 553	48 095	(26 463)	21 632
	240 530	(142 185)	98 345	226 558	(116 791)	109 767
Total	**444 960**	**(188 392)**	**256 568**	413 295	(156 879)	256 416

Movement in property and equipment – carrying amount

N$ '000	Freehold land and buildings	Leasehold property	Equipment	Total
	Group			
Carrying amount at 1 July 2010	125 530	12 499	101 470	239 499
Additions	33 696		19 810	53 506
Transfer between classes	(18 018)	2 678	15 340	
Depreciation charge for year		(5 736)	(25 789)	(31 525)
Transfers to repairs and maintenance	(4 000)			(4 000)
Disposals			(1 064)	(1 064)
Carrying amount at 30 June 2011	137 208	9 441	109 767	256 416
Additions	33 142	68	11 022	44 232
Transfer between classes	(13 475)	3 340	10 135	
Depreciation charge for year		(6 177)	(31 666)	(37 843)
Transfers to repairs and maintenance	(5 262)			(5 262)
Disposals	(27)	(35)	(913)	(975)
Carrying amount at 30 June 2012	**151 586**	**6 637**	**98 345**	**256 568**

15. Property and equipment *continued*

N$ '000	Company Cost 2012	Accumulated depreciation and impairments 2012	Carrying amount 2012	Cost 2011	Accumulated depreciation and impairments 2011	Carrying amount 2011
Property						
Freehold land and buildings	112 234	(1 093)	111 141	97 856	(1 093)	96 763
Leasehold property	33 928	(27 291)	6 637	30 613	(21 172)	9 441
	146 162	(28 384)	117 778	128 469	(22 265)	106 204
Equipment						
Automatic teller machines	24 551	(17 476)	7 075	22 555	(15 502)	7 053
Computer equipment	62 117	(44 686)	17 431	60 986	(36 257)	24 729
Furniture and fittings	92 247	(43 586)	48 661	87 038	(35 257)	51 781
Motor vehicles	6 555	(2 819)	3 736	6 263	(2 758)	3 505
Office equipment	51 268	(32 388)	18 880	46 947	(26 144)	20 803
	236 738	(140 955)	95 783	223 789	(115 918)	107 871
Total	**382 900**	**(169 339)**	**213 561**	352 258	(138 183)	214 075

Movement in property and equipment – carrying amount

N$'000	Company Freehold land and buildings	Leasehold property	Equipment	Total
Carrying amount at 1 July 2010	85 157	12 499	100 159	197 815
Additions	33 624		18 871	52 495
Transfer between classes	(17 665)	2 678	14 987	
Depreciation charge for year		(5 736)	(25 436)	(31 172)
Transfers to repairs and maintenance	(4 353)			(4 353)
Disposals			(710)	(710)
Carrying amount at 30 June 2011	96 763	9 441	107 871	214 075
Additions	33 142	68	10 000	43 210
Transfer between classes	(13 475)	3 340	10 135	
Depreciation charge for year		(6 177)	(31 308)	(37 485)
Transfers to repairs and maintenance	(5 262)			(5 262)
Disposals	(27)	(35)	(915)	(977)
Carrying amount at 30 June 2012	**111 141**	**6 637**	**95 783**	**213 561**

15. Property and equipment *continued*

The useful life of each asset is assessed individually. The list below provides information on the benchmark used when assessing the useful life of the individual assets:

Leasehold premises	Shorter of estimated life or period of lease
Freehold property	
- Buildings and structures	50 years
- Mechanical and electrical	20 years
- Components	20 years
- Sundries	20 years
Computer equipment (including atms)	3 - 5 years
Furniture and fittings	3 - 10 years
Motor vehicles	5 years
Office equipment	3 to 6 years

During the current reporting period the group re-assessed the useful lives of small item fixed assets. Small item fixed assets are those items of property and equipment with a cost of less than N$7,000. The group has determined that from the 2012 financial year all small item fixed assets will be capitalised and be written off through the statement of comprehensive income inline with the wear and tear allowance period of three years. This change in estimate has been applied prospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The change in estimate resulted in accelerated depreciation of N$4.5 million in the current period relating to small item fixed assets that had been capitalised in prior periods and written off in full in the current period.

Information regarding land and buildings as required in terms of Schedule 4 of the Companies Act is kept at the Company's registered offices. This information will be open for inspection in terms of the provisions of Section 120 of the Companies Act, 2004. Property and equipment is unencumbered at 30 June 2012 or 30 June 2011.

16. Intangible assets

N$ '000	Group 2012	Group 2011	Company 2012	Company 2011
Trademarks				
Gross amount	380 713	380 714	354 099	354 099
Less: Accumulated amortisation	(248 185)	(230 625)	(223 534)	(207 320)
	132 528	150 089	**130 565**	146 779
Movement in trademarks – carrying amount				
Opening balance	150 089	169 392	146 779	164 465
Amortisation (note 4)	(17 561)	(19 303)	(16 214)	(17 686)
Closing balance	**132 528**	150 089	**130 565**	146 779
FNB Namibia Trademark	124 947	136 392	124 947	136 392
Swabou Trademark	7 581	13 697	5 618	10 387
	132 528	150 089	**130 565**	146 779
Software				
Gross amount	34 016	34 006	34 016	34 006
Less: Accumulated amortisation	(31 176)	(21 011)	(31 176)	(21 011)
	2 840	12 995	**2 840**	12 995
Movement in software – carrying amount				
Opening balance	12 995	23 153	12 995	23 153
Amortisation (note 4)	(10 155)	(10 158)	(10 155)	(10 158)
Closing balance	**2 840**	12 995	**2 840**	12 995
Goodwill – carrying amount	47 967	47 967	47 967	47 967
Total closing balance of intangible assets	**183 335**	211 051	**181 372**	207 741
Total amortisation charge for intangible assets (note 4)	**(27 716)**	(29 461)	**(26 369)**	(27 844)

16. Intangible assets *continued*

The useful life of each intangible asset is assessed individually. The table below provides information on the benchmarks used when assessing the useful lives of the individual intangible assets:

Software	3 years
Trademarks	10 - 20 years
Other	3 - 10 years

The FNB Namibia Trademark is amortised over a period of 20 years, of which 12 years remain at the end of 2012.

The amortisation period of the remaining Swabou trademark is partly based on a diminishing amortisation profile and a fixed amortisation profile, both of which ensure the trademark to be fully amortised within the next 2 years.

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operating activity (business) to which it relates, and is therefore not combined at a banking group level.

The CGU's to which the goodwill balance as at 30 June 2012 relates to First National Bank of Namibia Ltd.

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The discount rate used is the weighted average cost of capital for the specific segment, adjusted for specific risks relating to the segment. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth.

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

17. Deposits

N$ '000	Group 2012	Group 2011	Company 2012	Company 2011
17.1 Deposits and current accounts				
At amortised cost				
- Current accounts	6 024 811	4 288 055	6 023 586	4 287 320
- Call deposits	4 413 673	4 021 388	4 413 673	4 021 388
- Savings account	415 000	355 308	415 000	355 308
- Term deposits	2 335 471	2 002 041	2 335 471	2 002 041
- Negotiable certificates of deposit	3 490 360	2 689 608	3 490 360	2 689 608
	16 679 315	13 356 400	**16 678 090**	13 355 665
Geographic analysis (based on counterparty risk)				
Namibia	**16 679 315**	13 356 400	**16 678 090**	13 355 665

The fair values of deposits and current accounts is set out in note 29.

N$ '000	Group 2012	Group 2011	Company 2012	Company 2011
17.2 Due to banks and other financial institutions				
At amortised cost				
Due to banks and financial institutions				
- In the normal course of business	32 924	43 910	32 924	43 910
	32 924	43 910	**32 924**	43 910
Geographic analysis (based on counterparty risk)				
Namibia	**32 924**	43 910	**32 924**	43 910

The fair values of deposits and current accounts is set out in note 29.

18. Short trading positions

N$ '000	Group and company 2012	Group and company 2011
Government and government guaranteed stock		51 889
Short trading securities		51 889

Short trading positions are carried at fair value.

19. Creditors and accruals

N$ '000	Group 2012	Group 2011 [1]	Group 2010 [1]	Company 2012	Company 2011 [1]	Company 2010 [1]
Accounts payable and accrued liabilities	132 300	90 847	103 303	129 728	88 712	101 801
Items in transit	26 263	119 441	43 932	26 263	119 441	43 932
	158 563	210 288	147 235	**155 991**	208 153	145 733

All amounts are expected to be settled within twelve months.
The carrying value of creditors and accruals approximates fair value.

20. Employee liabilities

N$'000		Group and company 2012	Group and company 2011 [1]	Group and company 2010 [1]
Staff related accruals	20.1	80 261	71 547	63 833
Cash settled share-based payment liability*		9 374	5 355	2 401
Post-employment benefit liabilities	20.2	35 484	34 536	31 110
Closing balance		**125 119**	111 438	97 344

* Refer to note 24 for more detail on the cash settled share-based payment schemes.

20.1 Staff related accruals

The staff related accruals consists mainly of the accrual for leave pay, staff bonuses.

N$'000	Group and company 2012	Group and company 2011 [1]	Group and company 2010 [1]
Opening balance	71 547	63 833	56 373
- Charge to profit or loss			
- Additional provisions created	31 778	27 231	21 051
- Utilised	(23 064)	(19 517)	(13 591)
Closing balance	**80 261**	71 547	63 833

[1] Comparatives have been reclassified, refer to note 31

20. Employee liabilities *continued*

20.2 Post-employment benefit liabilities

1) The group has a liability to subsidise the post-retirement medical expenditure of certain of its employees which constitutes a defined benefit plan. All employees who join the employ of the group on or after 1 December 1998 are not entitled to the post retirement medical aid subsidy.

