Consolidated statement of comprehensive income
for the year ended 30 June

N$'000	Note	2012	2011
Continuing operations			
Interest and similar income	2	1 524 990	1 414 755
Interest expense and similar charges	2	(635 111)	(575 315)
Net interest income before impairment of advances		889 879	839 440
Impairment reversal on advances	13	41 913	12 398
Net interest income after impairment of advances		931 792	851 838
Non-interest income	3	739 585	604 861
Net insurance premium income	4	84 468	71 935
Net claims and benefits paid	5	(40 968)	(41 437)
Fair value adjustment to financial liabilities	28	4 391	(716)
Income from operations		1 719 268	1 486 481
Operating expenses	6	(884 105)	(768 918)
Net income from operations		835 163	717 563
Share of profit from associates after tax	16.4	3 045	4 951
Income before tax		838 208	722 514
Indirect tax	7.1	(17 381)	(17 019)
Profit before tax		820 827	705 495
Direct tax	7.2	(282 248)	(241 242)
Profit for the year from continuing operations		**538 579**	464 253
Discontinued operation			
Profit attributable to discontinued operation	21	1 858	74 792
Profit after tax on sale of discontinued operation	21	231 598	
Profit for the year		**772 035**	539 045
Other comprehensive income			
Gain on available-for-sale financial assets		7 102	227
Deferred income tax relating to other comprehensive income	19	(1 634)	162
Other comprehensive income for the year		**5 468**	389
Total comprehensive income for the year		**777 503**	539 434
Profit for the year attributable to:			
Ordinary shareholders		762 103	496 298
Equity holders of the parent		762 103	496 298
Non-controlling interests		9 932	42 747
Profit for the year		**772 035**	539 045
Total comprehensive income for the year attributable to:			
Ordinary shareholders		766 266	496 811
Equity holders of the parent		766 266	496 811
Non-controlling interests		11 237	42 623
Total comprehensive income for the year		**777 503**	539 434
Total comprehensive income for the year attributable to:			
Continuing operations		541 383	464 895
Discontinued operation		236 120	74 539
Total comprehensive income for the year		**777 503**	539 434
Earnings per share (cents)			
Basic and diluted earnings per share (cents)			
From continuing operations	8.2	204.5	177.1
From discontinued operation	8.2	89.8	14.7
		294.3	191.8

Consolidated statement of financial position
as at 30 June

N$'000	Note	2012	2011[1]	2010[1]
Assets				
Cash and cash equivalents	10.1	1 002 052	428 054	455 215
Due from banks and other financial institutions	10.2	1 925 741	763 051	851 182
Derivative financial instruments	11	27 125	24 161	57 119
Advances	12	14 076 753	12 464 342	11 226 660
Investment securities	14	2 144 424	1 643 526	2 799 659
Accounts receivable	15	215 636	135 118	117 610
Tax asset		606		
Investments in associates	16	3 903	24 696	22 594
Property and equipment	17	286 848	279 335	267 024
Intangible assets	18	10 709	17 115	56 360
Deferred tax asset	19	2 828	2 378	5 885
Policy loans on investments contracts				26 931
Reinsurance assets	20	927	425	50 080
Non-current assets and disposal group held for sale	21		1 381 729	753
Total assets		**19 697 552**	17 163 930	15 937 072
Equity and liabilities				
Liabilities				
Deposits	22.1	16 238 472	13 305 607	12 045 869
Due to banks and other financial institutions	22.2	48 429	43 910	54 346
Short trading positions	23		51 889	
Derivative financial instruments	11	60 227	21 743	58 019
Creditors and accruals	24	229 600	228 691	185 448
Tax liability		151 894	24 309	32 001
Employee liabilities	25	128 212	111 951	97 724
Deferred tax liability	19	19 337	3 473	
Policyholder liabilities under insurance contracts	26	45 125	41 722	999 119
Policyholder liabilities under investment contracts	27			43 831
Tier two liabilities	28	392 627	270 618	269 632
Liabilities directly associated with disposal group held for sale	21		1 074 169	
Total liabilities		**17 313 923**	15 178 082	13 785 989
Equity				
Capital and reserves attributable to equity holders				
Ordinary shares	29	1 295	1 294	1 291
Share premium	29	181 477	187 898	191 695
Reserves		2 179 264	1 630 930	1 758 631
Capital and reserves attributable to the group's ordinary equity holders		2 362 036	1 820 122	1 951 617
Non-controlling interests		21 593	165 726	199 466
Total equity		**2 383 629**	1 985 848	2 151 083
Total equity and liabilities		**19 697 552**	17 163 930	15 937 072

[1] Comparatives have been reclassified, refer to note 42

Consolidated statement of changes in equity

for the year ended 30 June

N$'000	Share capital	Share premium	Share capital and share premium	General risk reserve*	Share-based payment reserve	Available-for-sale reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity holders	Non-controlling interests	Total equity
Balance at 30 June 2010	1 291	191 695	192 986		12 474	11 302	4 057	1 730 798	1 758 631	199 466	2 151 083
Total comprehensive income for the year						513		496 298	496 811	42 623	539 434
Profit for the year								496 298	496 298	42 747	539 045
Other comprehensive income for the year						513			513	(124)	389
Staff share option transactions					2 123				2 123		2 123
Ordinary dividends								(626 206)	(626 206)	(75 950)	(702 156)
Transfer to / (from) contingency reserves							1 472	(1 472)			
Transfer of vested equity options					(6 569)			6 569			
Effective change of shareholding in subsidiaries								(429)	(429)	(413)	(842)
Consolidation of shares held by share trusts	3	(3 797)	(3 794)								(3 794)
Balance at 30 June 2011	1 294	187 898	189 192		8 028	11 815	5 529	1 605 558	1 630 930	165 726	1 985 848
Total comprehensive income for the year						4 163		762 103	766 266	11 237	777 503
Profit for the year								762 103	762 103	9 932	772 035
Other comprehensive income for the year						4 163			4 163	1 305	5 468
Staff share option transactions					4 203				4 203		4 203
Ordinary dividends								(212 360)	(212 360)	(26 778)	(239 138)
Transfer to / (from) reserves				42 232			1 218	(43 450)			
Effective change of shareholding in subsidiaries						(1 229)		(8 546)	(9 775)	(128 592)	(138 367)
Consolidation of shares held by share trusts	1	(6 421)	(6 420)								(6 420)
Balance at 30 June 2012	**1 295**	**181 477**	**182 772**	**42 232**	**12 231**	**14 749**	**6 747**	**2 103 305**	**2 179 264**	**21 593**	**2 383 629**

* Credit risk reserves in compliance with Bank of Namibia requirements

Consolidated statement of cash flows
for the year ended 30 June

	Note	2012	2011
Cash flows from operating activities from continuing operations			
Cash receipts from customers	32.2	2 354 932	2 066 235
Cash paid to customers, suppliers and employees	32.3	(1 477 924)	(1 315 583)
Cash flows from operating activities	32.1	877 008	750 652
Increase in income earning assets	32.4	(3 280 678)	(1 292 397)
Increase in deposits and other liabilities	32.5	2 962 947	1 402 245
Net cash generated from operations		559 277	860 500
Tax paid	32.6	(153 129)	(258 889)
Net cash flow from operating activities from continuing operations		**406 148**	601 611
Net cash flow from operating activities from discontinued operations	21.1		153 544
Cash flows from investing activities from continuing operations			
Purchase of property and equipment	32.7	(51 581)	(53 742)
Proceeds from the disposal of property and equipment		1 247	553
Proceeds from the disposal of non current asset held for sale			1 496
Acquisition of a controlling interest in FNBIB from 40% to 100% during the year	32.8	(10 202)	
Dividends from associate company		1 540	2 849
Proceeds from the sale of Momentum Namibia	32.9	342 403	
Net cash outflow from investing activities from continuing operations		**283 407**	(48 844)
Net cash outflow from investing activities from discontinuing operations	21.1		(1 433)
Cash flows from financing activities from continuing operations			
Redemption of tier two liabilities		(260 000)	
Proceeds from tier two liabilities		390 000	
Purchase of shares for share trusts		(6 419)	(3 794)
Dividends paid	32.10	(212 360)	(626 206)
Dividends paid non-controlling interests		(26 778)	(2 450)
Net cash outflow from financing activities from continuing operations		**(115 557)**	(632 450)
Net cash outflow from financing activities from discontinuing operations	21.1		(73 500)
Net increase in cash and cash equivalents		573 998	(1 071)
Cash and cash equivalents at the beginning of the year*		428 054	455 215
Cash and cash equivalent acquired**	36.7		5
Transfer to disposal group held-for-sale	21.1		(26 094)
Cash and cash equivalents at the end of the year*	10.1	**1 002 052**	428 054

*Includes mandatory reserve deposits with central bank.

** Cash and cash equivalent acquired relate to cash held by subsidiary acquired during the year.

Notes to the consolidated annual financial statements
for the year ended 30 June

1 Accounting policies

The accounting policies of the group are set out on pages 52 to 71.

2 Analysis of interest income and interest expenditure.

2012

N$'000	Fair value	Amortised cost	Non-financial assets and liabilities	Total
Interest and similar income				
- Advances		1 293 179		1 293 179
- Cash and short term funds		91 246		91 246
- Investment securities	110 494	2 655		113 149
- Unwinding of discounted present value on non performing loans		6 718		6 718
- Unwinding of discounted present value on off-market advances		4 844		4 844
- On impaired advances		5 092		5 092
- Net release of deferred fee and expenses		10 123		10 123
- Other		639		639
	110 494	**1 414 496**		**1 524 990**
Interest expense and similar charges				
- Deposits from banks and financial institutions		549		549
- Current accounts		67 369		67 369
- Savings deposits		5 668		5 668
- Call deposits		214 266		214 266
- Term deposits		123 515		123 515
- Negotiable certificates of deposit		198 090		198 090
- Tier two liabilities	17 548	7 743		25 291
- Other			363	363
	17 548	**617 200**	**363**	**635 111**

2011

N$'000	Fair value	Amortised cost	Non-financial assets and liabilities	Total
Interest and similar income				
- Advances		1 234 942		1 234 942
- Cash and short term funds		63 193		63 193
- Investment securities	84 662	9 238		93 900
- Unwinding of discounted present value on non performing loans		8 763		8 763
- Unwinding of discounted present value on off-market advances		5 930		5 930
- On impaired advances		(394)		(394)
- Net release of deferred fee and expenses		8 421		8 421
	84 662	1 330 093		1 414 755
Interest expense and similar charges				
- Deposits from banks and financial institutions		927		927
- Current accounts		69 122		69 122
- Savings deposits		5 098		5 098
- Call deposits		209 142		209 142
- Term deposits		119 855		119 855
- Negotiable certificates of deposit		147 312		147 312
- Tier two liabilities	23 554			23 554
- Other			305	305
	23 554	551 456	305	575 315

3 Non-interest income

N$'000	2012	2011
Fee and commission income:		
- Card commissions	52 918	53 681
- Cash deposit fees	102 574	75 623
- Commissions: bills, drafts and cheques	22 815	15 567
- Service fees	251 922	215 667
- Fiduciary service fees	8 053	7 687
- Other commissions	191 750	173 720
- Banking fee and commission income	630 032	541 945
- Brokerage income	53 333	20 599
- Unit trust and related fees	13 195	11 288
- Reinsurance commission received by insurance companies	2 711	2 752
Fee and commission income	**699 271**	576 584
Fee and commission expense:		
- Transaction processing fees	(34 061)	(29 790)
- Cash sorting handling and transportation charges	(1 860)	(1 180)
- Card and cheque book related	(5 963)	(4 332)
- Insurance operations	(3 258)	(3 143)
- ATM commissions paid	(2 264)	(2 136)
- Other	(11 158)	(7 923)
Fee and commission expense	**(58 564)**	(48 504)
Fee and commission income, by category		
- Instruments at amortised cost	621 979	534 258
- Non financial assets and liabilities	77 292	42 326
Fee and commission income	699 271	576 584
Fee and commission expenses	(58 564)	(48 504)
Net fee and commission income	**640 707**	528 080

Non banking fee and commission earned relates to fees and commissions earned for rendering services to clients other than those related to the banking operations. This includes commission earned on the sale of insurance products.

N$'000	2012	2011
Fair value income:		
- Foreign exchange trading	67 624	62 449
- Treasury trading operations	(28 095)	3 140
- debt instruments trading	5 458	3 766
- derivatives revaluation	(33 553)	(626)
- Designated at fair value through profit or loss	40 634	
Fair value income	**80 163**	65 589
Portfolio analysis for fair value income		
Held for trading	39 529	65 589
Designated at fair value through profit or loss	40 634	
Fair value income	**80 163**	65 589

3 Non-interest income *continued*

Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, and translated foreign currency assets and liabilities.