The actuarial method used to value the liabilities is the project unit credit method prescribed by IAS 19 *Employee Benefits.* The liability is measured as the present value of the employers' share of continuation member contributions to the medical scheme. Continuing member contributions are projected into the future year using the assumption rate of health care cost inflation and are then discounted back using the discount rate. The group subsidises medical aid contributions for all eligible members at various rates.

2) A severance pay provision is carried in terms of the Labour Act of 2007 and relates to when employment services are terminated by dismissal under certain circumstances or if they die while employed.

The severance pay liability is unfunded and is valued using the project unit credit method prescribed by IAS 19 *Employee Benefits.*

The independent actuarial valuations are done on an annual basis.

	Group and company					
	2012			2011		
N$ '000	Medical	Severance pay	Total	Medical	Severance pay	Total
Present value of unfunded liabilities	29 105	3 896	33 001	30 016	4 153	34 169
Unrecognised actuarial losses	2 483		2 483	367		367
Post-employment liabilities	**31 588**	**3 896**	**35 484**	30 383	4 153	34 536
The amounts recognised in the statement of comprehensive income are as follows:						
Current service cost	165	355	520	170	906	1 076
Past service cost				1 137		1 137
Interest cost	2 553	338	2 891	2 541	271	2 812
Net actuarial gains/(losses) recognised	84	(894)	(810)	(418)		(418)
Total included in staff costs (note 4)	**2 802**	**(201)**	**2 601**	3 430	1 177	4 607
Movement in post-employment liabilities						
Present value at the beginning of the year	30 383	4 153	34 536	28 059	3 051	31 110
Amounts recognised in the profit and loss as above	2 802	(201)	2 601	3 430	1 177	4 607
Benefits paid	(1 597)	(56)	(1 653)	(1 106)	(75)	(1 181)
Present value at the end of the year	**31 588**	**3 896**	**35 484**	30 383	4 153	34 536
Expected benefits payable in following financial year	2 752	737	3 489	1 258	695	1 953
The principal actuarial assumptions used for accounting purposes were:						
Discount rate (%)	8.38%	8.38%		8.51%	8.51%	
Medical aid inflation (%)	7.38%			7.51%		
Salary inflation (%)		6.88%			7.01%	

20. Employee liabilities *continued*

20.2 Post-employment benefit liabilities *continued*

The effects of a 1% movement in the assumed costs were as follows	Group and company 2012 Health costs	2012 Salary costs	2011 Health costs	2011 Salary costs
Increase of 1%				
Effect on the aggregate of the current service cost and interest cost	447	77	426	81
Effect on the defined benefit obligation	4 399	409	4 429	419
Decrease of 1%				
Effect on the aggregate of the current service cost and interest cost	359	68	340	70
Effect on the defined benefit obligation	3 593	361	3 555	370
Mortality rate				
The average remaining life expectancy in years of a pensioner retiring at age 60 on the reporting date is as follows:				
Male	15	n/a	19	n/a
Female	17	n/a	23	n/a
Employees covered	123	1 695	129	1 687

N$'000	Group and company 2012	2011
20.3 Pension fund		
Employer contributions to pension fund	36 552	33 820
Employer contributions to pension fund – executive director	181	170
Total employer contributions to pension fund (note 4)	36 733	33 990
Employee contributions to pension fund	16 491	14 744
Total contributions	**53 224**	48 734
Number of employees covered	1 707	1 695

The group provides for retirement benefits by making payments to a pension fund, which is independent of the group and was registered in Namibia in 1995 in accordance with the requirements of the Pension Funds' Act. The fund is a defined contribution fund and is subject to the Pension Funds' Act (No 24 of 1956). The last valuation was performed for the year ended 30 June 2011 and indicated that the fund was in a sound financial position.

During the prior year, the group recognised the pension fund surplus attributable to the employer as approved by the Registrar of Pension Fund, amounting to N$4.6 million. The surplus was utilised to fund the employer contributions to the pension fund.

21. Deferred tax liability

N$'000	Group 2012	Group 2011	Company 2012	Company 2011
The movement on the deferred tax account is as follows:				
Taxable temporary differences				
- Balance at the beginning of the year	119 717	115 344	120 739	116 607
- Originating temporary differences	6 049	4 373	5 523	4 132
Total	**125 766**	119 717	**126 262**	120 739
Deductible temporary differences				
- Balance at the beginning of the year	(79 943)	(79 370)	(75 671)	(75 683)
- Reversing temporary differences	5 779	(573)	5 872	12
Total	**(74 164)**	(79 943)	**(69 799)**	(75 671)
Deferred tax liability	**51 602**	39 774	**56 463**	45 068

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

N$'000	Group 2012 Opening balance	Group 2012 Originating / (reversing) differences	Group 2012 Closing balance	Group 2011 Opening balance	Group 2011 Originating / (reversing) differences	Group 2011 Closing balance
Accruals	22 450	3 398	25 848	21 094	1 356	22 450
Deferred staff cost	13 304	314	13 618	15 183	(1 879)	13 304
Derivatives				1 042	(1 042)	
Instalment credit agreements	51 740	1 443	53 183	48 820	2 920	51 740
Property and equipment	29 542	(740)	28 802	26 362	3 180	29 542
Revaluation of available-for-sale financial assets	2 681	1 634	4 315	2 843	(162)	2 681
Total taxable temporary differences	**119 717**	**6 049**	**125 766**	115 344	4 373	119 717
Derivatives	(1 183)	(5 347)	(6 530)		(1 183)	(1 183)
Provision for loan impairment	(50 785)	11 159	(39 626)	(52 665)	1 880	(50 785)
Provision for post-retirement benefits	(11 768)	(297)	(12 065)	(10 577)	(1 191)	(11 768)
Other	(16 207)	264	(15 943)	(16 128)	(79)	(16 207)
Total deductible temporary differences	**(79 943)**	**5 779**	**(74 164)**	(79 370)	(573)	(79 943)
Total deferred tax liability	**39 774**	**11 828**	**51 602**	35 974	3 800	39 774
Charge through profit and loss		10 194			3 962	
Deferred tax on other comprehensive income		1 634			(162)	
Total		**11 828**			3 800	

21. Deferred tax liability *continued*

N$'000	Company 2012 Opening balance	2012 Originating / (reversing) differences	2012 Closing balance	2011 Opening balance	2011 Originating / (reversing) differences	2011 Closing balance
Accruals	22 450	3 398	25 848	21 094	1 356	22 450
Deferred staff cost	13 304	314	13 618	15 183	(1 879)	13 304
Derivatives				1 042	(1 042)	
Instalment credit agreements	51 740	1 443	53 183	48 820	2 920	51 740
Property and equipment	30 564	(1 266)	29 298	27 625	2 939	30 564
Revaluation of available-for-sale financial assets	2 681	1 634	4 315	2 843	(162)	2 681
Total taxable temporary differences	**120 739**	**5 523**	**126 262**	116 607	4 132	120 739
Derivatives	(1 183)	(5 347)	(6 530)		(1 183)	(1 183)
Provision for loan impairment	(48 700)	11 159	(37 541)	(50 579)	1 879	(48 700)
Provision for post-retirement benefits	(11 768)	(297)	(12 065)	(10 577)	(1 191)	(11 768)
Other	(14 020)	357	(13 663)	(14 527)	507	(14 020)
Total deductible temporary differences	**(75 671)**	**5 872**	**(69 799)**	(75 683)	12	(75 671)
Total deferred tax liability	**45 068**	**11 395**	**56 463**	40 924	4 144	45 068
Charge through profit and loss		9 761			4 306	
Deferred tax on other comprehensive income		1 634			(162)	
Total		**11 395**			4 144	

Deferred tax assets and liabilities are offset when income taxes relate to the same fiscal authority, same legal entity and there is a legal to set-off.

22. Tier two liabilities

N$ '000				Group and company 2012	2011 [1]	2010 [1]
Subordinated debt instruments	**Interest rate**	**Final maturity date**	**Note**			
FNB 17 fixed rate notes	9.15%	29 March 2017	i		260 000	260 000
FNB X22 fixed rate notes	8.88%	29 March 2022	ii	110 000		
FNB J22 floating rate notes	Three-month JIBAR + 1.65%	29 March 2022	iii	280 000		
Accrued interest				2 627	6 227	5 957
				392 627	266 227	265 957
Fair value adjustment (financial liability elected fair value)					4 391	3 675
Total				**392 627**	270 618	269 632
Fair value adjustment for the year				4 391	(716)	(2 307)

[1] Comparatives have been reclassified, refer to note 31.

(i) On 29 March 2012 the group exercised its option to redeem the N$260 million subordinated, unsecured callable notes. Interest was paid semi-annually in arrear on 29 March and 29 September of each year.

(ii) The 8,88% fixed rate notes may be redeemed in full at the option of the group on 29 March 2017. Interest is paid semi-annually in arrear on 29 March and 29 September of each year.

(iii) The three-month JIBAR plus 1,65% floating rate notes may be redeemed in full at the option of the group on 29 March 2017. Interest is paid quarterly on 29 March, 29 June, 29 September and 29 December of each year.

These notes are listed on the Namibian Stock Exchange (NSX).

The notes listed above qualify as tier two capital for First National Bank of Namibia Limited.

Refer to note 29, fair value of financial instruments for the methodologies used to determine the fair value of tier two liabilities.

23. Ordinary shares

N$ '000	Group and company 2012	2011
Authorised		
4 000 (2011: 4 000) ordinary shares with a par value of N$1 per share	4	4
Issued and fully paid up		
1 200 (2011: 1 200) ordinary shares with a par value of N$1 per share	1	1
Share premium	1 142 791	1 142 791

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

24. Remuneration schemes

N$'000	Group and company 2012	2011
The statement of comprehensive income charge for share-based payments is as follows:		
FNB Share Incentive Trust	4 203	2 831
Employees with FirstRand share options and share appreciation rights	5 771	2 246
Charge against staff costs (note 4)	**9 974**	5 077

Share option schemes

FNB Namibia Holdings Ltd options are equity settled, except for the FirstRand Limited share appreciation scheme which is cash settled. The following is a summary of the share incentive schemes:

FNB Namibia and FirstRand Share Incentive Schemes

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 and FirstRand 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 company does not have exposure to market movement on FNB Namibia Holdings Limited 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 Limited at the time, to a BEE transaction. Of this total number, 4% was allocated to BEE partners and 1% was allocated to black employees and black non-executive directors. The 1% allocation to staff includes a number of shares to be put separately into a trust of which the dividend income is to support educational needs of such staff members and their family members. The rest of the 1% allocation is used, through a trust, to allocate options to staff members.

Vesting conditions as follows:

- Black staff and black non-executive directors:

50% after year 3 and 25% per year in years 4 and 5 respectively.

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.

24. Remuneration schemes *continued*

Dividend data of the following:

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

Employee statistic assumptions:

- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested.
- The number of iterations is the number to be used in the binomial model, which is limited to 500.
- The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.
- The significant weighted average assumptions used to estimate the fair value of options granted and the IFRS 2 share based payment expenses for the year under review are:

	Group and company			
	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
N$'000	**2012**	2011	**2012**	2011
Weighted average exercise price (N$)	517 - 1226	517 - 1226	700	700
Expected volatility (%)	4 - 17	4 - 17	7	7
Expected option life	5	5	5	5
Expected risk free rate (%)	7.05 - 9.47	7.05 - 9.47	9	9
Share option schemes				
Number of options in force at the beginning of the year ('000)	10 204	9 797	446	446
Granted at prices ranging between (cents)	517 - 1155	517 - 1155	517	517
Number of options granted during the year ('000)	2 807	2 296		
Granted at prices ranging between (cents)	1 236	1 226		
Number of options exercised/released during the year ('000)	(2 056)	(1 294)	(384)	(384)
Market value range at the date of exercise/release (cents)	517-1 226	517-1 226	1 226	1 226
Number of options cancelled/lapse during the year ('000)	(340)	(595)		
Granted at prices ranging between (cents)	517 - 1 226	517 - 1 226		
Number of options in force at the end of the year ('000)	**10 615**	10 204	**62**	62
Granted at prices ranging between (cents)	**517 - 1 236**	517 - 1 226	**517**	517
Options are execercisable over the following periods: ('000) (first date able to release)				
Financial year 2012		2 396	62	62
Financial year 2013	4 089	2 738		
Financial year 2014	2 224	2 003		
Financial year 2015	2 431	1 606		
Financial year 2016	936	726		
Financial year 2017	935	735		
	10 615	10 204	**62**	62

25. Cash flow information

N$ '000	Group 2012	Group 2011	Company 2012	Company 2011
25.1 Reconciliation of operating profit to cash flows from operating activities				
Profit before tax	770 596	661 027	723 846	608 666
Adjusted for:				
- Depreciation, amortisation and impairment costs	65 558	60 986	63 854	59 016
- Transfer to repairs and maintenance	5 262	4 000	5 262	4 353
- Impairment (reversal) / recognition for losses on advances	(41 913)	(12 398)	(42 918)	(12 967)
- Fair value adjustment to financial liabilities	(4 391)	716	(4 391)	716
- Provision for post-employment benefit obligations	948	3 426	948	3 426
- Other employment accruals	31 778	27 231	31 778	27 231
- Creation and revaluation of derivative financial instruments	35 521	(3 319)	35 521	(3 319)
- (Loss) / profit on sale of property and equipment	(4)	(595)	(4)	147
- Share-based payment costs	9 974	5 077	9 974	5 077
- Unwinding of discounted present value on non-performing loans (note 10)	(6 718)	(8 763)	(6 152)	(7 240)
- Unwinding of discounted present value on off-market advances (note 2.1)	(4 844)	(5 930)	(4 844)	(5 930)
- Net release of deferred fee and expenses	(10 123)	(8 421)	(9 658)	(7 882)
- Transfer from revaluation reserve: available-for-sale financial assets	(9 475)	(484)	(9 475)	(484)
- Off-market staff loans amortisation (note 4)	4 844	5 930	4 844	5 930
- Share of profit from associate company	(949)	(254)		
- Indirect tax (note 5)	16 304	16 883	16 025	16 622
Cash flows from operating activities	**862 368**	745 112	**814 610**	693 362
25.2 Cash receipts from customers				
Interest and similar income	1 502 666	1 394 224	1 463 234	1 348 959
Fees and commission income	588 053	511 554	587 883	518 065
Other non interest income	119 821	67 080	118 178	66 454
	2 210 540	1 972 858	**2 169 295**	1 933 478
25.3 Cash paid to customers, suppliers and employees				
Interest expense and similar charges	(635 618)	(577 079)	(635 618)	(577 079)
Total other operating expenditure	(712 554)	(650 667)	(719 067)	(663 037)
	(1 348 172)	(1 227 746)	**(1 354 685)**	(1 240 116)
25.4 Increase in income earning assets				
Investment securities	(486 637)	(86 034)	(486 637)	(86 034)
Due by banks and other financial institutions	(1 164 569)	88 132	(1 164 569)	88 132
Accounts receivable and similar accounts	(59 294)	(53 426)	(56 500)	(57 736)
Advances	(1 551 505)	(1 191 249)	(1 631 259)	(1 263 049)
	(3 262 005)	(1 242 577)	**(3 338 965)**	(1 318 687)
25.5 Increase in deposits and other liabilities				
Deposits	3 322 915	1 288 377	3 322 425	1 288 642
Due to banks and other financial institutions	(10 985)	(9 437)	(10 985)	(9 437)
Accounts payable and similar accounts	(57 492)	45 823	(60 045)	44 272
Short trading positions	(51 889)	51 889	(51 889)	51 889
	3 202 549	1 376 652	**3 199 506**	1 375 366

25. Cash flow information *continued*

N$ '000	Group 2012	Group 2011	Company 2012	Company 2011
25.6 Tax paid				
Amounts payable at beginning of the year	(30 991)	(38 746)	(29 512)	(37 224)
Indirect taxes	(16 304)	(16 883)	(16 025)	(16 622)
Current tax charge	(251 885)	(223 017)	(236 170)	(204 385)
Amounts payable at end of the year	156 964	30 991	149 477	29 512
Total tax paid	**(142 216)**	(247 655)	**(132 230)**	(228 719)
25.7 Capital expenses				
Purchase of property, equipment and software, settled in cash	**44 232**	53 506	**43 210**	52 495
25.8 Dividends paid	**191 556**	569 321	**191 556**	569 321

26. Contingent liabilities and capital commitments

N$ '000	Group and company 2012	Group and company 2011
Contingencies		
Guarantees	655 385	722 290
Letters of credit	54 027	47 756
Total contingencies	709 412	770 046
Irrevocable unutilised facilities	641 215	434 880
Total contingencies and commitments	**1 350 627**	1 204 926

Guarantees consist predominantly of endorsements and performance guarantees

	2012	2011
Commitments in respect of capital expenditure and long-term investments:		
Commitments in respect of capital expenditure and long-term investments approved by directors:		
- Contracted for	8 464	9 727
- Not contracted for	408 150	
Comprising of:		
Capital commitments contracted for at the reporting date but not yet incurred are as follows:		
- Property and equipment	8 464	9 727
Capital commitments not yet contracted for at the reporting date but have been approved by the directors:		
- Property and equipment	408 150	

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

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.

26. Contingent liabilities and capital commitments *continued*

Group and company leasing arrangements:

N$ '000	2012 Next year	2012 2nd to 5th year	2012 After 5 years	2011 Next year	2011 2nd to 5th year	2011 After 5 years
Office premises	14 021	21 663	821	11 790	17 279	1 042
Equipment				27		
	14 021	**21 663**	**821**	11 817	17 279	1 042

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% (2011: 7% and 10%).

The group has various operating lease agreements, which may or may not contain renewal options. The lease terms do not contain restrictions on the group's activities concerning dividends, additional funding or further leasing.

27. Related parties

The group defines related parties as :
(i) The parent company
(ii) Subsidiary companies
(iii) Associate companies
(iv) Entities that have significant influence over the group. If an investor has significant influence over the group that investor and its subsidiaries are related parties of the group. The group is First National Bank of Namibia Limited and its subsidiaries;
(v) Post-retirement benefit funds (pension fund);
(vi) Key management personnel being the First National Bank of Namibia Limited board of directors and the group executive committee; and
(vii) Close family members of key management personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and
(viii) Entities controlled, jointly controlled or significantly influenced by any individual referred to in (vi) and (vii).
The ultimate parent of First National Bank of Namibia Limited is FirstRand Limited, incorporated in South Africa.

27.1 Subsidiary

Details of interests in the subsidiary are disclosed in note 14.

27.2 Associate

Details of the investment in the associate company are disclosed in note 13.