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

N$'000	2012	2011
Gains less losses from investing activities		
- Gains on investment securities designated at fair value through profit or loss	668	2 880
- Gains on realisation of available-for-sale financial assets	9 475	484
- Dividends received	3 613	2 393
- Listed shares	147	124
- Unit trusts	3 466	2 269
- Share of profit from associates after tax (note 16.4)	3 045	4 951
Gross gains less losses from investing activities	**16 801**	10 708
Less: Share of profit from associates after tax (disclosed separately on face of the statement of comprehensive income)	(3 045)	(4 951)
Gains less losses from investing activities	**13 756**	5 757
Other non-interest income		
- Gain on sale of property and equipment	5	574
- Rental income	1 625	1 818
- Other income	3 329	3 043
Other non-interest income	**4 959**	5 435
Other non-interest income, by category		
- Non-financial assets and liabilities	4 959	5 435
	4 959	5 435
Total non-interest income	**739 585**	604 861

4 Net insurance premium income

N$'000	2012	2011
Short term insurance contracts		
Gross written premiums	100 150	87 834
Insurance premiums ceded to reinsurers	(14 149)	(13 724)
Change in unearned premium provision	(1 533)	(2 175)
Net insurance premium income	**84 468**	71 935

5 Net claims and benefits paid

	2012	2011
Short term insurance contracts		
Gross insurance contracts claims	43 494	43 038
Transfer to provision for unintimated claims (note 26)	836	1 042
Gross claims and benefits paid on insurance contracts	44 330	44 080
Insurance benefits recovered from reinsurers	(3 362)	(2 643)
Net claims and benefits paid	**40 968**	41 437

6 Operating expenses

N$'000	2012	2011
Auditors' remuneration		
- Audit fees	4 644	4 287
- Fees for other services	26	54
Auditors' remuneration	**4 670**	4 341
Amortisation of intangible assets		
- Trademarks	1 986	4 036
- Insurance broker business acquired	2 184	
- Software	10 156	10 158
Amortisation of intangible assets (note 18)	**14 326**	14 194
Depreciation		
- Freehold property	66	1 791
- Leasehold property	6 177	5 913
- Equipment	32 368	26 319
- Computer equipment	12 655	12 642
- Furniture and fittings	11 774	7 244
- Motor vehicles	421	224
- Office equipment	7 518	6 209
Depreciation (note 17)	**38 611**	34 023
Impairments incurred		
- Insurance broker business acquired	5 000	
Impairments incurred (note 18)	**5 000**	
Operating lease charges		
- Property	16 362	11 561
- Equipment	5 412	4 183
Operating lease charges	**21 773**	15 744
Professional fees		
- Asset management fees	3 984	3 329
- Other	12 830	3 801
Professional fees	**16 814**	7 130

6 Operating expenses *continued*

N$'000	2012	2011
Total directors' remuneration (note 6.1.3)	**5 507**	5 153
Direct staff costs		
- Salaries, wages and allowances	352 843	312 816
- Off-market staff loans amortisation	4 844	5 930
- Contributions to employee benefit funds	79 319	69 643
- Defined contribution schemes: pension	38 433	34 176
- Defined contribution schemes: medical	40 886	35 467
- Retirement fund surplus recognised		(4 719)
- Post retirement medical expense	2 802	3 514
- Severance pay: death in service	(32)	1 123
- Social security levies	1 167	1 219
- Share-based payments (note 31)	9 974	5 077
Direct staff costs	**450 917**	394 603
- Other staff related costs	16 350	13 129
Total staff costs	**467 267**	407 732
Other operating costs		
- Insurance	10 576	12 989
- Advertising and marketing	48 181	46 339
- Property and maintenance related expenses	38 506	34 423
- Legal and other related expenses	4 382	4 464
- Postage	4 677	4 964
- Stationery and printing	13 076	11 512
- Telecommunications	11 849	12 439
- Travel and accommodation	8 869	10 836
- Computer and processing related costs	113 481	97 075
- Other operating expenditure	56 540	45 560
Other operating costs	**310 137**	280 601
Total operating expenses	**884 105**	768 918

6 Operating expenses *continued*

6.1 Directors emoluments

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

N$'000

	Salary	Bonus	Pension and medical aid contributions	Other allowance	Total
6.1.1 Executive director:					
2012:					
VR Rukoro	1 557	1 676	291	319	3 843
	1 557	**1 676**	**291**	**319**	**3 843**
2011:					
VR Rukoro	1 437	1 392	274	319	3 422
	1 437	1 392	274	319	3 422

6.1.2 Non-executive directors:

	Fees as directors 2012	2011
Non-executive independent directors:		
CJ Hinrichsen (Chairman)	367	260
HWP Böttger (retired November 2010)		198
CLR Haikali	283	265
SH Moir	532	434
MN Ndilula	151	127
PT Nevonga	69	51
H-D Voigts (retired November 2010)		188
II Zaamwani-Kamwi	262	208
	1 664	1 731

Other non-executive directors :
JR Khethe
JK Macaskill

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

6.1.3 Total directors' remuneration and fees:

	2012	2011
- Executive director	3 843	3 422
- Non-executive directors	1 664	1 731
	5 507	5 153

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

6.2 Share options

Share options allocated to directors and movements of share options are summarised below: Refer to note 31 for the description of terms of the share trusts.

	Opening balance	Granted during the year	Strike price	Expiry date	Taken up this year (number of shares)	Closing balance (number of shares)	Benefit derived (N$'000)
Executive director:							
VR Rukoro							
FNB Namibia Holdings Ltd shares	486 067		5.17 - 12.26	Jun 2013 - Feb 2016	(124 734)	361 333	649
FirstRand Ltd shares	619 620	4 989	15.80 - 18.70	Nov 2013 - Nov 2014	(254 708)	369 901	1 839
Non-executive directors:							
FNB Namibia Holdings Ltd shares							
PT Nevonga	37 500		5.17	Jun-11	(37 500)		351

6.3 Directors' holdings in shares:

	2012 Number of ordinary shares held	2012 Percentage holding	2011 Number of ordinary shares held	2011 Percentage holding
Names:				
Directly:				
HWP Böttger (retired November 2010)	n/a	n/a	4 667	0.002%
SH Moir	6 000	0.002%	6 000	0.002%
PT Nevonga	61 665	0.023%	38 026	0.014%
VR Rukoro	-	0.000%	94 443	0.035%
HD Voigts (retired November 2010)	n/a	n/a	12 049	0.005%
II Zaamwani-Kamwi	54 463	0.020%	54 463	0.020%
Indirectly:				
CLR Haikali	3 011 899	1.126%	3 011 899	1.126%
SH Moir	3 800	0.001%	3 800	0.001%
MN Ndilula	5 749 989	2.149%	5 749 989	2.149%

7 Tax

N$'000	2012	2011
7.1 Indirect tax		
Value-added tax (net)	12 849	12 724
Stamp duties	4 532	4 295
Total indirect tax	**17 381**	17 019
7.2 Direct tax		
Normal tax		
- Current	268 468	234 100
- Deferred	13 780	7 142
Total direct tax	**282 248**	241 242

Tax rate reconciliation – normal tax	%	%
Effective rate of tax	34.4	34.2
Total tax has been affected by:		
Non-taxable income	0.6	(0.2)
Non-deductible expenses	(1.0)	
Standard rate of tax	**34.0**	34.0

8 Earnings and dividends per share

8.1 Headline earnings per share

Headline earnings per share is calculated by dividing the group's attributable earnings to ordinary equity holders after excluding identifiable remeasurements, net of tax and non-controlling interest, by the weighted average number of ordinary shares in issue during the year.

	2012	2011
Headline earnings (N$'000)	526 025	495 599
Weighted average number of ordinary shares in issue	258 991 805	258 699 215
Headline earnings per share (cents)	**203.1**	191.6

	2012		2011	
	Gross	Net*	Gross	Net*
Earnings attributable to ordinary equity holders of the group	762 103	762 103	497 018	496 298
Profit on sale of property and equipment	(6)	(5)	(575)	(380)
Realised gains from available-for-sale financial assets	(9 475)	(9 475)	(484)	(319)
Profit on disposal of subsidiary	(231 598)	(231 598)		
Impairment of intangible asset	5 000	5 000		
Headline earnings	**526 024**	**526 025**	495 959	495 599

* Net of tax and non controlling interests

8.2 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of the group, obtained from profit and loss, by the weighted average number of ordinary shares in issue during the year.

	2012	2011
From continuing operations (N$'000)	529 557	458 154
From discontinued operations (N$'000)	232 546	38 144
Earnings attributable to ordinary shareholders (N$'000)	762 103	496 298
Weighted average number of ordinary shares in issue	258 991 805	258 699 215
From continuing operations (cents)	204.5	177.1
From discontinued operations (cents)	89.8	14.7
Basic earnings per share (cents)	**294.3**	191.8

Basic earning per share equals diluted earning per share as there are no potential dilutive ordinary shares in issue.

	2012	2011
Actual number of shares:		
Opening balance shares in issue as at 1 July	267 593 250	267 593 250
Closing balance shares in issue as at 30 June	267 593 250	267 593 250
Less shares held in FNB Namibia share trusts	(8 577 465)	(8 804 597)
Number of shares in issue (after elimination of shares in FNB Namibia share trusts)	**259 015 785**	258 788 653
Weighted number of shares:		
Actual number of shares in issue as at 1 July	267 593 250	267 593 250
Less weighted shares held in FNB Namibia share trusts	(8 601 445)	(8 894 035)
Weighted average number of shares in issue	**258 991 805**	258 699 215

8 Earnings and dividends per share *continued*

8.3 Dividend information

	2012 Cents	2012 N$'000	2011 Cents	2011 N$'000
A final dividend (dividend no. 32) of 36 cents per share was declared on 17 August 2010 in respect of the year ended 30 June 2010 and paid on 28 October 2010.			36	93 295
An interim dividend (dividend no. 33) of 36 cents per share was declared on 2 February 2011 for the period ended 31 December 2010 and paid on 8 April 2011.			36	93 295
A special dividend (dividend no. 34) of 170 cents per share was declared on 4 April 2011 and paid on 27 May 2011.			170	439 616
A final dividend (dividend no. 35) of 41 cents per share was declared on 17 August 2011 in respect of the year ended 30 June 2011 and paid on 27 October 2011.	41	106 180		
An interim dividend (dividend no. 36) of 41 cents per share was declared on 2 February 2012 for the period ended 31 December 2011 and paid on 12 April 2012.	41	106 180		
	82	**212 360**	242	626 206

A final dividend of 41 cents (2011: 41 cents) was declared subsequent to year-end (Refer to the Directors' report).

The dividend in the current year and the prior year takes into account the elimination of the dividends to the share trusts, which are consolidated on a group level.

9 Analysis of assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on page 52 to page 71 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:

N$'000	Note	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
		2012						
Assets								
Cash and short term funds	10.1			1 002 052				1 002 052
Due from banks and other financial institutions	10.2			1 925 741				1 925 741
Derivative financial instruments	11	27 125						27 125
Advances	12		484 537	13 592 216				14 076 753
Investment securities	14	48 967	36 727	102 607	1 956 123			2 144 424
Accounts receivable	15			215 636				215 636
Tax asset							606	606
Investments in associates	16						3 903	3 903
Property and equipment	17						286 848	286 848
Intangible assets	18						10 709	10 709
Deferred tax asset	19						2 828	2 828
Reinsurance assets	20						927	927
Total assets		**76 092**	**521 264**	**16 838 252**	**1 956 123**		**305 822**	**19 697 552**
Liabilities								
Deposits	22.1					16 238 472		16 238 472
Due to banks and other financial institutions	22.2					48 429		48 429
Derivative financial instruments	11	60 227						60 227
Creditors and accruals	24					229 600		229 600
Tax liability							151 894	151 894
Employee liabilities	25						128 212	128 212
Deferred tax liability	19						19 337	19 337
Policyholder liabilities under insurance contracts	26						45 125	45 125
Tier two liabilities	28					392 627		392 627
Total liabilities		**60 227**				**16 909 128**	**344 568**	**17 313 923**

9 Analysis of assets and liabilities *continued*

2011

N$'000	Note	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
Assets								
Cash and short term funds	10.1			428 054				428 054
Due from banks and other financial institutions	10.2			763 051				763 051
Derivative financial instruments	11	24 161						24 161
Advances	12			12 464 342				12 464 342
Investment securities	14	64 319	38 255	53 626	1 487 326			1 643 526
Accounts receivable	15			135 118				135 118
Investments in associates	16						24 696	24 696
Property and equipment	17						279 335	279 335
Intangible assets	18						17 115	17 115
Deferred tax asset	19						2 378	2 378
Reinsurance assets	20						425	425
Non-current assets and disposal group held for sale	21						1 381 729	1 381 729
Total assets		88 480	38 255	13 844 191	1 487 326		1 705 678	17 163 930
Liabilities								
Deposits	22.1					13 305 607		13 305 607
Due to banks and other financial institutions	22.2					43 910		43 910
Short trading positions		51 889						51 889
Derivative financial instruments	11	21 743						21 743
Creditors and accruals	24					228 691		228 691
Tax liability							24 309	24 309
Employee liabilities	25						111 951	111 951
Deferred tax liability	19						3 473	3 473
Policyholder liabilities under insurance contracts	26						41 722	41 722
Tier two liabilities	28		270 618					270 618
Liabilities directly associated with disposal group held for sale	21						1 074 169	1 074 169
Total liabilities		73 632	270 618			13 578 208	1 255 624	15 178 082

10 Short term funds

10.1 Cash and short term funds

N$'000	2012	2011
Coins and bank notes	226 961	213 376
Balances with central bank	740 804	198 678
Balances with other banks	34 287	16 000
Cash and short term funds	**1 002 052**	428 054

The carrying value approximates the fair value.

Mandatory reserve balances included in above:	**166 371**	148 787

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is not available for use in the group's day to day operations. These deposits bear no interest.

10.2 Due by banks and other financial institutions

N$'000	2012	2011
Due by banks and financial institutions		
– In the normal course of business	1 925 741	763 051
	1 925 741	763 051

The carrying value approximates the fair value.

Geographical split:		
Namibia	95 433	100 494
South Africa	1 206 512	30 406
North America	557 772	554 439
Europe	64 806	77 072
Other	1 218	640
	1 925 741	763 051

11 Derivative financial instruments

Use of derivatives

Derivative contracts are not entered into for speculative purposes by the group. For accounting purposes, derivative instruments are classified as held for trading. 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 of interest rate swaps and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and to reduce the risk that the group faces due to volatile interest rates.

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

11 Derivative financial instruments *continued*

Use of derivatives *continued*

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, over time.

The group uses the following financial instruments for hedging purposes:
Forward rate agreements are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (for example fixed rate for floating rate). No exchange of principal takes place.

The group's detailed risk management strategy, including the use of hedging instruments in risk management, is set out in the Risk Report on pages 180 to 188 of the Annual Report.