27. Related parties *continued*

27.3 Details of transactions with relevant related parties appear below:

	2012		
N$'000	Parent	Fellow subsidiaries	Associate
Loans and advances			
Balance 1 July	84 148	74 157	
Issued during year	1 182 986	2 695	
Repayments during year			
Balance 30 June	**1 267 134**	**76 852**	
Derivative instruments: assets	17 534		
Deposits			
Balance 1 July	(32 090)	(23 633)	(3 142)
Received during year		(395 139)	(88 157)
Repayments during year	145 979	34 668	97 993
Balance 30 June	**113 889**	**(384 104)**	**6 694**
Accounts receivable			
Balance 1 July			
Issued during year	50 000		
Balance 30 June	**50 000**		
Accounts payable			
Balance 1 July			
Received during year	(13 876)		
Balance 30 June	**(13 876)**		
Interest received	63 592	628	116
Interest paid		639	
Dividends paid	(191 556)		
Derivative instruments: liabilities	(44 392)		

27. Related parties *continued*

N$'000	2012 Total	Parent	Fellow subsidiaries	Associate
Non-interest income				
Commission	(2 160)	(864)	(1 296)	
Rental and property income	(2 702)		(1 735)	(967)
Management fees	(1 345)		(1 345)	
	(6 207)	**(864)**	**(4 376)**	**(967)**
Non-interest expenditure				
Computer processing costs	79 426	79 426		
Internal audit and compliance	1 390	1 390		
ATM processing costs	2 264	2 264		
Payroll processing	3 981	3 981		
Management fees	15 772	15 772		
Insurance	4 910	4 910		
Rental paid	9 505		9 505	
Other sundry	9 158	9 158		
Clearing cost	5 638			5 638
	132 044	**116 901**	**9 505**	**5 638**

27. Related parties *continued*

N$'000	2011 Parent	Fellow subsidiaries	Associate
Loans and advances			
Balance 1 July	816 217	85 083	
Issued during year			
Repayments during year	(732 069)	(10 926)	
Balance 30 June	84 148	74 157	
Derivative instruments: assets	8 085		
Deposits			
Balance 1 July	(52 496)	(22 154)	(11 154)
Received during year			
Repayments during year	20 406	11 343	8 012
Balance 30 June	(32 090)	(10 811)	(3 142)
Interest received	54 721	5 562	
Interest paid		(1 993)	(175)
Dividends paid	(569 321)		
Derivative instruments: liabilities	(18 930)		

N$'000	2011 Total	Parent	Fellow subsidiaries	Associate
Non-interest income				
Commission	3 234	2 177	1 057	
Rental and property income	1 628		871	757
Management fees	1 062		1 062	
	5 924	2 177	2 990	757
Non-interest expenditure				
Computer processing costs	70 410	70 410		
Internal audit and compliance	1 371	1 371		
ATM processing costs	2 136	2 136		
Payroll processing	2 936	2 936		
Management fees	8 755	8 755		
Insurance	4 946	4 946		
Rental paid	8 947		8 947	
Other sundry	18 128	10 877	7 251	
Clearing cost	5 290			5 290
	122 919	101 431	16 198	5 290

27. Related parties *continued*

27.4 Key management personnel

N$'000	Group and company 2012	2011
Loans and advances		
Advances		
Balance 1 July	33 146	42 090
Issued during year	1 997	8 547
Repayments during year	(10 946)	(21 320)
Interest earned	2 414	3 829
Balance 30 June	**26 611**	33 146

No impairment has been recognised for loans granted to key management (2011: nil). Mortgage loans are repayable monthly over 20 years.

N$'000	2012	2011
Current and credit card accounts		
Credit balance 1 July	(13 751)	(11 575)
Net deposits and withdrawals	1 069	(2 917)
Net service fees and bank charges	230	1 097
Interest income	38	453
Interest expense	(213)	(809)
Balance 30 June	**(12 627)**	(13 751)
Installment finance		
Balance 1 July	4 145	3 668
Issued during year	4 564	1 980
Repayments during year	(3 568)	(1 790)
Interest earned	408	287
Balance 30 June	**5 549**	4 145
Shares and share options held		
Share options held by members of key management	2 678	2 927
Key management compensation		
Salaries and other short-term benefits	22 210	19 948
Contribution to defined contribution schemes	2 086	2 603
Share-based payments	2 637	1 568
Total compensation	**26 933**	24 119

A listing of the board of directors of the group appears in the directors report.

27.5 Post-employment benefit plan

Refer note 20.1 on detail disclosure of the movements on the post-employment benefit liabilities. The Pension Fund is a related party to the group, refer note 20.2.

One member of key management is entitled to the post-employment medical benefit and contributions will only be made on retirement. The liability raised for post-retirement medical benefits includes this member.

28. Collateral held

Under the standard terms for certain of the securities lending arrangements that the group enters into, the recipient of collateral has an unrestricted right to sell or repledge the assets in the absence of default but subject to the group returning equivalent securities on settlement of the transaction.

Collateral the group holds that it has the ability to sell or repledge in the absence of default by the owner of the collateral:

	2012		2011	
N$'000	Fair value of collateral obtained	Fair value of collateral sold or re-pledged	Fair value of collateral obtained	Fair value of collateral sold or re-pledged
Investment securities			52 757	
Total			52 757	

When the group takes possession of collateral that is not cash or not readily convertible into cash the group determines a minimum sale amount ("pre-set sale amount") and auctions the asset for the pre-set sale amount.

Where the group is unable to obtain the pre-set sale amount in an auction the group will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained.

N$'000	2012	2011
Collateral taken possession of and recognised on the statement of financial position in accounts receivable, note 12:		
Property	2 693	1 906
Total	**2 693**	1 906

29. Fair value of financial instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a market transaction between knowledgeable willing parties. When determining fair value it is presumed that the entity is a going concern and is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

When determining the fair value of a financial instrument, preference is given to prices quoted in an active market. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

If a particular instrument is not traded in an active market the group uses a valuation technique to determine the fair value of the financial instrument. The valuation techniques employed by the group include, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques.

The objective of using a valuation technique is to determine what the transaction price would have been at the measurement date. Therefore maximum use is made of inputs that are observable in the market and entity-specific inputs are only used when there is no market information available. All valuation techniques take into account the relevant factors that other market participants would have considered in setting a price for the financial instrument and are consistent with accepted methodologies for pricing financial instruments.

The group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements, this is done for instruments recognised at fair value. The group's fair value hierarchy has the following levels:

Level 1 - Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Fair value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and

Level 3 - Fair value is determined using a valuation technique and inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Investments securities
Unlisted equities
The fair value of unlisted equities is determined using a price earnings (P/E) model.

The earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued and the relevance and reliability of the available information.

The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions which have taken place.

Negotiable certificates of deposit
Where market prices are not available for a specific instrument, fair value is determined using discounted cash flow techniques. Inputs to these models include information that is consistent with similar market quoted instruments, where available.

29. Fair value of financial instruments *continued*

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.

Derivatives

Market prices are obtained from trading exchanges, when the derivatives are traded. If the derivatives are not traded the following techniques are used:

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

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

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

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

Deposits

Fair value of deposits is determined by discounting future cash flows using a swap curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioral aspects into account.

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

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.

Short trading positions

The fair value of listed short trading positions is their market quoted prices. The fair value of unlisted short trading positions are based on the directors' valuation using suitable valuation methods.

29. Fair value of financial instruments *continued*

Loans and advances to customers

The group has elected to designate the term loan book in the investment banking division at fair value through profit or loss. The fair value is determined using a valuation technique that uses both inputs that are based on observable market data and unobservable data. The group also determines the fair value of the amortised cost book for disclosure purposes.

The interest rate component of the valuation uses observable inputs from market interest rate curves. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria.

Other and tier two liabilities

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

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

The following table presents the financial instruments recognised at fair value in the statement of financial position of the group.

	Group and company 2012			
N$'000	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
Investment securities (note 11)		1 904 027		1 904 027
Financial assets designated at fair value through profit or loss				
Advances (Note 9)			484 537	484 537
Financial assets held for trading				
Derivative financial instruments (note 8)		27 125		27 125
Investment securities (note 11)		48 967		48 967
Total financial assets		**1 980 119**	**484 537**	**2 464 656**
Liabilities				
Financial liabilities held for trading				
Derivative financial instruments (note 8)		60 228		60 228
Total financial liabilities		**60 228**		**60 228**

29. Fair value of financial instruments *continued*

N$'000	Level 1	Level 2	Level 3	Total
	Group and company 2011			
Assets				
Available-for-sale financial assets				
Investment securities (note 11)	12 273	1 448 221		1 460 494
Financial assets held for trading				
Derivative financial instruments (note 8)		24 161		24 161
Investment securities (note 11)		64 319		64 319
Total financial assets	12 273	1 536 701		1 548 974
Liabilities				
Financial liabilities designated at fair value through profit or loss				
Tier two liabilities (note 22)		270 618		270 618
Financial liabilities held for trading				
Short trading positions (note 18)	51 889			51 889
Derivative financial instruments (note 8)		21 743		21 743
Total financial liabilities	51 889	292 361		344 250

During the reporting period ending 30 June 2012 (30 June 2011), there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Changes in level 3 fair value instruments

The group classifies financial instruments in Level 3 of the fair value hierarchy when significant inputs into the valuation model are not observable. In addition to the valuation model for Level 3 financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

N$'000	Fair value on June 2011	Purchases/ (sales)/issues/ (settlements)	Gains or losses recognised in profit and loss	Fair value on June 2012
Assets				
Advances		**468 752**	**15 785**	**484 537**

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive income. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$532 992 and using more negative reasonable possible assumptions to N$436 084.

The table below presents the total gains (losses) relating to financial instrument classified in Level 3 that are still held on 30 June. With the exception of interest on funding instruments all of these gains or losses are recognised in non interest income.