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

	2012			
	Assets		Liabilities	
N$'000	Notional	Fair value	Notional	Fair value
Held for trading				
Currency derivatives	781 306	**24 013**	697 485	**21 623**
- Forward rate agreements	229 601	**7 066**	145 780	**4 676**
- 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**	**60 227**

	2011			
	Assets		Liabilities	
N$'000	Notional	Fair value	Notional	Fair value
Held for trading				
Currency derivatives	594 980	18 362	512 119	16 355
- Forward rate agreements	396 511	10 556	313 650	8 549
- Options	198 469	7 806	198 469	7 806
Interest rate derivatives				
- Swaps	305 000	5 799	394 610	5 388
Total held for trading	899 980	24 161	906 729	21 743

12 Advances

N$'000	2012	2011
Notional value of advances	14 269 968	12 721 936
Contractual interest suspended	(35 674)	(45 966)
Gross advances	**14 234 294**	12 675 970
Sector analysis		
Agriculture	626 610	450 601
Banks and financial services	106 328	211 721
Building and property development	2 047 934	2 211 664
Government and public authorities	231 177	107 101
Individuals	8 069 555	7 183 622
Manufacturing and commerce	2 110 361	1 415 992
Mining	154 057	193 844
Transport and communication	247 856	216 825
Other services	640 416	684 600
Gross advances	14 234 294	12 675 970
Impairment of advances (note 13)	(157 541)	(211 628)
Net advances	**14 076 753**	12 464 342
Geographic analysis (based on credit risk)		
Namibia	**14 076 753**	12 464 342
Category analysis		
Overdrafts and cash management accounts	1 455 374	1 491 778
Loans to other financial institutions	106 328	286 121
Card loans	99 794	88 518
Instalment sales and hire purchase agreements	2 190 276	1 834 643
Lease payments receivable	127 983	89 229
Home loans	7 221 825	6 549 137
Term loans	2 088 335	1 907 245
Assets under agreement to resell		52 757
Investment bank term loans	484 537	
Other	459 842	376 542
Gross advances	14 234 294	12 675 970
Impairment of advances (note 13)	(157 541)	(211 628)
Net advances	**14 076 753**	12 464 342
Portfolio analysis		
Designated at fair value through profit and loss	484 537	
Loans and receivables	13 592 216	12 464 342
	14 076 753	12 464 342

Fair value of advances is disclosed in note 37.

12 Advances *continued*

N$'000	Within 1 year	Between 1 and 5 years	Total
Analysis of instalment sales and lease payments receivable			
2012			
Lease payments receivable	74 406	72 171	146 577
Suspensive sale instalments receivable	1 067 711	1 473 643	2 541 354
Sub total	1 142 117	1 545 814	2 687 931
Less: Unearned finance charges	(222 830)	(143 978)	(366 808)
Total	**919 287**	**1 401 836**	**2 321 123**
2011			
Lease payments receivable	50 022	51 676	101 698
Suspensive sale instalments receivable	997 983	1 119 740	2 117 723
Sub total	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 has not sold or pledged any advances to third parties.

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

Credit risk mitigation

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

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

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

The valuation at inception is based on physical inspection.

12 Advances *continued*

Credit risk mitigation *continued*

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

	2012		2011	
N$'000	Performing	Non performing	Performing	Non performing
Instalment sales and lease payments receivables	4 743	2 294	1 500	1 781
Home loans	23 254	58 309	27 609	75 904
Total	**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.

13 Impairment of advances

2012

N$'000	Overdrafts and cash managed accounts	Card loans	Instalment sales and lease payments receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Analysis of movement in impairment of advances per class of advance								
Opening balance	63 271	2 550	32 803	45 705	67 299	211 628	64 643	146 985
Amounts written off	(3 397)	(431)	(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)	(40 545)	89	6 353	2 606	(4 263)	(35 760)	9 240	(45 000)
Closing balance	18 318	2 208	35 783	41 163	60 069	157 541	55 556	101 985
Increase / decrease in provision	(40 545)	89	6 353	2 606	(4 263)	(35 760)	9 240	(45 000)
Recoveries of bad debts previously written off	(1 010)	(34)	(3 505)	(675)	(929)	(6 153)	(6 153)	
Impairment (release) / loss recognised in the statement of comprehensive income	(41 555)	55	2 848	1 931	(5 192)	(41 913)	3 087	(45 000)

2011

N$'000	Overdrafts and managed accounts	Card loans	Instalment sales and lease payments receivables	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	78 640	4 458	39 466	53 925	70 196	246 685	99 700	146 985
Amounts written off	(3 804)	(822)	(7 635)	(2 889)	(4 012)	(19 162)	(19 162)	
Unwinding of discounted present value on non-performing loans	(1 798)			(6 573)	(392)	(8 763)	(8 763)	
Net new impairments created / released	(9 767)	(1 086)	972	1 242	1 507	(7 132)	(7 132)	
Closing balance	63 271	2 550	32 803	45 705	67 299	211 628	64 643	146 985
Increase / decrease in provision	(9 767)	(1 086)	972	1 242	1 507	(7 132)	(7 132)	
Recoveries of bad debts previously written off	(619)	(48)	(3 412)	(904)	(283)	(5 266)	(5 266)	
Impairment (release) / loss recognised in the statement of comprehensive income	(10 386)	(1 134)	(2 440)	338	1 224	(12 398)	(12 398)	

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").

13 Impairment of advances *continued*

2012

N$'000	Total value net of interest in suspense	Security held and other recoveries	Specific impairments
Non-performing loans 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	19 850	16 495	5 947
Mining	217		217
Transport and communication	531	33	517
Other	10 902	5 213	4 883
Total non-performing loans	**141 943**	**104 026**	**55 556**
Non-performing loans by category			
Overdrafts and cash managed accounts	16 114	15 834	10 893
Card loans	1 643		1 643
Instalment sales and hire purchase agreements	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 loans	**141 943**	**104 026**	**55 556**
Non-performing loans by geographical area			
Namibia	**141 943**	**104 026**	**55 556**

2011

N$'000	Total value net of interest in suspense	Security held and other recoveries	Specific impairments
Non-performing loans 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 loans	166 000	124 019	64 643
Non-performing loans by category			
Overdrafts and cash managed accounts	14 051	7 940	9 900
Card loans	2 008		2 009
Instalment sales and hire purchase agreements	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	10 502	5 300
Other	6 659		153
Total non-performing loans	166 000	124 019	64 643
Non-performing loans by geographical area			
Namibia	166 000	124 019	64 643

14 Investment securities

N$'000	2012 Held for trading	2012 Designated at fair value through profit or loss	2012 Available-for-sale	2012 Loans and receivables	2012 Total
Total					
Negotiable certificates of deposit				102 607	102 607
Treasury bills	7 028		1 559 962		1 566 990
Other government and government guaranteed stock	41 939		336 144		378 083
Other dated securities			7 921		7 921
Unit trust investments		36 727	52 096		88 823
Total	**48 967**	**36 727**	**1 956 123**	**102 607**	**2 144 424**
Listed					
Other government and government guaranteed stock	41 939		336 144		378 083
Other dated securities			7 921		7 921
	41 939		**344 065**		**386 004**
Unlisted					
Negotiable certificates of deposit				102 607	102 607
Treasury bills	7 028		1 559 962		1 566 990
Unit trust investments		36 727	52 096		88 823
	7 028	**36 727**	**1 612 058**	**102 607**	**1 758 420**

N$'000	2011 Held for trading	2011 Designated at fair value through profit or loss	2011 Available-for-sale	2011 Loans and receivables	2011 Total
Total					
Equities		1 382	12 273		13 655
Negotiable certificates of deposit				53 626	53 626
Treasury bills	2 990		1 079 098		1 082 088
Other government and government guaranteed stock	61 329		311 963		373 292
Other dated securities			57 161		57 161
Unit trust investments		36 873	26 831		63 704
Total	64 319	38 255	1 487 326	53 626	1 643 526
Listed					
Equities		1 382	12 273		13 655
Other government and government guaranteed stock	61 329		311 963		373 292
Other dated securities			7 350		7 350
	61 329	1 382	331 586		394 297
Unlisted					
Negotiable certificates of deposit				53 626	53 626
Treasury bills	2 990		1 079 098		1 082 088
Other dated securities			49 811		49 811
Unit trust investments		36 873	26 831		63 704
	2 990	36 873	1 155 740	53 626	1 249 229

14 Investment securities *continued*

Analysis of investment securities

N$'000	2012	2011
Listed		
Equities		13 655
Debt	386 004	380 642
	386 004	394 297
Unlisted		
Debt	1 758 420	1 249 229
Total	**2 144 424**	1 643 526
Valuation of investments		
Market value of listed investments	386 004	394 297
Directors valuation of unlisted investments	1 758 535	1 249 229
Total valuation	**2 144 539**	1 643 526

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

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

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

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

15 Accounts receivable

N$'000	2012	2011
Accounts receivable		
– Items in transit	50 457	71 852
– Deferred staff cost	40 057	39 128
– Premium debtors	1 400	1 392
– Other accounts receivable	123 722	22 746
Accounts receivable	**215 636**	135 118

Information about the credit quality of the above balances is set out in the risk management note 41.

The carrying value of accounts receivable approximates the fair value.

16 Investment in associates

16.1 Details of investments in associates

All associate companies are unlisted.

	Nature of business	Issued ordinary share capital N$	Number of ordinary shares held 2012	Number of ordinary shares held 2011	Year end
Namclear (Pty) Ltd	Interbank clearing house	4	1	1	31 December
Avril Payment Solutions (Pty) Ltd	Payroll administrators	10 000	1 000	1 000	28 February
FNB Insurance Brokers (Namibia) (Pty) Ltd*	Short term insurance brokers	5	5	2	30 June

16.2 Effective holdings and carrying amounts in associates

N$'000	Effective holding % 2012	Effective holding % 2011	Group carrying amount 2012	Group carrying amount 2011	Group cost less amounts written off 2012	Group cost less amounts written off 2011
Namclear (Pty) Ltd	25	25	2 769	1 820	1 154	1 154
Avril Payment Solutions (Pty) Ltd	10	10	1 134	578	1	1
FNB Insurance Brokers (Namibia) (Pty) Ltd*		40		22 298		17 702
Total			**3 903**	24 696	**1 155**	18 857

16.3 Movement in carrying value of associates

N$'000	2012	2011
Carrying value at beginning of the year	24 696	22 594
Transfer to investment in subsidiaries	(22 298)	
Share of associate earnings	3 045	4 951
Dividends received	(1 540)	(2 849)
Carrying value at end of the year	**3 903**	24 696
Valuation		
Unlisted investments at directors' valuation	**3 903**	24 696

16 Investment in associates *continued*

16.4 Summarised financial information of associates

N$'000	Total 2012	Total 2011	Avril Payment Solutions (Pty) Ltd Audited February 2012	Avril Payment Solutions (Pty) Ltd Audited February 2011	Namclear (Pty) Ltd Unaudited June 2012	Namclear (Pty) Ltd Unaudited June 2011	FNB Insurance Brokers (Namibia) (Pty) Ltd* N/a	FNB Insurance Brokers (Namibia) (Pty) Ltd* Audited June 2011
Statement of financial position								
Non-current assets	1 396	201	26	90	1 370	3 974		14 208
Current assets	23 269	5 066	7 729	7 095	15 540	16 164		48 602
Non-current liabilities	(101)	(63)	(9)	(31)	(92)			
Current liabilities	(5 474)	(1 232)	(574)	(460)	(4 900)	(11 325)		(41 692)
Equity	**19 090**	3 972	**7 172**	6 694	**11 918**	8 813		21,118
Share of profits from associates								
After tax profit attributable to the group	3 045	4 951	2 096	1 958	949	253		2 740

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

* The group acquired a further 60% shareholding in FNB Insurance Brokers (Namibia) (Pty) Ltd during the year and its now a wholly owned subsidiary.

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.

17 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
Property						
Freehold land and buildings	211 295	(32 551)	178 744	191 241	(33 972)	157 269
Leasehold property	34 184	(27 547)	6 637	30 869	(21 428)	9 441
	245 479	**(60 098)**	**185 381**	222 110	(55 400)	166 710
Equipment						
Computer equipment	89 809	(64 946)	24 863	84 085	(52 220)	31 865
Furniture and fittings	96 010	(45 132)	50 878	90 041	(36 067)	53 974
Motor vehicles	6 555	(2 819)	3 736	6 263	(2 758)	3 505
Office equipment	55 500	(33 510)	21 990	50 166	(26 885)	23 281
	247 874	**(146 407)**	**101 467**	230 555	(117 930)	112 625
Total	**493 353**	**(206 505)**	**286 848**	452 665	(173 330)	279 335

Movement in property and equipment - carrying amount

	Freehold land and buildings	Leasehold property	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Carrying amount at 30 June 2010	147 393	12 672	39 318	48 276	4 400	14 965	267 024
Additions	33 702	4	5 163	4 351	722	9 800	53 742
Acquisition of a subsidiary			1	17			18
Transfer to non-current assets held for sale			(263)	(712)	(1 164)	(227)	(2 366)
Depreciation charge	(1 791)	(5 913)	(12 642)	(7 244)	(224)	(6 209)	(34 023)
Transfer between classes	(17 685)	2 678	496	9 530		4 981	
Transfer to repairs and maintenance	(4 338)						(4 338)
Disposals	(12)		(208)	(244)	(229)	(29)	(722)
Carrying amount at 30 June 2011	157 269	9 441	31 865	53 974	3 505	23 281	279 335
Additions	40 300	68	4 911	1 587	761	3 954	51 581
Acquisitions of subsidiary			400	423	219		1 042
Depreciation charge	(66)	(6 177)	(12 655)	(11 774)	(421)	(7 518)	(38 611)
Transfer between classes	(13 475)	3 340	765	7 058		2 312	
Transfer to repairs and maintenance	(5 257)						(5 257)
Disposals	(27)	(35)	(423)	(390)	(328)	(39)	(1 242)
Carrying amount at 30 June 2012	**178 744**	**6 637**	**24 863**	**50 878**	**3 736**	**21 990**	**286 848**

17 Property and equipment *continued*

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

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

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.

No assets were encumbered at 30 June 2012 nor 30 June 2011.