29. Fair value of financial instruments *continued*

N$'000	2012 Gains or (losses) recognised in profit and loss	Gains or (losses) recognised in other comprehensive income	Total gains or loss
Assets			
Advances	40 635		40 635
Total financial assets classified at level 3	**40 635**		**40 635**

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

N$'000	Group 2012 Carrying amount	Fair value	Company 2012 Carrying amount	Fair value
Assets				
Total advances at amortised cost	13 669 067	13 947 360	12 950 522	13 214 186
Other investments at amortised cost	102 607	102 722	102 607	102 722
Liabilities				
Total deposits and current accounts	16 679 315	16 714 874	16 678 090	16 713 647

N$'000	Group 2011 Carrying amount	Fair value	Company 2011 Carrying amount	Fair value
Assets				
Total advances at amortised cost	12 538 500	12 726 373	11 740 230	11 917 105
Other investments at amortised cost	53 626	53 626	53 626	53 626
Liabilities				
Total deposits and current accounts	13 356 400	13 186 162	13 355 665	13 186 162

29. Fair value of financial instruments *continued*

Day one profit or loss

In accordance with the group's accounting policies, if there are significant unobservable inputs used in a valuation technique of a financial instrument, the financial instrument is recognised at the transaction price and any day one profit is deferred. The balance relates to Advances designated at fair value trough profit or loss.

The table below sets out the aggregate day one profits yet to be recognised in profit or loss at the beginning and end of the year with a reconciliation of changes in the balance during the year:

	Group and company	
N$'000	**2012**	2011
Unrecognised profit at the beginning of the year		
Additional profit on new transactions	18 344	
Recognised in profit or loss during the year	(2 371)	
Unrecognised profit at the end of the year	**15 973**	

Loans and receivables designated as fair value trough profit or loss

Certain instruments designated at fair value through profit or loss would meet the definition for classification as loans and receivables in terms of IAS 39 were it not for the fair value designation i.e. unquoted debt instruments. The table below contains details on the change in credit risk attributable to these instruments.

	Group and company	
N$'000	**2012**	2011
	Carrying value	
Included in advances	**484 537**	

The change in credit risk is the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

The was no change in credit risk due to the difference between fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

30. Risk management

The unaudited risk report of the FNB Namibia group appears on pages 180 to 188 of the said annual report, which is appended as a separate document to this set of financial statements. The reported describes the various risks the group is exposed to, as well as the methodology and instruments to mitigate these risks. Risk control policies and exposures limits for the key risk areas of the group are approved by the Board, while operational policies and controls procedures are approved by the relevant risk committees. The main financial risks that the business is exposed to are detailed in this note.

30.1 Maximum exposure to credit risk

Total exposure

	Group		Company	
N$'000	**2012**	2011	**2012**	2011
Cash and cash equivalents	741 846	199 525	741 846	199 525
- Balances with central banks	740 804	198 678	740 804	198 678
- Balances with other banks	1 042	847	1 042	847
Due by banks and other financial institutions	1 927 620	763 051	1 927 620	763 051
Advances	14 153 604	12 538 500	13 435 059	11 740 230
- Card loans	97 586	85 968	97 586	85 968
- Overdraft and managed accounts	1 543 385	1 722 702	1 543 374	1 722 702
- Instalment sales and lease receivables	2 282 476	1 891 069	2 281 302	1 891 069
- Home loans	7 180 662	6 494 818	6 463 050	5 696 548
- Term loans	2 028 265	1 841 043	2 028 517	1 841 043
- Investment bank term loans	484 537		484 537	
- Assets under agreement to resell		52 757		52 757
- Other	536 693	450 143	536 693	450 143
Derivative financial instruments	27 125	24 161	27 125	24 161
Debt investment securities	2 055 601	1 566 166	2 047 680	1 566 166
- Listed investment securities	386 004	380 642	378 083	380 642
- Unlisted investment securities	1 669 597	1 185 524	1 669 597	1 185 524
Accounts receivable	136 942	87 692	135 020	86 577
Amounts not recognised (in the statement of financial position)	1 350 627	1 204 926	1 350 627	1 204 926
Guarantees	655 385	722 290	655 385	722 290
Letters of credit	54 027	47 756	54 027	47 756
Irrevocable commitments	641 215	434 880	641 215	434 880
Total	**20 393 365**	16 384 021	**19 664 977**	15 584 636

30.2 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.

30. Risk management *continued*

30.3 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 30.2 for the FR rating mapping to international and national rating scales):

	Group							
N$'000	Total neither past due nor impaired	Card loans	Overdraft and managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Investment bank term loans	Other
2012								
FR 28 - 91	13 967 597	96 382	1 531 154	2 292 696	6 974 273	2 056 733	484 537	531 822
Above FR 92	66 692	1 257	14 434	8 372	42 629			
Total	**14 034 289**	**97 639**	**1 545 588**	**2 301 068**	**7 016 902**	**2 056 733**	**484 537**	**531 822**
2011								
FR 28 - 91	11 631 339	81 632	1 224 220	1 736 562	6 268 288	1 817 180		503 457
Above FR 92	895 871	4 213	543 944	162 241	156 275	29 198		
Total	12 527 210	85 845	1 768 164	1 898 803	6 424 563	1 846 378		503 457

Credit quality of financial assets other than advances neither past due nor impaired

	Group				
N$'000	Investment securities	Derivatives	Cash and short term funds	Due by banks and other financial institutions	Total
International scale mapping (National equivalent):					
2012					
AAA to BB- (A to BBB)	2 055 601	27 125	741 847	1 927 620	4 752 103
Unrated					
Total	**2 055 601**	**27 125**	**741 847**	**1 927 620**	**4 752 103**
2011					
AAA to BB- (A to BBB)	1 566 166	5 135	199 524	763 051	2 533 876
Unrated		19 026			19 026
Total	1 566 166	24 161	199 524	763 051	2 552 902

30. Risk management *continued*

30.3 Credit quality *continued*

The table below presents an analysis of the credit quality of neither past due nor impaired (i.e. performing) advances (refer to note 30.2 for the FR rating mapping to international and national rating scales):

	Company							
N$'000	Total neither past due nor impaired	Card loans	Overdraft and managed accounts	Instalment sales and lease receivables	Home loans	Term loans	Investment bank term loans	Other
2012								
FR 28 - 91	13 264 903	96 382	1 531 147	2 292 693	6 271 589	2 056 733	484 537	531 822
Above FR 92	66 692	1 257	14 434	8 372	42 629			
Total	**13 331 595**	**97 639**	**1 545 581**	**2 301 065**	**6 314 218**	**2 056 733**	**484 537**	**531 822**
2011								
FR 28 - 91	10 834 741	81 632	1 224 220	1 736 562	5 471 690	1 817 180		503 457
Above FR 92	895 871	4 213	543 944	162 241	156 275	29 198		
Total	11 730 612	85 845	1 768 164	1 898 803	5 627 965	1 846 378		503 457

Credit quality of financial assets other than advances neither past due nor impaired

	Company				
N$'000	Investment securities	Derivatives	Cash and short term funds	Due by banks and other financial institutions	Total
International scale mapping (National equivalent):					
2012					
AAA to BB- (A to BBB)	2 055 601	27 125	741 847	1 927 620	4 752 103
Unrated					
Total	**2 055 601**	**27 125**	**741 847**	**1 927 620**	**4 752 103**
2011					
AAA to BB- (A to BBB)	1 566 166	5 135	199 524	763 051	2 533 876
Unrated		19 026			19 026
Total	1 566 166	24 161	199 524	763 051	2 552 902

30. Risk management *continued*

30.4 Credit risk management

	Group					
	Age analysis					
			Past due but not impaired			
N$'000	Neither past due nor impaired	Re-negotiated but current	31 - 60 days	61 - 90 days	Impaired	Total
2012						
Advances						
- Card loans	97 639		32	480	1 643	99 794
- Overdraft and managed accounts	1 545 588				16 114	1 561 702
- Instalment sales and lease receivables	2 301 068		3 750	4	13 437	2 318 259
- Home loans	7 016 902		36 458	72 386	96 079	7 221 825
- Term loans	2 056 733		5 895	15 908	9 799	2 088 335
- Investment bank term loans	484 537					484 537
- Other	531 822				4 871	536 693
Sub total	**14 034 289**		**46 135**	**88 778**	**141 943**	**14 311 145**
Accounts receivable						
- Items in transit	50 430					50 430
- Deferred Staff cost	40 057					40 057
- Other accounts receivable	86 512					86 512
Sub total	**176 999**					**176 999**
Total	**14 211 288**		**46 135**	**88 778**	**141 943**	**14 488 144**
2011						
Advances						
- Card loans	85 845		29	635	2 009	88 518
- Overdraft and managed accounts	1 768 164				9 735	1 777 899
- Installment sales and lease receivables	1 898 803		5 900	1 195	17 974	1 923 872
- Home loans	6 424 563		25 733	17 928	80 915	6 549 139
- Term loans	1 846 378		3 460	2 075	55 330	1 907 243
- Other	503 457					503 457
Sub total	12 527 210		35 122	21 833	165 963	12 750 128
Accounts receivable						
- Items in transit	71 762					71 762
- Deferred staff cost	39 128					39 128
- Other accounts receivable	15 930					15 930
Sub total	126 820					126 820
Total	12 654 030		35 122	21 833	165 963	12 876 948

30. Risk management *continued*

30.4 Credit risk management *continued*

N$'000	Company: Age analysis: Neither past due nor impaired	Re-negotiated but current	Past due but not impaired: 31 - 60 days	61 - 90 days	Impaired	Total
2012						
Advances						
- Card loans	97 639		32	480	1 643	99 794
- Overdraft and managed accounts	1 545 588				16 114	1 561 695
- Instalment sales and lease receivables	2 301 065		3 750	3	13 437	2 318 254
- Home loans	6 314 218		31 938	63 413	81 414	6 490 983
- Term loans	2 056 733		5 895	15 908	9 799	2 088 335
- Investment bank term loans	484 537					484 537
- Other	531 822				4 871	536 693
Sub total	**13 331 595**		**41 615**	**79 804**	**127 278**	**13 580 291**
Accounts receivable						
- Items in transit	50 415					50 415
- Deferred Staff cost	40 057					40 057
- Other accounts receivable	84 604					84 604
Sub total	**175 076**					**175 076**
Total	**13 506 671**		**41 615**	**79 804**	**127 278**	**13 755 367**
2011						
Advances						
- Card loans	85 845		29	635	2 009	88 518
- Overdraft and managed accounts	1 768 164				9 735	1 777 899
- Installment sales and lease receivables	1 898 803		5 900	1 195	17 974	1 923 872
- Home loans	5 627 965		22 503	15 705	72 669	5 738 842
- Term loans	1 846 378		3 460	2 075	55 330	1 907 243
- Other	503 457					503 457
Sub total	11 730 612		31 892	19 610	157 717	11 939 831
Accounts receivable						
- Items in transit	71 774					71 774
- Deferred staff cost	39 128					39 128
- Other accounts receivable	14 803					14 803
Sub total	125 705					125 705
Total	11 856 317		31 892	19 610	157 717	12 065 536

The above assets are managed with reference to the days in arrears and include assets where monthly payments are due as residential mortgages, installment 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.