18 Intangible assets

N$ '000	Cost 2012	Accumulated amortisation and impairments 2012	Carrying amount 2012	Cost 2011	Accumulated amortisation and impairments 2011	Carrying amount 2011
Trademarks	83 375	(81 342)	2 033	88 308	(84 289)	4 019
Goodwill	100		100	100		100
Software	34 016	(31 176)	2 840	34 016	(21 020)	12 996
Value of insurance broker business acquired	12 920	(7 184)	5 736			
Total	**130 411**	**(119 702)**	**10 709**	122 424	(105 309)	17 115

Movement in intangibles – carrying amount

	Trademarks	Goodwill	Software	Value of insurance broker business acquired	Value of in-force business	Total
Carrying amount at 30 June 2010	18 110	100	23 154		14 996	56 360
Amortisation charge	(4 036)		(10 158)			(14 194)
Transfer to non-current assets held for sale	(10 055)				(14 996)	(25 051)
Carrying amount at 30 June 2011	4 019	100	12 996			17 115
Acquisition of subsidiary				12 920		12 920
Amortisation charge	(1 986)		(10 156)	(2 184)		(14 326)
Impairment recognised				(5 000)		(5 000)
Carrying amount at 30 June 2012	**2 033**	**100**	**2 840**	**5 736**		**10 709**

18 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

Impairment of goodwill:

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

The CGU's to which the goodwill balance as at 30 June 2012 and 30 June 2011 relates to is FNB Namibia Unit Trust Company Ltd.

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

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

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

	Discount rate 2012	Discount rate 2011	Growth rate 2012	Growth rate 2011
FNB Namibia Unit Trusts Limited	15.00%	15.00%	8%	8%

19 Deferred tax

N$'000	2012	2011
19.1 The movement on the deferred tax account is as follows:		
Deferred tax liability		
Opening balance	(3 473)	5 885
- Charge to profit and loss	(17 498)	(9 196)
- Deferred tax on amounts charged directly to other comprehensive income	1 634	(162)
Net balance for the year for entities with deferred tax liabilities	**(19 337)**	(3 473)
Deferred tax asset		
Opening balance	2 378	
- Acquisition of subsidiary	247	
- Charge to profit and loss	203	2 378
Net balance for the year for entities with deferred tax assets	**2 828**	2 378
Total net deferred tax balance	**(16 509)**	(1 095)

19 Deferred tax *continued*

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

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

N$'000	2012 Opening balance	2012 Tax (charge) / release	2012 Closing balance	2011 Opening balance	2011 Tax (charge) / release	2011 Closing balance
Deferred tax (liabilities) / assets						
Instalment credit agreements	(51 741)	(1 442)	(53 183)	(48 820)	(2 921)	(51 741)
Accruals	(22 450)	(3 398)	(25 848)	(21 094)	(1 356)	(22 450)
Deferred staff costs	(13 304)	(315)	(13 619)	(15 183)	1 879	(13 304)
Property and equipment	(33 354)	668	(32 686)	(29 979)	(3 375)	(33 354)
Fair value adjustments of financial instruments	(2 680)	(1 634)	(4 314)	(2 842)	162	(2 680)
Provision for loan impairment	37 481	(11 475)	26 006	37 481		37 481
Post retirement benefits	11 778	297	12 075	10 583	1 195	11 778
Other	70 797	1 435	72 232	75 739	(4 942)	70 797
Net deferred tax (liabilities) / assets	(3 473)	(15 864)	(19 337)	5 885	(9 358)	(3 473)
Deferred tax assets						
Property and equipment	(73)	(22)	(95)		(73)	(73)
Other	2 451	472	2 923		2 451	2 451
Total net deferred tax assets	2 378	450	2 828		2 378	2 378
Charge through profit and loss		13 780			7 142	
Deferred tax on other comprehensive income		1 634			(162)	
		15 414			6 980	

20 Reinsurance assets

N$'000	2012	2011
Short term reinsurance contracts	927	425
Total reinsurance contracts	**927**	425

Information about the credit quality of the above balances is provided in the risk management note 41.

21 Disposal group held for sale and discontinued operations

21.1 Disposal group held for sale and discontinued operations relating to the sale of Momentum Namibia

During the prior year, following the unbundling of Momentum Group Limited out of the FirstRand Group in South Africa, FNB Namibia took a strategic decision to disinvest its stake in Momentum Namibia.

The transaction resulted in FNB Namibia classifying Momentum Namibia as a disposal group held for sale in line with the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). The assets and liabilities attributable to Momentum Namibia was classified as held for sale and separately disclosed on the statement of financial position. In addition, Momentum Namibia qualifies as a discontinued operation as it is a component of FNB Namibia that has been classified as held for sale and represents a separate major line of business. In line with the requirements of IFRS 5, the income and expenses relating to Momentum Namibia have been presented in the statement of comprehensive income as a single amount relating to the after tax profit and other comprehensive income relating to discontinued operations.

The transaction has been approved by the relevant authorities and is effective from 29 June 2012. The transaction is not subject to any suspensive conditions.

Discontinued operations

Income and expenses recognised in the statement of comprehensive income relating to the discontinued operation of Momentum Namibia:

N$'000	2012*	2011
Interest and similar income	62 626	62 962
Net interest income	**62 626**	62 962
Non-interest income	56 254	67 409
Net insurance premium income	289 268	197 348
Net claims and benefits paid	(152 099)	(117 956)
Increase in value of policyholder liabilities: insurance contracts	(156 830)	(6 517)
Fair value adjustment of policyholder liabilities: investment contracts	(5 014)	(40 266)
Income from operations	**94 205**	162 980
Operating expenses	(79 852)	(76 377)
Income before tax	**14 353**	86 603
Indirect tax	(4 017)	(4 130)
Profit before tax	**10 336**	82 473
Direct tax	(8 478)	(7 681)
Profit after tax	**1 858**	74 792
Other comprehensive income		
Gain / (loss) on available-for-sale financial assets	2 664	(253)
Total other comprehensive income for the year	**2 664**	(253)
Total comprehensive income for the year	**4 522**	74 539

* This includes the profits up to the date that the discontinued operation was disposed of which is 29 June 2012

At the date that the Momentum Namibia was classified as held for sale, its fair value less cost to sell exceeded its consolidated carrying value and no gain or loss was recognised on the classification date.

21 Disposal group held for sale and discontinued operations *continued*

Discontinued operations *continued*

N$'000	2012*	2011
Cash flow information		
Net cash flow from operating activities	94 953	153 544
Net cash flow from investing activities	(1 732)	(1 433)
Net cash flow from financing activities	(24 328)	(73 500)
Total cash flow	**68 893**	78 611
Profit from discontinued operation		
Profit after tax from discontinued operation	1 858	
Gain on disposal of discontinued operation	231 598	
Total profit for the year from discontinued operation	**233 456**	
Gain on disposal of discontinued operation		
Consideration received	366 387	
Attributable profit after tax from discontinued operation	948	
Net assets disposed of	133 841	
Gain on disposal	**231 598**	

Analysis of the assets and liabilities of Momentum Namibia group held for sale

N$'000	2012**	2011
Assets		
Cash and short term funds	28 216	26 094
Investment securities	1 429 091	1 256 870
Accounts receivable	30 949	37 594
Property and equipment	3 691	2 919
Intangible assets	22 733	16 015
Policy loans on investments contracts	23 354	24 617
Reinsurance assets	34 338	17 620
Total assets classified as disposal group held for sale	**1 572 412**	1 381 729
Liabilities		
Creditors and accruals	45 036	38 434
Gross outstanding claims	3 478	2 354
Tax liability	695	1 232
Post-employment benefit liabilities	344	286
Policyholder liabilities under insurance contracts	1 087 558	937 369
Policyholder liabilities under investment contracts	172 867	94 494
Total liabilities classified as disposal group held for sale	**1 309 978**	1 074 169
Net assets of disposal group held for sale	**262 434**	307 560

** The amounts in the 2012 column represents the carrying value of the assets and liabilities on the date of the disposal.

Momentum Namibia group was previously disclosed as the Long term insurance segment in the segment report.

22 Deposits

22.1 Deposits and current accounts

N$'000	2012 At amortised cost	2011 At amortised cost
Category analysis		
- Current accounts	5 619 343	4 262 215
- Call deposits	4 378 298	3 996 382
- Savings accounts	415 000	355 308
- Fixed and notice deposits	2 335 471	2 002 094
- Negotiable certificates of deposit	3 490 360	2 689 608
Total deposits and current accounts	**16 238 472**	13 305 607

The fair values of deposits and current accounts are disclosed in note 37.

Geographical split: Namibia	**16 238 472**	13 305 607

22.2 Due to banks and other financial institutions

N$'000	2012 At amortised cost	2011 At amortised cost
To banks and financial institutions		
- In the normal course of business	48 429	43 910
Fair value of balance disclosed	**48 429**	43 910
Geographical split: Namibia	**48 429**	43 910

23 Short trading positions

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

Short trading positions are carried at fair value.

24 Creditors and accruals

N$'000		2012	2011[1]	2010[1]
Accounts payable and accrued liabilities		203 337	109 250	141 474
Items in transit		26 263	119 441	43 932
Preference dividends payable				42
Creditors and accruals		**229 600**	228 691	185 448

The carrying value of creditors and accruals approximates fair value.

25 Employee liabilities

N$'000		2012	2011[1]	2010[1]
Staff related accruals	25.1	83 139	72 014	64 195
Cash settled share-based payment liability*		9 374	5 354	2 401
Post-employment benefit liabilities	25.2	35 699	34 583	31 128
Closing balance		**128 212**	111 951	97 724

* Refer to note 31 (remuneration schemes) for more detail on the cash settled share-based payment schemes.

25.1 Staff related accruals

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

N$'000	2012	2011[1]	2010[1]
Opening balance	72 014	64 195	52 279
- Acquisitions/(disposals) of subsidiaries	2 337	828	
- Transfer to non-current assets and disposal groups held for sale		(3 346)	
- Charge to profit or loss	32 633	27 301	21 318
- Utilised	(23 845)	(16 964)	(9 402)
Closing balance	**83 139**	72 014	64 195

[1] Comparatives have been reclassified, refer to note 42

25 Employee liabilities *continued*

25.2 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 group's share of contributions to the medical scheme. Continuing member contributions are projected into the future year using the assumption rate of health care cost inflation and are then discounted back using the discount rate. The group subsidises medical aid contributions for all eligible members at various rates.

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

N$ '000	2012 Medical	2012 Severance Pay	2012 Total	2011 Medical	2011 Severance Pay	2011 Total
Present value of unfunded liabilities	29 105	4 111	33 216	30 016	4 200	34 216
Unrecognised actuarial (losses) / gains	2 483		2 483	367		367
Post-employment benefit liabilities	**31 588**	**4 111**	**35 699**	30 383	4 200	34 583
The amounts recognised in the statement of comprehensive income are as follows:						
Current service cost	165	363	528	170	919	1 089
Past service cost		128	128	1 137	4	1 141
Interest cost	2 553	344	2 897	2 541	283	2 824
Net actuarial gains recognised	84	(867)	(783)	(418)		(418)
Total included in staff costs (including discontinued operations)	**2 802**	**(32)**	**2 770**	3 430	1 206	4 636
Movement in post-employment liabilities						
Present value at the beginning of the year	30 383	4 200	34 583	28 146	3 156	31 302
Amounts recognised in the profit and loss as above	2 802	(32)	2 770	3 430	1 206	4 636
Transfer to non current liabilities held for sale				(87)	(87)	(174)
Benefits paid	(1 597)	(57)	(1 654)	(1 106)	(75)	(1 181)
Present value at the end of the year	**31 588**	**4 111**	**35 699**	30 383	4 200	34 583

25 Employee liabilities *continued*

25.2 Post-employment benefit liabilities *continued*

The principal actuarial assumptions used for accounting purposes were:

N$'000	2012 Medical	2012 Severance	2011 Medical	2011 Severance
Discount rate (%)	8.38%	8.38%	8.51%	8.51%
Medical aid inflation (%)	7.38%		7.51%	
Salary inflation (%)		6.88%		7.01%

The effects of a 1% movement in the assumed costs were as follows:

N$'000	Health costs	Salary cost	Health costs	Salary cost
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 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	122	1 789	129	1 732

25.3 Defined contribution pension fund

N$'000	2012	2011
Employer contribution to pension fund	38 433	34 176
Employer contribution to pension fund - executive director	291	274
Total employer contributions to pension fund (including discontinued operations)	38 724	34 450
Employees contribution to pension fund	17 588	15 762
Total contributions	**56 312**	50 212
Number of employees covered	1 887	1 803

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$ 4.9 million, including amounts relating to discontinued operations. The surplus was utilised to fund the employer contributions to the pension fund.

26 Policyholder liabilities under insurance contracts

N$'000	2012	2011[1]	2010[1]
Short-term insurance contracts			
Claims outstanding			
Claims reported and loss adjustment expenses	7 985	6 919	6 109
Claims incurred but not reported	5 754	4 918	3 876
Insurance contract cash bonuses	8 267	7 838	5 041
Unearned premiums	23 484	22 058	20 127
Gross	45 490	41 733	35 153
Claims reported and loss adjustment expenses	(365)	(11)	(2)
Recoverable from reinsurance	(365)	(11)	(2)
Claims outstanding			
Claims reported and loss adjustment expenses	7 620	6 908	6 107
Claims incurred but not reported	5 754	4 918	3 876
Insurance contract cash bonuses	8 267	7 838	5 041
Unearned premiums	23 484	22 058	20 127
Net	45 125	41 722	35 151
Long-term insurance contracts			
Balance at the beginning of the year		963 968	927 304
- Increase in retrospective liabilities (discontinued operation)		6 517	38 040
- Unwind of discount rate		8 955	23 802
- New business		30 554	35 400
- Change in economic assumptions		(1 302)	(5 913)
- Expected cash flows		(12 859)	(56 113)
- Expected release of margins		(100 678)	(61 850)
- Expected variances		(83 238)	50
Premiums received on insurance contracts		192 817	182 710
Policyholder benefits on insurance contracts		(111 649)	(107 961)
Fair value adjustments on insurance contracts		83 917	27 915
Reinsurance (net)			(1 376)
Transfer to investment contracts		(33 116)	
Transfer to disposal group held for sale (note 21.1)		(937 369)	
Balance at the end of the year			963 968
Insurance contracts with discretionary participation features			488 470
Insurance contracts without discretionary participation features			426 060
Net policyholder liabilities under insurance contracts			914 530
Total	45 125	41 722	999 119

[1] Comparatives have been reclassified, refer to note 42

26 Policyholder liabilities under insurance contracts *continued*

	2012	2011	2010
Actuarial liabilities under unmatured policies comprise the following:			
Linked (market related) business - Individual life			116 145
Smoothed bonus business - Individual life			398 735
Annuities business			310 026
Life business			
- Individual life			89 624
			914 530

The amounts above are based on the actuarial valuations of Momentum Life Assurance Namibia Limited at 30 June 2011.

27 Policyholder liabilities under investment contracts

N$'000	2012	2011
Balance at the beginning of the year		43 831
Fair value adjustment to policyholder liabilities under investment contracts (discontinued operation)		40 266
Deposits received on investment contracts		28 167
Policyholder benefits on investment contracts		(13 289)
Fees on investment contracts		(4 481)
Transfer to disposal group held for sale (note 21.1)		(94 494)
Balance at the end of the year		
Investment contracts with discretionary participation features		
Total policyholder liabilities under investment contracts		

28 Tier two liabilities

N$'000				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)

(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 2 capital for First National Bank of Namibia Limited.

Refer to note 37, fair value of financial instruments for the methodologies used to determine the fair value of tier two liabilities.

[1] Comparatives have been reclassified, refer to note 42

29 Share capital and share premium

	2012	2011
Authorised		
990 000 000 (2011: 990 000 000) ordinary shares with a par value of N$0.005 per share	4 950	4 950
10 000 000 (2011: 10 000 000) cumulative convertible redeemable preference shares with a par value of N$0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2011: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
2 (2011: 2) cumulative convertible redeemable preference shares with a par value of N$0.005 per share		
Elimination		
-shares held by FNB Namibia share trusts	(43)	(44)
	1 295	1 294

Term of preference shares: redeemable at 31 days notice by either party. The dividend rights in terms of the agreement with the shareholder are based on the actual profits made, per agreed adjustments, of a portion of the short-term insurance business.

	2012	2011
Share premium	**181 477**	187 898

A detailed reconciliation of the movements in the share capital and premium balances is set out in the statement of changes in equity. The unissued ordinary and preference shares are under the control of the directors until the next annual general meeting.

All issued shares are fully paid up.

30 Other reserves

N$'000	2012	2011
OUTsurance Insurance Company of Namibia Ltd - Contingency reserve	6 747	5 529
	6 747	5 529

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

31 Remuneration schemes

	2012	2011
The statement of comprehensive income charge for share-based payments is as follows:		
FNB Share Incentive Trust	4 203	2 831
Total of share trusts	4 203	2 831
Employees with FirstRand share options and share appreciation rights	5 771	2 246
Charge against staff costs (note 6)	**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 and FirstRand Share Incentive Scheme

The purpose of this scheme is to provide a facility to employees of the FNB Namibia Holdings Group to acquire shares in FNB Namibia Holdings Limited. The primary purpose of this scheme is to appropriately attract, incentivise and retain employees within the FNB Namibia Holdings Group.

For options allocated, delivery may only be taken by the participant 3, 4 and 5 years after the option is exercised at a rate of 33.3% per annum.

The group does not have a exposure to market movement on its own shares as all options are hedged through a share incentive trust that houses the shares until the options are exercised or expires.

BEE Share Incentive Scheme

The group is firmly committed to the process of achieving transformation in Namibia. The group specifically wishes to ensure that the long-term benefits of the BEE transaction reach the widest possible community of black Namibians.
FirstRand Bank Holdings Ltd made available 13 379 663 shares, representing 5% of its investment in FNB Namibia Holdings Ltd at the time, to a BEE transaction. Of this total number, 4% was allocated to BEE partners and 1% was allocated to black employees and black non-executive directors. The 1% allocation to staff includes a number of shares to be put separately into a trust of which the dividend income is to support educational needs of such staff members and their family members. The rest of the 1% allocation is used, through a trust, to allocate options to staff members.

Vesting conditions as follows:

- Black staff and black non-executive directors:
  50% after year 3 and 25% per year in years 4 and 5 respectively.

- BEE Partners:
  Upon meeting certain performance criteria, share options will vest 1/5th every year over a minimum period of 5 years. The fourth and fifth tranche vested and was exercised during the prior year.

Valuation methodology

Share incentive scheme

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

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

31 Remuneration schemes *continued*

Market data consists of the following:

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

Dividend data of the following:

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

Employee statistic assumptions:

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

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

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

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

	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2012	**2011**	**2012**	**2011**
Weighted average share price (N$)	517 - 1226	517 - 1180	700	700
Expected volatility (%)	4 - 17	4 - 17	7	7
Expected option life (years)	5	5	5	5
Expected risk free rate (%)	7.05 - 9.47	7.05 - 9.47	9	9

	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2012	**2011**	**2012**	**2011**
Share option schemes				
Number of options in force at the beginning of the year ('000)	10 204	9 797	62	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)	1236	1226		
Number of options exercised/released during the year ('000)	(2 056)	(1 294)		(384)
Market value range at the date of exercise/release (cents)	517-1226	1180		1226
Number of options cancelled/lapse during the year ('000)	(340)	(595)		
Granted at prices ranging between (cents)	517 - 1226	517 - 1226		
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 - 1226	517 - 1180	517	517

31 Remuneration schemes *continued*

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

Options are exercisable over the following periods: (first date able to release)	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2012	**2011**	**2012**	**2011**
Financial year 2012		2 396		446
Financial year 2013	4 089	2 738	62	62
Financial year 2014	2 224	2 003		
Financial year 2015	2 431	1 606		
Financial year 2016	936	726		
Financial year 2017	935	735		
Total	**10 615**	10 204	**62**	508

32 Cash flow information

N$'000		**2012**	**2011**
32.1	**Reconciliation of operating profit before tax to cash flow from operating activities**		
	Profit before tax	820 827	705 495
	Adjusted for:		
	- Share of earnings of associate companies after impairment losses	(3 045)	(4 951)
	- Amortisation and impairment of intangibles	19 326	14 194
	- Depreciation of property and equipment	38 611	34 023
	- Transfer from revaluation reserve: available-for-sale financial assets	(9 475)	(484)
	- Transfer of work in progress to repairs and maintenance	5 257	4 338
	- Share-based payment expenses	9 974	5 077
	- Impairment release / losses of advances	(41 913)	(12 398)
	- Provision for post-employment benefit obligations	1 174	3 530
	- Other employment accruals	4 866	2 222
	- Creation and revaluation of derivative financial instruments	35 521	(3 318)
	- Policyholders fund and insurance fund transfers	1 532	2 175
	- Transfer to provision for unintimated claims	836	1 042
	- Fair value adjustment to financial liabilities	(4 391)	716
	- Non cash flow movements in interest accrual on financial liabilities	(2 627)	(270)
	- Unwinding of discounted present value on non-performing loans	(6 718)	(8 763)
	- Unwinding of discounted present value on off-market loans	(4 844)	(5 930)
	- Net release of deferred fee and expenses	(10 123)	(8 421)
	- Off-market staff loans amortisation	4 844	5 930
	- Profit on sale of property and equipment	(5)	(574)
	- Indirect tax	17 381	17 019
	Cash flows from operating activities	**877 008**	750 652
32.2	**Cash receipts from customers**		
	Interest and similar income	1 503 305	1 391 641
	Other non-interest income	765 626	600 484
	Net insurance premium received	86 001	74 110
		2 354 932	2 066 235

32 Cash flow information *continued*

N$'000		2012	2011
32.3	**Cash paid to customers, suppliers and employees**		
	Interest expense and similar charges	(637 738)	(575 584)
	Net claims and benefits paid	(40 131)	(40 395)
	Total other operating expenses	(800 055)	(699 604)
		(1 477 924)	(1 315 583)
32.4	**Increase in income earning assets**		
	Due from banks and other financial institutions	(1 162 690)	88 131
	Advances	(1 548 812)	(1 202 170)
	Investment securities	(510 373)	(132 136)
	Accounts receivable and similar accounts	(58 300)	(46 439)
	Reinsurance assets	(503)	217
		(3 280 678)	(1 292 397)
32.5	**Increase in deposits and other liabilities**		
	Deposits	2 978 541	1 259 738
	Due to banks and other financial institutions	4 519	(10 436)
	Short trading positions	(51 889)	51 889
	Accounts payable and similar accounts	31 776	101 054
		2 962 947	1 402 245
32.6	**Tax paid**		
	Amounts payable at beginning of the year	(32 048)	(39 818)
	Indirect tax	(17 381)	(17 019)
	Current tax charge	(268 468)	(234 100)
	Amounts payable at end of the year	164 768	32 048
	Total tax paid	**(153 129)**	(258 889)
32.7	**Capital expenses to maintain operations**		
	Purchase of property and equipment, settled in cash	**(51 581)**	(53 742)
32.8	**Acquisition of subsidiary**		
	FNB Insurance Brokers (Namibia) (Pty) Ltd ("FNBIBN")		
	The group acquired the remaining 60% in FNBIBN (note 36.7)	**(10 202)**	
32.9	**Proceed on disposal of subsidiary**		
	Momentum Life Assurance Namibia Limited		
	The group sold its interest in Momentum Life Assurance Namibia Limited to Momentum Group Limited on 29 June 2012 (note 21)	**342 403**	
32.10	**Dividends paid**		
	Dividends approved and recognised in the group statement of changes in equity.	(212 360)	(626 206)
	Total dividends paid	**(212 360)**	(626 206)

33 Contingent liabilities and capital commitments

N$'000	2012	2011
Contingencies		
Guarantees *	655 385	722 290
Letters of credit	54 028	47 756
Total contingencies	709 413	770 046
Irrevocable unutilised facilities	641 215	434 880
Total contingencies and commitments	1 350 628	1 204 926

* Guarantees consist predominantly of endorsements and performance guarantees.
The fair value of guarantees approximates the face value as disclosed.

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

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

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

	2012	2011
- 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.

Group leasing arrangements:

N$'000	2012 Next year	2012 2nd to 5th year	2012 After 5th year	2011 Next year	2011 2nd to 5th year	2011 After 5th year
Office premises	14 021	21 663	821	12 233	19 774	1 042
Equipment				27		
	14 021	21 663	821	12 260	19 774	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.

34 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:

N$'000	2012 Fair value of collateral obtained	2012 Fair value of collateral sold or re-pledged	2011 Fair value of collateral obtained	2011 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 15:		
Property	2 693	1 906
Total	**2 693**	1 906

35 Loans and receivables designated as fair value through profit or loss

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

N$'000	2012 Carrying value	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.

36 Related parties

The group defines related parties as :

(i) The parent company;
(ii) Subsidiaries;
(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 FNB Namibia Holdings Limited and its subsidiaries;
(v) Post-retirement benefit funds (pension fund);
(vi) Key management personnel being the FNB Namibia Holdings Limited board of directors and the group executive committee;
(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).

FNB Namibia Holdings Limited is listed on the Namibian Stock Exchange and is 58.4% (2011: 58.4%) owned by FirstRand EMA Holdings Limited, with its ultimate holding company FirstRand Limited, which is incorporated in South Africa, listed on the JSE Limited and on the NSX.

36.1 Subsidiaries

Details of interest in subsidiaries are disclosed in note 36.6.

36.2 Associates

Details of investments in associate companies are disclosed in note 16.

36.3 Details of transactions with relevant related parties appear below:

N$'000	Groups that have significant influence over the group and their subsidiaries 2012	2011	Associates 2012	2011
Loans and advances				
Balance 1 July	84 148	816 217		
Advanced during year	1 170 169			
Repayments during year		(732 069)		
Balance 30 June	**1 254 317**	84 148		
Derivative instrument: assets	17 534	8 085		
Deposits				
Balance 1 July	(32 090)	(52 496)	(50 499)	(44 104)
Received during year				(14 408)
Repaid during year	2 114	20 406	42 626	8 013
Balance 30 June	**(29 976)**	(32 090)	**(7 873)**	(50 499)
Derivative instrument: liabilities	(44 392)	(18 930)		
Accounts receivable				
Balance 1 July				
Advanced during the year	50 000			
Balance 30 June	**50 000**			

36 Related parties *continued*

	Groups that have significant influence over the group and their subsidiaries 2012	2011	Associates 2012	2011
Accounts payable				
Balance 1 July				
Received during the year	(13 889)			
Balance 30 June	**(13 889)**			
Interest received	63 592	54 721		
Interest paid			(115)	(2 076)
Dividends paid	128 143	381 271		
Non-interest income				
Commission	3 628	2 177		251
Rental income			967	757
	3 628	2 177	**967**	1 008
Non-interest expenditure				
Computer and processing related costs	70 615	70 410		
Internal audit and compliance	1 390	1 371		
Insurance	4 910	4 946		
ATM processing costs	2 264	2 136		
Payroll processing	3 937	2 965		
Management fees	10 959	8 755		
Administration fee: OUTsurance SA	18 736	15 018		
Other sundry	13 399	10 877		
Clearing cost			**5 638**	5 290
	126 210	116 478	**5 638**	5 290

36 Related parties *continued*

36.4 Transactions with key management personnel:

N$'000	2012	2011
Advances		
Balance 1 July	36 809	42 397
Advanced during year	1 992	16 292
Repayments during year	(11 245)	(26 018)
Interest earned	2 736	4 138
Balance 30 June	**30 292**	36 809

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

	2012	2011
Current and credit card accounts		
Credit balance 1 July	(14 001)	(11 284)
Net deposits and withdrawals	1 413	(3 357)
Net service fees and bank charges	224	1 090
Interest income	85	356
Interest expense	(252)	(806)
Balance 30 June	**(12 531)**	(14 001)
Instalment finance		
Balance 1 July	4 297	3 676
Issued during year	3 441	2 174
Repayments during year	(3 916)	(1 856)
Interest earned	380	303
Balance 30 June	**4 202**	4 297
Life and disability insurance		
Aggregate insured cover	14 989	10 310
Premiums received	113	101
Investment products		
Opening balance	22 021	24 470
Deposits and withdrawals	(6 154)	(4 098)
Net investment return	975	1 657
Commission and other transaction fees	(93)	(8)
Fund closing balance	**16 749**	22 021

Shares and share options held
Directors holding in shares is disclosed in note 6.