Advances age analysis comparative figures have been restated to reflect the changes in presentation in the current year.

30. Risk management *continued*

30.5 Liquidity risk management

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

	Group 2012 Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	968 800	968 800		
Due by banks and other financial institutions	1 927 620	1 927 620		
Derivative financial instruments	27 125	27 125		
Advances	14 153 604	1 966 639	557 592	11 629 373
Investment securities	2 055 601	377 693	1 080 379	597 529
Accounts receivable	176 999	68 165	69 658	39 176
Financial assets	**19 309 749**	**5 336 042**	**1 707 629**	**12 266 078**
Non financial assets	**442 672**			
Total assets	**19 752 421**			
Equity and liabilities				
Deposits	16 679 315	13 409 438	2 423 751	846 126
Due to banks and other financial institutions	32 924	32 924		
Derivative financial instruments	60 228	60 228		
Creditors and accruals	158 563	151 862	6 701	
Tier two liabilities	392 627	2 627		390 000
Financial liabilities	**17 323 657**	**13 657 079**	**2 430 452**	**1 236 126**
Non financial liabilities	**321 423**			
Total liabilities	**17 645 080**			
Total equity	**2 107 341**			
Total equity and liabilities	**19 752 421**			
Net liquidity gap		**(8 321 037)**	**(722 823)**	**11 029 952**
Cumulative liquidity gap		**(8 321 037)**	**(9 043 860)**	**1 986 092**

30. Risk management *continued*

30.5 Liquidity risk management *continued*

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

	Group 2011			
		Term to maturity		
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	412 913	412 913		
Due by banks and other financial institutions	763 051	763 051		
Derivative financial instruments	24 161	24 161		
Advances	12 538 500	1 845 790	473 373	10 219 337
Investment securities	1 578 439	767 358	482 163	328 918
Accounts receivable	126 820	84 059	4 807	37 954
Financial assets	**15 443 884**	**3 897 332**	**960 343**	**10 586 209**
Non financial assets	**469 287**			
Total assets	**15 913 171**			
Equity and liabilities				
Deposits	13 356 400	10 762 544	2 050 853	543 003
Due to banks and other financial institutions	43 910	43 910		
Short trading positions	51 889	51 889		
Derivative financial instruments	21 743	21 743		
Creditors and accruals	210 288	177 628	32 660	
Tier two liabilities	270 618			270 618
Financial liabilities	**13 954 848**	**11 057 714**	**2 083 513**	**813 621**
Non financial liabilities	**174 950**			
Total liabilities	**14 129 798**			
Total equity	**1 783 373**			
Total equity and liabilities	**15 913 171**			
Net liquidity gap		(7 160 382)	(1 123 170)	9 772 588
Cumulative liquidity gap		(7 160 382)	(8 283 552)	1 489 036

The table above represents the contractual discounted cash flows of assets and liabilities. Relying solely on the contractual liquidity mismatch when looking at a bank's maturity analysis would overstate the risk, since this represents the absolute worst case maturity analysis. As an industry phenomenon in Namibia, banks are particularly negatively gapped (contractually) in the shorter term due to the country's structural liquidity position. This implies that more short term obligations are due than short term assets maturing, hence the group's calculation of an adjusted liquidity mismatch analysis, applying the methodology of business under normal circumstances and a framework to manage this mismatch.

30. Risk management *continued*

30.5 Liquidity risk management *continued*

Liquidity mismatch analysis

The purpose of liquidity mismatch is to anticipate the maturities in the statement of financial position when business is done under normal conditions, i.e. applying behaviorally adjusted assumptions. This analysis disregards the overstated liquidity risk reflected in the contractual mismatch, when business as usual applies. Through analysis of various products and segments on the statement of financial position the "business as usual" liquidity gap is derived. It describes the liquidity gap of the bank after taking into account product behavioral assumptions for rolling of maturities and days to realise assets. For example, a cheque account deposit which has an ambiguous maturity classified as having a maturity profile on demand. The behavior (under normal circumstances and on an going concern basis) of such an account is, however, of a long term nature when assuming reinvestment takes place. Similarly the wholesale call loan book has a contractual maturity on call, but a portion of the wholesale book may not be called upon, due to customer relationship repercussions or other incentives.

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

	Group 2012			
	Term to maturity			
N$'000	Total amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	17 212 421	13 604 800	2 568 116	1 039 505
Due to banks and other financial institutions	32 924	32 924		
Derivative financial instruments	60 228	60 228		
Creditors and accruals	158 563	151 862	6 701	
Tier two liabilities	687 938	9 963	20 120	657 855
Financial liabilities	**18 152 074**	**13 859 777**	**2 594 937**	**1 697 360**
Off statement of financial position				
Financial and other guarantees	709 413	473 980	232 433	3 000
Facilities not drawn	3 045 116	3 045 116		

	Group 2011			
	Term to maturity			
N$'000	Total amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	13 902 490	10 897 500	2 225 816	779 174
Due to banks and other financial institutions	43 910	43 910		
Short trading positions	51 889	51 889		
Derivative financial instruments	21 743	21 743		
Creditors and accruals	210 291	177 631	32 660	
Tier two liabilities	283 790		23 790	260 000
Financial liabilities	14 514 113	11 192 673	2 282 266	1 039 174
Off statement of financial position				
Financial and other guarantees	770 047	579 022	166 001	25 024
Facilities not drawn	2 657 626	2 657 626		

30. Risk management *continued*

30.5 Liquidity risk management *continued*

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

	Company 2012 Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	968 800	968 800		
Due by banks and other financial institutions	1 927 620	1 927 620		
Derivative financial instruments	27 125	27 125		
Advances	13 435 059	1 248 094	557 592	11 629 373
Investment securities	2 055 601	377 693	1 080 379	597 529
Accounts receivable	175 076	175 076		
Financial assets	**18 589 281**	**4 724 408**	**1 637 971**	**12 226 902**
Non financial assets	**879 993**			
Total assets	**19 469 274**			
Equity and liabilities				
Deposits	16 678 090	13 408 213	2 423 751	846 126
Due to banks and other financial institutions	32 924	32 924		
Derivative financial instruments	60 228	60 228		
Creditors and accruals	155 991	149 290	6 701	
Tier two liabilities	392 627	2 627		390 000
Financial liabilities	**17 319 860**	**13 653 282**	**2 430 452**	**1 236 126**
Non financial liabilities	**318 966**			
Total liabilities	**17 638 826**			
Total equity	**1 830 448**			
Total equity and liabilities	**19 469 274**			
Net liquidity gap		**(8 928 874)**	**(792 481)**	**10 990 776**
Cumulative liquidity gap		**(8 928 874)**	**(9 721 355)**	**1 269 421**

30. Risk management *continued*

30.5 Liquidity risk management *continued*

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

	Company 2011 Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and cash equivalents	412 913	412 913		
Due by banks and other financial institutions	763 051	763 051		
Derivative financial instruments	24 161	24 161		
Advances	11 740 230	1 845 790	473 373	9 421 067
Investment securities	1 578 439	767 358	482 163	328 918
Accounts receivable	125 705	125 705		
Financial assets	14 644 499	3 938 978	955 536	9 749 985
Non financial assets	1 023 627			
Total assets	15 668 126			
Equity and liabilities				
Deposits	13 355 665	10 761 809	2 050 853	543 003
Due to banks and other financial institutions	43 910	43 910		
Short trading positions	51 889	51 889		
Derivative financial instruments	21 743	21 743		
Creditors and accruals	208 153	175 493	32 660	
Tier two liabilities	270 618			270 618
Financial liabilities	13 951 978	11 054 844	2 083 513	813 621
Non financial liabilities	179 065			
Total liabilities	14 131 043			
Total equity	1 537 083			
Total equity and liabilities	15 668 126			
Net liquidity gap		(7 115 866)	(1 127 977)	8 936 364
Cumulative liquidity gap		(7 115 866)	(8 243 843)	692 521

30. Risk management *continued*

30.5 Liquidity risk management *continued*

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

	Company 2012 Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	17 211 197	13 603 576	2 568 116	1 039 505
Due to banks and other financial institutions	32 924	32 924		
Derivative financial instruments	60 228	60 228		
Creditors and accruals	155 991	149 290	6 701	
Tier two liabilities	687 938	9 963	20 120	657 855
Financial liabilities	**18 148 278**	**13 855 981**	**2 594 937**	**1 697 360**
Off statement of financial position				
Financial and other guarantees	709 413	473 980	232 433	3 000
Facilities not drawn	3 045 116	3 045 116		

	Company 2011 Term to maturity			
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Liabilities				
Deposits	13 901 760	10 896 770	2 225 816	779 174
Due to banks and other financial institutions	43 910	43 910		
Short trading positions	51 889	51 889		
Derivative financial instruments	21 743	21 743		
Creditors and accruals	208 153	175 493	32 660	
Tier two liabilities	283 790		23 790	260 000
Financial liabilities	14 511 245	11 189 805	2 282 266	1 039 174
Off statement of financial position				
Financial and other guarantees	770 047	579 022	166 001	25 024
Facilities not drawn	2 657 626	2 657 626		

30. Risk management *continued*

30.6 Foreign currency

The table below summarise the group's assets and liabilities at carrying amounts, categorised by currency, as at the end of reporting period.

	Group 2012 Currency concentration				
N$'000	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	968 800	894 588	69 313	4 241	658
Due by banks and other financial institutions	1 927 620	1 303 825	557 772	60 701	5 322
Derivative financial instruments	27 125	7 944	14 974	2 001	2 206
Advances	14 153 604	14 153 604			
Investment securities	2 055 601	2 055 601			
Accounts receivable	176 999	176 999			
Financial assets	**19 309 749**	**18 592 561**	**642 059**	**66 943**	**8 186**
Non financial assets	**442 672**	**442 672**			
Total assets	**19 752 421**	**19 035 233**	**642 059**	**66 943**	**8 186**
Equity and liabilities					
Deposits	16 679 315	16 083 875	545 414	49 286	740
Due to banks and other financial institutions	32 924	32 924			
Derivative financial instruments	60 228	50 719	7 591	1 150	768
Creditors and accruals	158 563	158 563			
Tier two liabilities	392 627	392 627			
Financial liabilities	**17 323 657**	**16 718 708**	**553 005**	**50 436**	**1 508**
Non financial liabilities	**321 423**	**321 423**			
Total liabilities	**17 645 080**	**17 040 131**	**553 005**	**50 436**	**1 508**
Total equity	**2 107 341**	**2 107 341**			
Total equity and liabilities	**19 752 421**	**19 147 472**	**553 005**	**50 436**	**1 508**

30. Risk management *continued*

30.6 Foreign currency *continued*

The table below summarise the group's assets and liabilities at carrying amounts, categorised by currency, as at the end of reporting period.

	Group 2011 Currency concentration				
N$'000	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	412 913	375 179	29 344	6 936	1 454
Due by banks and other financial institutions	763 051	131 050	554 438	22 886	54 677
Derivative financial instruments	24 161	5 814	15 771	2 576	
Advances	12 538 500	12 538 500			
Investment securities	1 578 439	1 566 166	12 273		
Accounts receivable	126 820	126 820			
Financial assets	15 443 884	14 743 529	611 826	32 398	56 131
Non financial assets	469 287	469 287			
Total assets	15 913 171	15 212 816	611 826	32 398	56 131
Equity and liabilities					
Deposits	13 356 400	12 790 497	512 144	53 081	678
Due to banks and other financial institutions	43 910	43 910			
Short trading positions	51 889	51 889			
Derivative financial instruments	21 743	5 394	13 963	2 386	
Creditors and accruals	210 288	210 288			
Tier two liabilities	270 618	270 618			
Financial liabilities	13 954 848	13 372 596	526 107	55 467	678
Non financial liabilities	174 950	174 950			
Total liabilities	14 129 798	13 547 546	526 107	55 467	678
Total equity	1 783 373	1 783 373			
Total equity and liabilities	15 913 171	15 330 919	526 107	55 467	678

30. Risk management *continued*

30.6 Foreign currency *continued*

The table below summarise the company's assets and liabilities at carrying amounts, categorised by currency, as at the end of reporting period.

	Company 2012 Currency concentration				
N$'000	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	968 800	894 588	69 313	4 241	658
Due by banks and other financial institutions	1 927 620	1 303 825	557 772	60 701	5 322
Derivative financial instruments	27 125	7 944	14 974	2 001	2 206
Advances	13 435 059	13 435 059			
Investment securities	2 055 601	2 055 601			
Accounts receivable	175 076	175 076			
Financial assets	**18 589 281**	**17 872 093**	**642 059**	**66 943**	**8 186**
Non financial assets	**879 993**	**879 993**			
Total assets	**19 469 274**	**18 752 086**	**642 059**	**66 943**	**8 186**
Equity and liabilities					
Deposits	16 678 090	16 082 650	545 414	49 286	740
Due to banks and other financial institutions	32 924	32 924			
Derivative financial instruments	60 228	50 719	7 591	1 150	768
Creditors and accruals	155 991	155 991			
Tier two liabilities	392 627	392 627			
Financial liabilities	**17 319 860**	**16 714 911**	**553 005**	**50 436**	**1 508**
Non financial liabilities	**318 966**	**318 966**			
Total liabilities	**17 638 826**	**17 033 877**	**553 005**	**50 436**	**1 508**
Total equity	**1 830 448**	**1 830 448**			

Total equity and liabilities	**19 469 274**	**18 864 325**	**553 005**	**50 436**	**1 508**

30. Risk management *continued*

30.6 Foreign currency *continued*

The table below summarise the company's assets and liabilities at carrying amounts, categorised by currency, as at the end of reporting period.

	Company 2011 Currency concentration				
N$'000	Total amount	NAD	USD	EUR	Other
Assets					
Cash and cash equivalents	412 913	375 179	29 344	6 936	1 454
Due by banks and other financial institutions	763 051	131 050	554 438	22 886	54 677
Derivative financial instruments	24 161	5 814	15 771	2 576	
Advances	11 740 230	11 740 230			
Investment securities	1 578 439	1 566 166	12 273		
Accounts receivable	125 705	125 705			
Financial assets	14 644 499	13 944 144	611 826	32 398	56 131
Non financial assets	1 023 627	1 023 627			
Total assets	15 668 126	14 967 771	611 826	32 398	56 131
Equity and liabilities					
Deposits	13 356 400	12 790 497	512 144	53 081	678
Due to banks and other financial institutions	43 910	43 910			
Derivative financial instruments	21 743	5 394	13 963	2 386	
Creditors and accruals	208 153	208 153			
Tier two liabilities	270 618	270 618			
Financial liabilities	13 900 824	13 318 572	526 107	55 467	678
Non financial liabilities	230 219	230 219			
Total liabilities	14 131 043	13 548 791	526 107	55 467	678
Total equity	1 537 083	1 537 083			
Total equity and liabilities	15 668 126	15 085 874	526 107	55 467	678

30. Risk management *continued*

30.7 Repricing

The repricing profile of the group's books is depicted in the table below. Items are allocated to time periods with reference to the earlier of the next contractual interest rate repricing date and the maturity date.

Group 2012 Repricing profile

N$'000	Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	**19 752 421**	**16 888 307**	**1 398 152**	**619 056**	**846 906**
Total equity and liabilities	**19 752 421**	**15 474 116**	**1 499 329**	**131 420**	**2 647 556**
Net repricing gap		**1 414 191**	**(101 177)**	**487 636**	**(1 800 650)**
Cumulative repricing gap		**1 414 191**	**1 313 014**	**1 800 650**	

Group 2011 Repricing profile

N$'000	Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	15 913 171	13 999 655	583 240	335 557	994 719
Total equity and liabilities	15 913 171	11 795 475	1 593 903	267 309	2 256 484
Net repricing gap		2 204 180	(1 010 663)	68 248	(1 261 765)
Cumulative repricing gap		2 204 180	1 193 517	1 261 765	

Company 2012 Repricing profile

N$'000	Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	**19 469 274**	**16 121 254**	**1 398 152**	**619 056**	**1 330 812**
Total equity and liabilities	**19 469 274**	**15 474 116**	**1 499 329**	**131 420**	**2 364 409**
Net repricing gap		**647 138**	**(101 177)**	**487 636**	**(1 033 597)**
Cumulative repricing gap		**647 138**	**545 961**	**1 033 597**	

Company 2011 Repricing profile

N$'000	Carrying amount	< 3 months	> 3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	15 668 126	13 201 387	583 240	335 557	1 547 942
Total equity and liabilities	15 668 126	11 795 475	1 593 903	267 309	2 011 439
Net repricing gap		1 405 912	(1 010 663)	68 248	(463 497)
Cumulative repricing gap		1 405 912	395 249	463 497	

30. Risk management *continued*

30.8 Average balances and effective interest rates

	Group					
	2012			2011		
N$'000	Average balance	Average rate %	Interest income/ expense	Average balance	Average rate %	Interest income/ expense
Assets						
Cash and cash equivalents, including balance with banks	2 443 868	3.5	86 136	1 295 634	4.7	60 253
Advances	13 315 569	10.0	1 325 065	12 422 528	10.2	1 263 183
Investment securities	1 843 817	6.1	113 150	1 525 406	6.2	93 901
Interest-earning assets	**17 603 254**	**8.7**	**1 524 351**	15 243 568	9.3	1 417 337
Non-interest-earning assets	**613 304**			603 927		
Total Assets	**18 216 558**	**8.4**	**1 524 351**	15 847 495	8.9	1 417 337
Liabilities						
Deposits and current accounts, balance due to banks	15 509 683	3.9	610 327	13 373 288	4.1	553 525
Tier two liabilities	300 295	8.4	25 291	268 008	8.8	23 554
Interest-earning liabilities	**15 809 978**	**4.0**	**635 618**	13 641 296	4.2	577 079
Non-interest-earning bearing liabilities	**454 597**			414 483		
Total liabilities	**16 264 575**	**3.9**	**635 618**	14 055 779	4.1	577 079
Total equity	**1 951 983**			1 791 716		
Total equity and liabilities	**18 216 558**	**3.5**	**635 618**	15 847 495	3.6	577 079

	Company					
	2012			2011		
N$'000	Average balance	Average rate %	Interest income/ expense	Average balance	Average rate %	Interest income/ expense
Assets						
Cash and cash equivalents, including balance with banks	2 443 868	3.5	86 136	1 295 634	4.7	60 253
Advances	12 556 482	10.2	1 284 602	11 619 349	10.5	1 215 857
Investment securities	1 843 817	6.1	113 150	1 525 406	6.2	93 901
Interest-earning assets	**16 844 167**	**8.8**	**1 483 888**	14 440 389	9.5	1 370 011
Non-interest-earning assets	**1 111 211**			1 156 803		
Total Assets	**17 955 378**	**8.3**	**1 483 888**	15 597 192	8.8	1 370 011
Liabilities						
Deposits and current accounts, balance due to banks	15 508 895	3.9	610 327	13 372 611	4.1	553 525
Tier two liabilities	300 295	8.4	25 291	268 008	8.8	23 554
Interest-earning liabilities	**15 809 190**	**4.0**	**635 618**	13 640 619	4.2	577 079
Non-interest-earning bearing liabilities	**453 644**			408 852		
Total liabilities	**16 262 834**	**3.9**	**635 618**	14 049 471	4.1	577 079
Total equity	**1 692 544**			1 547 721		
Total equity and liabilities	**17 955 378**	**3.5**	**635 618**	15 597 192	3.7	577 079

30. Risk management *continued*

30.9 Sensitivity analysis

Net interest income sensitivity

Assuming no management intervention, a parallel 200 (2011: 100) basis point increase in all yield curves would increase the forecast net interest income for the next year by N$115.6 million (2011: N$46.3 million), while a parallel decrease in all yield curves would decrease the forecast income by N$115.6 million (2011: N$46.3 million).