	2012	2011
Aggregate details		
Share options held	2 806	3 044
Key management compensation		
Salaries and other short-term benefits	22 281	19 948
Contribution to defined contribution schemes	2 093	2 603
Share based payments	2 637	1 741
Total compensation	**27 011**	24 292

A listing of the board of directors of the group is detailed on pages 4 to 7 of the annual report.

36.5 Post employment benefit plans

Refer to note 25.2 on detailed disclosure of the movement on the post-employment benefit liability.

36 Related parties *continued*

36.6 Details of subsidiaries

Significant subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding % 2012	Effective holding % 2011
All subsidiaries are unlisted.						
The year end of all the subsidiaries is 30 June.						
Banking operations:						
First National Bank of Namibia Ltd	Commercial bank	1 June 2003	Namibia	1,200 of N$1 each	100	100
Swabou Investments (Pty) Ltd	Home loan investment company	1 July 2003	Namibia	2 of N$0.05 each	100	100
Insurance operations:						
Momentum Life Assurance Namibia Ltd*	Life assurance company	1 July 2003	Namibia	10,000,000 of N$1 each		51
OUTsurance Insurance Company of Namibia Ltd	Short-term insurance	1 July 2003	Namibia	4,000,000 of N$1 each	51	51
Other:						
FNB Trust Services Namibia (Pty) Ltd***	Estate and trust services	1 October 1996	Namibia	200 of N$1 each	100	100
FNB Insurance Brokers (Namibia) (Pty) Ltd	Short term insurance broker	1 July 2011	Namibia	100 of N$1 each	100	
FNB Namibia Unit Trusts Ltd	Unit trusts management company	1 January 2006	Namibia	4,000,000 of N$1 each	100	100
Momentum Asset Management Namibia (Pty) Ltd**	Asset manager	1 July 2010	Namibia	20,000 of N$1 each		51
Talas Properties (Windhoek) (Pty) Ltd	Property company	31 March 1988	Namibia	100 of N$1 each	100	100

* Momentum Life Assurance Namibia Limited was classified as held for sale during the prior year and sold during the current year.
** Momentum Life Assurance Namibia Limited acquired a 100% interest in Momentum Asset Management Namibia (Pty) Ltd during the prior year.
*** First National Asset Management & Trust Company of Namibia (Pty) Ltd.'s name was changed to FNB Trust Services Namibia (Pty) Ltd.

36 Related parties *continued*

36.6 Details of subsidiaries

N$ '000	Aggregate income of subsidiaries (before tax) 2012	Aggregate income of subsidiaries (before tax) 2011	Total investment 2012	Total investment 2011
First National Bank of Namibia Ltd	723 890	608 666	1 142 792	1 142 792
Swabou Investments (Pty) Ltd	46 751	65 846		
Momentum Life Assurance Namibia Ltd*	4 611	80 187		79 276
OUTsurance Insurance Company of Namibia Ltd	27 001	18 462	6 511	6 298
FNB Trust Services Namibia (Pty) Ltd	1 495	1 223		
FNB Insurance Brokers (Namibia) (Pty) Ltd	1 943		27 904	
FNB Namibia Unit Trusts Ltd	2 362	2 340	5 475	5 475
Momentum Asset Management Namibia (Pty) Ltd	5 349	3 904		
Talas Properties (Windhoek) (Pty) Ltd	9 844	20 800	2 967	2 967
	823 246	801 428	1 185 649	1 236 808

36 Related parties *continued*

36.7 Acquisition and disposal of subsidiaries and associates

FNB Insurance Brokers (Namibia) (Pty) Ltd

On 1 July 2011 the group acquired the remaining 60% of FNB Insurance Brokers (Namibia) (Pty) Ltd ("FNBIB"). The group previously held 40% shareholding and the remaining 60% was held by FNB Insurance Brokers Holdings (SA) (Pty) Ltd.

FNBIB is a short term insurance broker incorporated in the Republic of Namibia. FNBIB contributed N$1.9 million profit before tax to the group for the year ended 30 June 2012.

This transaction was accounted for as a common control transaction, as these entities were ultimately controlled by the same party, FirstRand Ltd, before and after the transaction. FNBIB was previously accounted for as an associate. The transaction was accounted for at the consolidated carrying value in line with the group's policy for common control transactions.

The details of the recognised amounts of assets and liabilities assumed at the acquisition date are set out below:

Identifiable assets acquired and liabilities assumed at their consolidated carrying value

N$'000	2012
Assets	
Cash and short term funds	45 675
Accounts receivable	3 173
Property and equipment	1 042
Intangible assets	12 920
Total assets acquired	**62 810**
Liabilities	
Creditors and accruals	16 630
Amounts due to fellow subsidiary companies	25 062
Total liabilities acquired	**41 692**
Net identifiable assets value as at date of acquisition	**21 118**
Total cash consideration transferred	10 202
Add: Value of previously held equity interest in acquire at acquisition date	22 298
Excess paid on change of shareholding in subsidiary	(11 382)
Net identifiable assets value as at date of acquisition	**21 118**

36 Related parties *continued*

36.7 Acquisition and disposal of subsidiaries and associates

Momentum Asset Management (Namibia) (Pty) Limited

On 1 July 2010 the group through Momentum Namibia acquired 100% of Momentum Asset Management (Namibia) (Pty) Ltd ("MOMAMN"). The group previously held 50% shareholding and the remaining 50% was held by Momentum Group Limited (SA). The primary reason for the shareholding restructuring was to align the Namibian group to the shareholding of the ultimate holding companies.

MOMAMN is an asset manager and is incorporated in the Republic of Namibia. MOMAMN contributed N$2.7 million profit after tax to the group for the year ended 30 June 2011.

This transaction was accounted for as a common control transaction, as these entities were ultimately controlled by the same party, FirstRand Ltd, before and after the transaction. MOMAMN was previously accounted for as an associate and was disposed of at its consolidated carrying value. The consideration received was equal to the net consolidated carrying value. The transaction was accounted for at the consolidated carrying value in line with the group's policy for common control transactions.

The details of the recognised amounts of assets and liabilities assumed at the acquisition date are set out below:

Identifiable assets acquired and liabilities assumed at their consolidated carrying value

N$'000	2011
Assets	
Cash and short term funds	5
Accounts receivable	1 423
Amounts due by fellow subsidiary companies	1 000
Property and equipment	18
Total assets acquired	2 446
Liabilities	
Creditors and accruals	429
Amounts due to fellow subsidiary companies	2 859
Total liabilities acquired	3 288
Net identifiable asset value as at date of acquisition	(842)
Non-controlling interest at acquisition	(413)
Loss on acquisition	(429)
Net identifiable asset value as at date of acquisition	(842)

37 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 instruments measured at fair value using a fair value hierarchy that reflects the significance of the inputs used. 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 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - Fair value is determined using a valuation technique and inputs that are not based on observable market data (i.e. 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.

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.

37 Fair value of financial instruments *continued*

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

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

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

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

Deposits
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.

The fair value of deposits will only be determined for deposits that have a maturity profile of longer than 30 days. For all non term products it is assumed that fair value equals 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 is based on the directors' valuation using suitable valuation methods.

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.

37 Fair value of financial instruments *continued*

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

N$'000	2012 Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
Investment securities (note 14)		1 956 123		1 956 123
Financial assets designated at fair value through profit or loss				
Advances (note 12)			484 537	484 537
Investment securities (note 14)		36 727		36 727
Financial assets held for trading				
Derivative financial instruments (note 11)		27 125		27 125
Investment securities (note 14)		48 967		48 967
Total financial assets		**2 068 942**	**484 537**	**2 553 479**
Liabilities				
Financial liabilities held for trading				
Derivative financial instruments (note 11)		60 227		60 227
Total financial liabilities		**60 227**		**60 227**

N$'000	2011 Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
Investment securities (note 14)	12 273	1 475 053		1 487 326
Financial assets designated at fair value through profit or loss				
Investment securities (note 14)	1 382	36 873		38 255
Financial assets held for trading				
Derivative financial instruments (note 11)		24 161		24 161
Investment securities (note 14)		64 319		64 319
Total financial assets	13 655	1 600 406		1 614 061
Liabilities				
Financial liabilities designated at fair value through profit or loss				
Tier two liabilities (note 28)		270 618		270 618
Financial liabilities held for trading				
Short trading position (note 23)	51 889			51 889
Derivative financial instruments (note 11)		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.

37 Fair value of financial instruments *continued*

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	Gains or losses recognised in profit and loss	Purchases/ (sales)/issues/ (settlements)	Discontinued operations	Fair value on June 2012
Assets					
Advances (note 12)		15 785	468 752		484 537
Total		15 785	468 752		484 537

N$'000	Fair value on June 2010	Gains or losses recognised in profit and loss (discontinued operations)	Gains or losses recognised in profit and loss (discontinued operations)	Discontinued operations	Fair value on June 2011
Liabilities					
Policyholder liabilities under investment contracts	7 365	4 011		(11 376)	
Total		4 011		(11 376)	

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on statement of financial position and the movement in fair values recognised in the statement of comprehensive. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N$532,992 (2011:N$5 342) and using more negative reasonable possible assumptions to N$436,084 (2011:N$9 463). These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

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

37 Fair value of financial instruments *continued*

Changes in level 3 fair value instruments *continued*

N$'000	2012 Gains or losses recognised in profit and loss	2012 Gains or losses recognised in other comprehensive income	2012 Total gains or loss
Assets			
Advances	40 635		40 635
Total	**40 635**		40 635

N$'000	2011 Gains or losses recognised in profit and loss	2011 Gains or losses recognised in other comprehensive income	2011 Total gains or loss
Liabilities			
Policyholder liabilities under investment contracts	4 011		4 011
Total	4 011		4 011

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	2012 Carrying value	2012 Fair value	2011 Carrying value	2011 Fair value
Assets				
Total advances at amortised cost (note 12)	13 592 216	13 870 508	12 464 342	12 479 661
Total investments at amortised cost (note 14)	102 607	102 722	53 626	53 626
Total financial assets at amortised cost	**13 694 823**	**13 973 230**	12 517 968	12 533 287
Liabilities				
Total deposits at amortised cost (note 22)	16 238 472	16 301 485	13 305 607	13 177 916
Total financial liabilities at amortised cost	**16 238 472**	**16 301 485**	13 305 607	13 177 916

37 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, the financial instrument is recognised at the transaction price and any day one profit is deferred. The balance is related 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:

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**	

38 Segment information

38.1 Reportable segments

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The table below sets out the group's various operating segments and the details of the various products and services provided by each of the reportable segments.

Primary segments (business)	Brands	Description	Product and services
Banking operations	First National Bank	Corporate and retail banking	Comprehensive banking packages for individuals and corporate
	WesBank	Motor vehicle and instalment finance	
Long term insurance	Momentum	Provides long term risk and investment products	Life insurance, investment products
Short term insurance	OUTsurance	Short term insurance	Short term insurance

Major customers
In terms of IFRS 8 a customer is regarded as a major customer, if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. The group has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

The segmental analysis is based on the management accounts for the respective segments. The management accounts are prepared in terms of IFRS measurement and recognition principles.

In order to ensure that the total segment results, assets and liabilities agree to the amounts reported for the group in terms of IFRS, the operations that don't qualify as separate segments are reported in the other column. All consolidation adjustments have also been recorded in this column.

Geographical segments
The group operates within the borders of Namibia, and no segment operations are outside Namibia.

38 Segment information (continued)

38.2 Reportable segments

Statement of comprehensive income
for the year ended 30 June

N$'000	Group 2012	Group 2011	Banking operations 2012	Banking operations 2011	Long term insurance 2012	Long term insurance 2011	Short term insurance 2012	Short term insurance 2011	Other 2012	Other 2011
Continuing operations										
Net interest income	889 879	839 440	888 733	840 258			2 294	2 500	(1 148)	(3 318)
Net interest income - external	889 879	839 440	891 027	839 440						
Net interest income - internal			(2 294)	818			2 294	2 500	(1 148)	(3 318)
Impairment reversal / (recognition) losses on advances	41 913	12 398	41 913	12 398						
Net interest income after impairment of advances	931 792	851 838	930 646	852 656			2 294	2 500	(1 148)	(3 318)
Non-interest income	739 585	604 861	681 831	583 032			3 872	2 924	53 882	18 907
Net insurance premium income	84 468	71 935					84 468	71 935		
Net claims and benefits paid	(40 968)	(41 437)					(40 968)	(41 437)		
Fair value adjustment to financial liabilities	4 391	(716)	4 391	(716)						
Income from operations	1 719 268	1 486 481	1 616 868	1 434 972			49 666	35 922	52 734	15 589
Operating expenses	(884 105)	(768 918)	(830 917)	(757 316)			(22 667)	(17 511)	(30 521)	5 907
Net income from operations	835 163	717 563	785 951	677 656			26 999	18 411	22 213	21 496
Share of profit from associates after tax	3 045	4 951	949	253					2 096	4 698
Income before tax	838 208	722 514	786 900	677 909			26 999	18 411	24 309	26 194
Indirect tax	(17 381)	(17 019)	(16 304)	(16 883)					(1 077)	(136)
Profit before tax	820 827	705 495	770 596	661 026			26 999	18 411	23 232	26 058
Direct tax	(282 248)	(241 242)	(262 080)	(226 979)			(8 590)	(5 964)	(11 578)	(8 299)
Profit for the year from continuing operations	538 579	464 253	508 516	434 047			18 409	12 447	11 654	17 759
Discontinued operations										
Profit attributable to discontinued operations	1 858	74 792			1 858	74 792				
Profit after tax on discontinued operations	231 598								231 598	
Profit for the year	**772 035**	539 045	**508 516**	434 047	**1 858**	74 792	**18 409**	12 447	**243 252**	17 759
Attributable to:										
Ordinary shareholders	762 103	496 298	508 516	434 047	948	38 144	9 387	6 348	243 252	17 759
Equity holders of the parent	762 103	496 298	508 516	434 047	948	38 144	9 387	6 348	243 252	17 759
Non-controlling interests	9 932	42 747			910	36 648	9 022	6 099		
Profit for the year	**772 035**	539 045	**508 516**	434 047	**1 858**	74 792	**18 409**	12 447	**243 252**	17 759
Headline earnings (note 8)	526 025	495 599	500 568	433 728	948	38 144	9 387	6 348	15 122	17 379
Other information										
Depreciation and amortisation	(57 935)	(48 217)	(65 558)	(60 984)	(10 106)	(9 935)	(22)	(44)	7 645	12 811
Rental income			772	871					9 505	8 947
Rental expense			(9 505)	(8 947)	(772)	(871)	(63)	(71)		
Capital expenditure	51 581	53 742	44 232	53 506	1 433	1 433			7 349	236

38 Segment information *continued*

Statement of financial position
as at 30 June

N$'000	Group 2012	Group 2011	Banking operations 2012	Banking operations 2011	Long term insurance 2012	Long term insurance 2011	Short term insurance 2012	Short term insurance 2011	Other 2012	Other 2011
Assets										
Cash and short term funds	1 002 052	428 054	968 800	412 913			40 936	41 950	(7 684)	(26 809)
Due from banks and other financial institutions	1 925 741	763 051	1 927 620	763 051					(1 879)	
Derivative financial instruments	27 125	24 161	27 125	24 161						
Advances	14 076 753	12 464 342	14 153 604	12 538 500					(76 851)	(74 158)
Investment securities	2 144 424	1 643 526	2 055 602	1 578 439			52 096	26 831	36 727	38 256
Investments in associates	3 903	24 696	2 769	1 820					1 134	22 876
Other assets	517 554	434 371	616 901	594 286			5 727	4 608	(105 075)	(164 523)
Non-current assets and disposal group held for sale		1 381 729				1 381 729				
Total assets	**19 697 552**	17 163 930	**19 752 421**	15 913 170		1 381 729	**98 759**	73 389	**(153 628)**	(204 358)
Equity and liabilities										
Liabilities										
Deposits	16 238 472	13 305 607	16 679 315	13 356 400					(440 843)	(50 793)
Due to banks and other financial institutions	48 429	43 910	32 924	43 910					15 505	
Short trading positions		51 889		51 889						
Derivative financial instruments	60 227	21 743	60 227	21 743						
Other liabilities	574 168	410 146	479 990	385 238			61 234	48 075	32 944	(23 167)
Tier two liabilities	392 627	270 618	392 627	270 618						
Liabilities directly associated with disposal groups held for sale		1 074 169				1 074 169				
Total liabilities	**17 313 923**	15 178 082	**17 645 083**	14 129 798		1 074 169	**61 234**	48 075	**(392 394)**	(73 960)
Equity										
Capital and reserves attributable to ordinary equity holders										
Ordinary shares	1 295	1 294	1	1		10 000	4 000	4 000	(2 706)	(12 707)
Share premium	181 477	187 898	1 142 791	1 142 791		185 368			(961 314)	(1 140 261)
Reserves	2 179 264	1 630 930	964 546	640 580		112 192	33 525	21 314	1 181 193	856 844
Capital and reserves attributable to ordinary equity holders	2 362 036	1 820 122	2 107 338	1 783 372		307 560	37 525	25 314	217 173	(296 124)
Non-controlling interests	21 593	165 726							21 593	165 726
Total equity	2 383 629	1 985 848	2 107 338	1 783 372		307 560	37 525	25 314	238 766	(130 398)
Total equity and liabilities	**19 697 552**	17 163 930	**19 752 421**	15 913 170		1 381 729	**98 759**	73 389	**(153 628)**	(204 358)

39 Critical accounting estimates and judgements in applying accounting policies

In preparing the financial statements, the group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

39.1 Credit impairment losses on loans and advances

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

(a) Performing loans

The performing portfolio is split into two parts:

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

(b) Non-performing loans

Retail loans are individually impaired if amounts are due and unpaid for three or more months, or if there is evidence before this that the customer is unlikely to repay its obligations in full. WesBank's loans are impaired upon its classification status, i.e. following an event driven approach and specific assessment of the likelihood to repay. Commercial and Wholesale loans are analysed on a case by case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

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

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

39 Critical accounting estimates and judgements in applying accounting policies *continued*

39.2 Fair value of financial instruments

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. Note 37 provides additional details on the calculation of fair value of financial instruments not quoted in active markets and an analysis of the effect of changes in managements' estimates on the fair value of financial instruments.

39.3 Impairment of available-for-sale equity instruments

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

39.4 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.

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

39.5 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. Details of the main assumptions applied in determining the net present value of the CGU are provided in note 18.

39.6 Employee benefit liabilities

The cost of the benefits and the present value of the severance pay (death in service) and post retirement medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge to profit or loss arising from these obligations include the expected long term rate of return on the relevant plan assets, the discount rate and the expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.

Additional information is provided in the note 25.

39.7 Share-based payments

Share based payment transactions of the group are classified as either cash settled or equity settled. The amounts recognised in respect of these share based payment transactions are determined by applying valuation techniques that are based on various assumptions and estimates that require judgment in their application. These assumptions and estimates include expected volatility, expected dividend yield, the discount rate and the expected forfeit or lapse rate.

39 Critical accounting estimates and judgements in applying accounting policies *continued*

39.7 Share-based payments *continued*

The expected volatility assumption is determined based on a ruling historical volatility over the expected life of the options and comparable financial information. The expected dividend yield is determined based on historical dividend yields and management's estimates. The discount rate is based on zero coupon government bonds and have terms to maturity consistent with the assumed life of the share option. The expected forfeit rate has been based on historical experience and management estimates.

Refer to note 31 for the detailed information regarding the share based payment expense and the assumptions used in determining the expense, liability and reserve.

39.8 Valuation of policyholders liabilities under insurance contracts

The actuarial value of policyholder liabilities arising from long term insurance contracts is determined using the Financial Soundness Valuation method as described in the actuarial guidance note PGN 104 of the Actuarial Society of South Africa. The method requires the following assumptions:

- The best estimate for a particular assumption is determined;
- Prescribed margins are then applied, as required by the Long term Insurance Act; and
- Discretionary margins may be applied, as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risk inherent in the contracts.

Best estimate assumptions as to mortality and morbidity, expenses, investment income and tax are used that may vary at each end of reporting date. A margin for adverse deviations is included in the assumptions. Improvements in estimates have a positive impact on the value of the liabilities and related assets, while deteriorations in estimates have a negative impact.

40 Standards and interpretations issued but not yet effective

	The group will comply with the following new standards and interpretations from the stated effective date.	**Effective date**
IAS 1 (amended)	**Presentation of Items of Other Comprehensive Income** 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.	Annual periods commencing on or after 1 January 2012.
IAS 12 (amended)	**Income Taxes** 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.	Annual periods commencing on or after 1 January 2012
IAS 19 (revised)	**Employee Benefits** 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.	Annual periods commencing on or after 1 January 2013
IAS 27 (amended)	**Separate Financial Statements** 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.	Annual periods commencing on or after 1 January 2013
IAS 28 (amended)	**Investments in Associates and Joint ventures** 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.	Annual periods commencing on or after 1 January 2013

40 Standards and interpretations issued but not yet effective *continued*

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.	Annual periods commencing on or after 1 January 2014
IFRS 1 (amended)	**First-time Adoption of International Financial Reporting Standards** 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.	Annual periods commencing on or after 1 July 2013
IFRS 7 (amended)	**Financial Instruments: Disclosures** 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.	Annual periods commencing on or after 1 July 2013
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.	Annual periods beginning on or after 1 January 2015
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.	Annual periods commencing on or after 1 January 2013

40 Standards and interpretations issued but not yet effective *continued*

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.	Annual periods commencing on or after 1 January 2013
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.	Annual periods commencing on or after 1 January 2013
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.	Annual periods commencing on or after 1 January 2013
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 groups operations and will have no impact on the group.	Annual periods commencing on or after 1 January 2013
Annual Improvements	**Improvements to IFRS** 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.	Annual periods commencing on or after 1 January 2013

41 Risk management

The risk report of the group appears on page 180 to 188 of this annual report. The report describes the various risks the group is exposed to, as well as the methodology and instruments to mitigate these risks. Risk control policies and exposures limits for key risk areas of the group are approved by the board, while operational policies and control procedures are approved by the relevant risk committees. The main financial risk that the business is exposed to are detailed in this note.

41.1 Maximum exposure to credit risk

Total exposure (items where credit risk exposure exist)

N$'000	2012	2011
Cash and short term funds	775 091	214 678
- Balances with other banks	34 287	16 000
- Balances with central bank	740 804	198 678
Due from banks and other financial institutions	1 925 741	763 051
Advances	14 076 753	12 464 342
- Overdraft and cash managed accounts	1 543 384	1 722 703
- Card loans	97 586	85 968
- Instalment sales and hire purchase agreements	2 154 493	1 801 840
- Lease payments receivables	127 983	89 229
- Home loans	7 180 662	6 494 818
- Term loans	2 028 266	1 841 043
- Investment bank term loans	484 537	
- Other	459 842	428 741
Derivatives	27 125	24 161
Debt investment securities	2 144 424	1 629 871
- Listed investment securities	386 004	380 642
- Unlisted investment securities	1 758 420	1 249 229
Accounts receivable	175 579	95 990
Reinsurance assets	927	425
Amounts not recognised (on the statement of financial position)	1 350 628	1 204 926
Guarantees	655 385	722 290
Letters of credit	54 028	47 756
Irrevocable commitments	641 215	434 880
Total	**20 476 268**	16 397 444

41.2 FR rating mapping to international and national rating scales

The group categorises current exposures according to an internal rating scale, the FR ratings, ranging from FR 28 to FR 100, with the FR 28 being the best rating with the lowest probability of default. The FR ratings have been mapped to default probabilities as well as external rating agency international rating scales.

The ratings and the associated probability of default ("PD") reflect two different conventions. The "point in time" PDs reflect the default expectations under the current economic cycle whereas the "through the cycle" PDs reflect a longer term of average over the economic cycle.

The FR scale is summarised in the following table, together with a mapping to international scale rating from external agencies:

FR Rating	Mid point PD	International scale mapping*
FR 28 - 91 Above FR 92	3.73%	AAA to B- Below B-

* Indicative mapping to international rating scale of Fitch and Standard and Poor's.

41 Risk management *continued*

41.3 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 41.2 for the FR rating mapping to international and national rating scales):

2012

N$'000	Total neither past due nor impaired	Card loans	Overdraft and cash managed accounts	Instalment sales	Home loans	Term loans	Investment bank term loans	Other
FR 28 - 91	13 890 745	96 382	1 531 154	2 292 696	6 974 273	2 056 733	484 537	454 970
Above FR 92	66 692	1 257	14 434	8 372	42 629			
Total	**13 957 437**	**97 639**	**1 545 588**	**2 301 068**	**7 016 902**	**2 056 733**	**484 537**	**454 970**

2011

N$'000	Total neither past due nor impaired	Card loans	Overdraft and cash managed accounts	Instalment sales	Home loans	Term loans	Other
FR 28 - 91	11 557 185	81 633	1 219 904	1 736 562	6 231 430	1 865 015	422 641
Above FR 92	895 870	4 212	543 944	162 241	156 275	29 198	
Total	12 453 055	85 845	1 763 848	1 898 803	6 387 705	1 894 213	422 641

2012

N$'000	Investment securities	Derivatives	Cash and short term funds	Due from banks and other financial institutions	Total
Credit quality of financial assets other than advances neither past due nor impaired					
International scale mapping (National equivalent):					
AAA to BB- (A to BBB)	2 055 602	27 125	775 091	1 925 741	4 783 559
Unrated	88 822				88 822
Total	**2 144 424**	**27 125**	**775 091**	**1 925 741**	**4 872 381**

2011

N$'000	Investment securities	Derivatives	Cash and short term funds	Due from banks and other financial institutions	Total
Credit quality of financial assets other than advances neither past due nor impaired					
International scale mapping (National equivalent):					
AAA to BB- (A to BBB)	1 566 167	5 135	214 679	765 022	2 551 003
Unrated	63 704	19 026			82 730
Total	1 629 871	24 161	214 679	765 022	2 633 733

41 Risk management *continued*

41.3 Credit quality *continued*

N$'000 Age analysis	Neither past due nor impaired	Renegotiated but current	31 - 60 days	61 - 90 days	Impaired	Total
2012						
Advances						
- Card loans	97 639		32	480	1 643	99 794
- Overdraft and cash managed accounts	1 545 588				16 114	1 561 702
- Instalment sales and lease payments 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	454 970		1		4 871	459 842
	13 957 437		**46 136**	**88 778**	**141 943**	**14 234 294**
Accounts receivable						
- Items in transit	50 457					50 457
- Deferred staff cost	40 057					40 057
- Other accounts receivable	125 122					125 122
	215 636					**215 636**
Reinsurance assets	927					927
Total	**14 174 000**		**46 136**	**88 778**	**141 943**	**14 450 857**

41 Risk management *continued*

41.3 Credit quality *continued*

N$'000 Age analysis	Neither past due nor impaired	Renegotiated but current	31 - 60 days	61 - 90 days	Impaired	Total
2011						
Advances						
- Card loans	85 845		29	635	2 008	88 517
- Overdraft and cash managed accounts	1 763 848				14 051	1 777 899
- Instalment sales and lease payments receivables	1 898 803		5 900	1 195	17 974	1 923 872
- Home loans	6 387 705		25 733	17 928	117 771	6 549 137
- Term loans	1 894 213		3 420	2 075	7 537	1 907 245
- Other	422 641				6 659	429 300
	12 453 055		35 082	21 833	166 000	12 675 970
Accounts receivable						
- Items in transit	71 852					71 852
- Deferred staff cost	39 128					39 128
- Other accounts receivable	24 138					24 138
	135 118					135 118
Reinsurance assets	425					425
Total	12 588 598		35 082	21 833	166 000	12 811 513

The above assets are managed with reference to the days in arrears and include assets where monthly payments are due as residential mortgages, instalment sale products, and personal loans.