Foreign currency risk sensitivity analysis

Including foreign denominated cash, the group and company 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.

Equity price risk sensitivity

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

N$'000	10% reduction in fair value	10% increase in fair value	10% reduction in fair value	10% increase in fair value
	2012		**2011**	
Impact on equity (available-for-sale-reserve)			1 227	(1 227)

31. Reclassification of prior year

Statement of comprehensive income 30 June 2011

	Group			
N$'000	Amount as previously reported 2011	Amount as restated 2011	Difference	Explanation
Interest and similar income	1 417 337	1 417 337		
Interest expense and similar charges	(577 079)	(577 079)		
Net interest income before impairment of advances	**840 258**	840 258		
Impairment reversal / (recognition) losses on advances	12 398	12 398		
Net interest income after impairment of advances	**852 656**	852 656		
Non interest income	628 391	583 032	45 359	Note (i)
Fair value adjustment to financial liabilities	(716)	(716)		
Income from operations	**1 480 331**	1 434 972	45 359	Note (i)
Operating expenses	(802 675)	(757 316)	(45 359)	Note (i)
Net income from operations	**677 656**	677 656		
Share of profit from associate company	254	254		
Income before indirect tax	**677 910**	677 910		
Indirect tax	(16 883)	(16 883)		
Profit before direct tax	**661 027**	661 027		
Direct tax	(226 979)	(226 979)		
Profit for the year	**434 048**	434 048		

31. Reclassification of prior year *continued*

Statement of cash flows

As a consequence of the above reclassifications, the statement of cash flows has been accordingly restated.

Consolidated statement of financial position as at 30 June

N$'000	Group Amount as previously reported 2011	Amount as restated 2011	Difference*	Explanation
Assets				
Cash and cash equivalents	412 913	412 913		
Due by banks and other financial institutions	763 051	763 051		
Derivative financial instruments	24 161	24 161		
Advances	12 538 500	12538 500		
Investment securities	1 578 439	1578 439		
Accounts receivable	126 820	126 820		
Investment in associate company	1 820	1 820		
Investment in subsidiary company				
Property and equipment	256 416	256 416		
Intangible assets	211 051	211 051		
Non current held for sale				
Total assets	**15 913 171**	15 913 171		
Liabilities				
Deposits and current accounts	13 356 400	13 356 400		
Due to banks and other financial institutions	43 910	43 910		
Short trading positions	51 889	51 889		
Derivative financial instruments	21 743	21 743		
Creditors and accruals	293 317	210 288	83 029	Note (ii)
Employee liabilities		111 438	(111 438)	Note (ii)
Tax liability	23 738	23 738		
Post-employment benefit liabilities	34 536		34 536	Note (ii)
Deferred tax liability	39 774	39 774		
Tier two liabilities	264 491	270 618	(6 127)	Note (ii)
Total liabilities	**14 129 798**	14 129 798		
Equity				
Ordinary shares	1	1		
Share premium	1 142 791	1 142 791		
Reserves	640 581	640 581		
Total equity	**1 783 373**	1 783 373		
Total liabilities and equity	**15 913 171**	15 913 171		

*Company not reflected as adjustments on the statement of financial position are the same for group and company

31. Reclassification of prior year *continued*

Note (i)

Fee and commission expenses that are incremental or directly attributable to the generation of fee and commission income have been reclassified out of various operating expense lines into fee and commission expense line. In addition, the presentation of fee and commission expenses has been updated by presenting it as part of the non-interest income and not as part of operating expenses. The presentation was updated to be in line with banking industry practice.

Note (ii)

During the current year a comprehensive review of the liability disclosure was undertaken by the group in order to ensure that the group's disclosures were consistent with industry practice and to provide more detailed and useful information in the financial statements. A reclassification was required to bring the comparative numbers in line with the updated presentation.

Annexure A: Capital management

Capital management

Introduction and objectives

The optimum level and composition of capital in the group is determined after taking into account the business organic growth plans – provided financial targets are met – and six other factors: expectations of investors; targeted capital ratios; future business plans; plans for additional capital instruments; the need for an appropriate buffer in excess of minimum requirements; and any proposed regulatory changes.

Our objective is to maintain a strong capital base to support business growth and to meet regulatory capital requirements at all times. A strong capital base serves as a foundation for growth and cushions against unexpected losses. Our aim is to be capitalised at the higher of economic capital or regulatory capital including a buffer.

Our process is articulated in the group's capital management framework which is re-assessed annually. The framework enables us to manage our capital in a consistent and aligned manner.

We incorporate stress testing in the capital management framework, determining sensitivities and core assumptions in the case of extreme but plausible events. Stress testing allows us to formulate our response, including risk mitigation actions, in advance of stressful conditions. Actual market events which occurred throughout the world's financial system in recent years have been used to inform our capital planning process.

In addition, our internal stress tests complement the Internal Capital Adequacy Assessment Process ("ICAAP") completed annually and submitted to Bank of Namibia (BoN) under prescribed determinations. The outcome of the ICAAP process is a vital component of our internal capital management assessment.

Capital adequacy and planning

Supply of capital

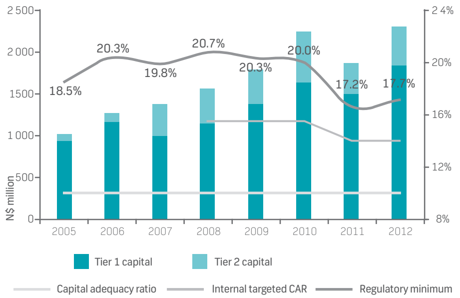
The group's planning process ensures that the total capital adequacy and Tier 1 ratios remain within approved ranges or above target levels across economic and business cycles. FNB is appropriately capitalised for a range of normal and severe scenarios and possible stress events. FNB aims to back all economic risk with Tier 1 capital, which offers the greatest capacity to absorb losses.

Total Capital

During the year FNB substantially exceeded the minimum capital adequacy requirements of the Bank of Namibia for both Tier 1 and Total Capital – the former by 6.72% and the latter by 7.67%.This was mainly attributable to internal capital generated of N$302million, being retained earnings after taking into account dividends. FNB also called the N$260 million subordinated bonds FNB17, part of its Tier 2 capital, and simultaneously issued a new bond (FNB22) to the value of N$390 million under the current N$400 million medium term note programme. The FNB22 qualifies as Tier 2 capital in terms of BON requirements.

The following graph depicts eight years' growth in capital components and capital adequacy:

Bank capital



Demand for capital

BoN requires banking institutions to hold a minimum amount of capital equal to 10% of the calculated risk weighted assets ("RWA") in terms of the standardised approach of Basel 2. The increase in risk weighted assets during the year is mainly attributable to the increase in credit risk arising mainly from growth in advances. In addition, operational risk increased in line with the growth in gross income.

Regulatory developments

The regulation and supervision of financial institutions continues to undergo significant changes in response to the global financial crisis. In December 2010, the Basel Committee issued final new requirements. Commonly referred to as Basel 3, it places greater emphasis on liquidity and leverage ratios of banks and also raises the quality and transparency of the capital base. As a subsidiary of a South African banking group we are preparing for the transition to Basel 3. The South African Reserve Bank is expected to finalise Basel 3 capital requirements in the second half of 2012. Once these have been set and the testing phase completed, FNB will be in a position to review its capital management framework to determine the range and targets it ought to be meeting.

During 2012 BoN introduced the consolidated supervision approach; an approach that we believe will not only complement our internal capital management framework but enhance optimum capital mix within the group. We are pleased to report that capital adequacy levels are more than satisfactory.

FNB calculates capital at a banking group level by using the Basel 2 framework. A standardised approach prescribed by BoN requires Namibian banks to calibrate their RWA for credit, operational and market risks.

Capital adequacy of FNB

	2012 N$m	2011 N$m
Risk weighted assets		
Credit risk	11 640	9 539
Market risk	38	14
Operational risk	1 843	1 677
Total risk weighted assets	**13 521**	11 230
Regulatory capital		
Share capital and share premium	1 143	1 143
Retained profits	895	621
Capital impairment: intangible assets	(183)	(211)
Total tier 1	1 855	1 553
Eligible subordinated debt	390	260
General risk reserve, including portfolio impairment	144	119
Total tier 2	534	379
Total tier 1 and tier 2 capital	**2 389**	1 932
Capital adequacy ratios		
Tier 1	13.7%	13.8%
Tier 2	4.0%	3.4%
Total	**17.7%**	17.2%
Tier 1 leverage ratio	9.4%	9.7%