The assets in the wholesale segment and commercial segment are generally not managed with reference to monthly payments in arrears as these assets are reviewed on an individual portfolio basis.

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

41 Risk management *continued*

41.4 Liquidity cash flow analysis (undiscounted cash flow)

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

2012

N$'000	Total	Call - 3 months	4 - 12 months	Over 12 months
		Term to maturity		
Liabilities				
Deposits	16 771 579	13 163 958	2 568 116	1 039 505
Due to banks and other financial institutions	48 429	48 429		
Derivative financial instruments	60 227	60 227		
Creditors and accruals	229 600	222 899	6 701	
Tier two liabilities	687 938	9 963	20 120	657 855
Financial liabilities	**17 797 773**	**13 505 476**	**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		

2011

N$'000	Total	Call - 3 months	4 - 12 months	Over 12 months
		Term to maturity		
Liabilities				
Deposits	13 809 709	10 804 719	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	228 691	184 871	33 999	9 821
Tier two liabilities	283 790		23 790	260 000
Financial liabilities	14 439 732	11 107 132	2 283 605	1 048 995
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		

41 Risk management *continued*

41.4 Liquidity cash flow analysis (discounted cash flow) *continued*

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

2012

N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
		Term to maturity		
Assets				
Cash and short term funds	**1 002 052**	1 002 052		
Due from banks and other financial institutions	**1 925 741**	1 925 741		
Derivative financial instruments	**27 125**	27 125		
Advances	**14 076 753**	1 966 639	557 592	11 552 522
Investment securities	**2 144 424**	377 694	1 080 379	686 351
Accounts receivable	**215 636**	106 802	69 658	39 176
Financial assets	**19 391 731**	5 406 053	1 707 629	12 278 049
Non-financial assets	**305 821**			
Total assets	**19 697 552**			
Liabilities				
Deposits	**16 238 472**	12 968 595	2 423 751	846 126
Due to banks and other financial institutions	**48 429**	48 429		
Derivative financial instruments	**60 227**	60 227		
Creditors and accruals	**229 600**	217 329	12 271	
Tier two liabilities	**392 627**	2 627		390 000
Financial liabilities	**16 969 355**	13 297 207	2 436 022	1 236 126
Non-financial liabilities	**344 568**			
Total liabilities	**17 313 923**			
Total equity	**2 383 629**			
Total equity and liabilities	**19 697 552**			
Net liquidity gap		(7 891 154)	(728 393)	11 041 923
Cumulative liquidity gap		(7 891 154)	(8 619 547)	2 422 376

41 Risk management *continued*

41.4 Liquidity cash flow analysis (discounted cash flow) *continued*

	2011			
		Term to maturity		
N$'000	Carrying amount	Call - 3 months	4 - 12 months	Over 12 months
Assets				
Cash and short term funds	428 054	428 054		
Due from banks and other financial institutions	763 051	763 051		
Derivative financial instruments	24 161	24 161		
Advances	12 464 342	1 845 790	473 373	10 145 179
Investment securities	1 643 526	777 359	482 163	384 004
Accounts receivable	135 118	92 357	4 807	37 954
Financial assets	15 458 252	3 930 772	960 343	10 567 137
Non-financial assets	1 705 678			
Total assets	17 163 930			
Liabilities				
Deposits	13 305 607	10 711 751	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	228 691	178 038	40 832	9 821
Tier two liabilities	270 618	6 127		264 491
Financial liabilities	13 922 458	11 013 458	2 091 685	817 315
Non-financial liabilities	1 255 624			
Total liabilities	15 178 082			
Total equity	1 985 848			
Total equity and liabilities	17 163 930			
Net liquidity gap		(7 082 686)	(1 131 342)	9 749 822
Cumulative liquidity gap		(7 082 686)	(8 214 026)	1 535 796

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.

41 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.

41.5 Repricing profile

	2012				
N$'000	Carrying amount	<3 months	>3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	**19 697 552**	16 732 567	1 398 152	619 056	947 777
Total equity and liabilities	**19 697 552**	15 048 779	1 499 329	131 420	3 018 024
Net repricing gap		1 683 788	(101 177)	487 636	(2 070 247)
Cumulative repricing gap		1 683 788	1 582 611	2 070 247	

	2011				
N$'000	Carrying amount	<3 months	>3 but ≤ 12 months	> 12 months	Non rate sensitive
Total assets	17 163 930	14 006 332	583 240	335 557	2 238 801
Total equity and liabilities	17 163 930	11 754 768	1 593 903	267 309	3 547 950
Net repricing gap		2 251 564	(1 010 663)	68 248	(1 309 149)
Cumulative repricing gap		2 251 564	1 240 901	1 309 149	

41 Risk management *continued*

41.6 Foreign currency risk

The group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the groups assets and liabilities at carrying amounts, categorised by currency, as at the statement of financial position date.

			2012		
N$'000	Total	NAD	USD	EUR	Other
Assets					
Cash and short term funds	**1 002 052**	927 840	69 313	4 241	658
Due from banks and other financial institutions	**1 925 741**	1 301 946	557 772	60 701	5 322
Derivative financial instruments	**27 125**	7 944	14 974	2 001	2 206
Advances	**14 076 753**	14 076 753			
Investment securities	**2 144 424**	2 144 424			
Accounts receivable	**215 636**	215 636			
Financial assets	**19 391 731**	18 674 543	642 059	66 943	8 186
Non-financial assets	**305 821**	305 821			
Total assets	**19 697 552**	18 980 364	642 059	66 943	8 186
Liabilities					
Deposits	**16 238 472**	15 643 032	545 414	49 286	740
Due to banks and other financial institutions	**48 429**	48 429			
Derivative financial instruments	**60 227**	50 718	7 591	1 150	768
Creditors and accruals	**229 600**	229 600			
Tier two liabilities	**392 627**	392 627			
Financial liabilities	**16 969 355**	16 364 406	553 005	50 436	1 508
Non-financial liabilities	**344 568**	344 568			
Total liabilities	**17 313 923**	16 708 974	553 005	50 436	1 508
Total equity	**2 383 629**	2 383 629			
Total equity and liabilities	**19 697 552**	19 092 603	553 005	50 436	1 508

41.6 Foreign currency risk *continued*

			2011		
N$'000	Total	NAD	USD	EUR	Other
Assets					
Cash and short term funds	428 054	390 320	29 344	6 936	1 454
Due from 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	12 464 342	12 464 342			
Investment securities	1 643 526	1 631 253	12 273		
Accounts receivable	135 118	135 118			
Financial assets	15 458 252	14 757 897	611 826	32 398	56 131
Non-financial assets	1 705 678	1 705 678			
Total assets	17 163 930	16 463 575	611 826	32 398	56 131
Liabilities					
Deposits	13 305 607	12 739 704	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	228 691	228 691			
Tier two liabilities	270 618	270 618			
Financial liabilities	13 922 458	13 340 206	526 107	55 467	678
Non-financial liabilities	1 255 624	1 255 624			
Total liabilities	15 178 082	14 595 830	526 107	55 467	678
Total equity	1 985 848	1 985 848			
Total equity and liabilities	17 163 930	16 581 678	526 107	55 467	678

41 Risk management *continued*

41.7 Average balances and effective interest rates

N$'000	2012 Average balance N$'000	2012 Average rate %	2012 Interest income/ expense N$'000	2011 Average balance N$'000	2011 Average rate %	2011 Interest income/ expense N$'000
Assets						
Cash and short term funds, balance with banks	2 500 700	3.6	91 246	1 935 163	3.3	63 193
Advances	13 249 730	10.0	1 320 595	11 841 980	10.6	1 257 662
Investment securities	1 910 073	5.9	113 149	1 490 476	6.3	93 900
Interest-earning assets	17 660 503	8.6	1 524 990	15 267 619	9.3	1 414 755
Non-interest-earning assets	1 960 998			1 921 782		
Total assets	19 621 501	7.8	1 524 990	17 189 401	8.2	1 414 755
Liabilities						
Deposits, balance due to banks	15 503 138	3.9	609 457	13 148 568	4.2	551 456
Tier two liabilities	300 295	8.4	25 291	273 866	8.6	23 554
Other interest			363			305
Interest-earning liabilities	15 803 433	4.0	635 111	13 422 434	4.3	575 315
Non-interest-earning bearing liabilities	1 651 555			1 534 303		
Total liabilities	17 454 988	3.6	635 111	14 956 737	3.8	575 315
Total equity	2 166 513			2 232 664		
Total equity and liabilities	19 621 501	3.2	635 111	17 189 401	3.3	575 315

41.8 Sensitivity analysis

Banking market risk

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)

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

Foreign currency risk sensitivity analysis

Including foreign denominated cash, the group does not ordinarily hold open exposures in respect of the banking book of any significance. All gains and losses on foreign exposures and derivatives are reported in profit and loss.

42 Reclassification of prior year

Statement of comprehensive income 30 June 2011

N$'000	Amount as previously reported	Amount as reclassified	Reclassifications	Explanation
Interest and similar income	1 414 755	1 414 755		
Interest expense and similar charges	(575 315)	(575 315)		
Net interest income before impairment of advances	839 440	839 440		
Impairment release on advances	12 398	12 398		
Net interest income after impairment of advances	851 838	851 838		
Non-interest income	653 365	604 861	48 504	Note I
Net insurance premium income	71 935	71 935		
Net claims and benefits paid	(41 437)	(41 437)		
Fair value adjustment to financial liabilities	(716)	(716)		
Income from operations	1 534 985	1 486 481	48 504	
Operating expenses	(817 422)	(768 918)	(48 504)	Note I
Net income from operations	717 563	717 563		
Share of profit from associates after tax	4 951	4 951		
Income before tax	722 514	722 514		
Indirect tax	(17 019)	(17 019)		
Profit before tax	705 495	705 495		
Direct tax	(241 242)	(241 242)		Reclassification had no impact on profit for the year
Profit for the year from continuing operations	464 253	464 253		
Discontinued operations				
Profit attributable to discontinued operations	74 792	74 792		
Profit for the year	539 045	539 045		

Statement of cash flows

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

42 Reclassification of prior year *continued*

N$'000	Amount as previously reported	Amount as reclassified	Reclassifications	Explanation
Assets				
Cash and short term funds	428 054	428 054		
Due from banks and other financial institutions	763 051	763 051		
Derivative financial instruments	24 161	24 161		
Advances	12 464 342	12 464 342		
Investment securities	1 643 526	1 643 526		
Accounts receivable	135 118	135 118		
Investments in associates	24 696	24 696		
Tax asset				
Property and equipment	279 335	279 335		
Intangible assets	17 115	17 115		
Deferred tax asset	2 378	2 378		
Policy loans on investments contracts				
Reinsurance assets	425	425		
Non-current assets and disposal group held for sale	1 381 729	1 381 729		
Total assets	17 163 930	17 163 930		
Equity and liabilities				
Liabilities				
Deposits	13 305 607	13 305 607		
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	319 885	228 691	(91 194)	Note II
Gross outstanding claims	7 047		(7 047)	Note II
Gross unearned premium	22 058		(22 058)	Note II
Policyholder liabilities under insurance contracts	4 918	41 722	36 804	Note II
Employee liabilities		111 951	111 951	Note II
Tax liability	24 309	24 309		
Post-employment benefit liabilities	34 583		(34 583)	Note II
Deferred tax liability	3 473	3 473		
Tier two liabilities	264 491	270 618	6 127	Note II
Policyholder liabilities under insurance contracts				
Policyholder liabilities under investment contracts				
Liabilities directly associated with disposal groups held for sale	1 074 169	1 074 169		
Total liabilities	15 178 082	15 178 082		
Equity				
Capital and reserves attributable to equity holders				
Ordinary shares	1 294	1 294		
Share premium	187 898	187 898		
Reserves	1 630 930	1 630 930		
Capital and reserves attributable to the group's ordinary equity holders	1 820 122	1 820 122		
Non-controlling interests	165 726	165 726		
Total equity	1 985 848	1 985 848		
Total equity and liabilities	17 163 930	17 163 930		

42 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 the fee and commission expense line. In addition, the presentation of fee and commission expenses has been updated by presenting it as part of fee and commission income and not as part of operating expenses. The presentation was updated to be in line with 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.

Company statement of comprehensive income
for the year ended 30 June

N$'000	Note	2012	2011
Interest and similar income	2	357	916
Net interest income		**357**	916
Non-interest income			
- gains less losses from investing activities	3	510 930	653 856
Income from operations		**511 287**	654 772
Operating expenses	4	(6 531)	(1 181)
Income before tax		**504 756**	653 591
Indirect tax	5	(777)	(9)
Profit before tax		**503 979**	653 582
Direct tax	5	(123)	(324)
Total comprehensive income for the year		**503 856**	653 258
Attributable to:			
Equity holders of the company		503 856	653 258

Company statement of financial position
as at 30 June

N$'000	Note	2012	2011
Assets			
Accounts receivable		26 166	2 103
Loan to group company	7	345 652	4 771
Investment securities	8	3 467	9 153
Investment in associates	9	263	17 965
Investment in subsidiaries	10	1 185 649	1 157 532
Non-current asset held for sale	10		79 276
Total assets		**1 561 197**	1 270 800
Equity and liabilities			
Liabilities			
Tax liability		83	33
Creditors and accruals		6 806	889
Total liabilities		**6 889**	922
Equity			
Ordinary shares	11	1 338	1 338
Share premium	11	280 810	280 810
Reserves		1 272 160	987 730
Capital and reserves attributable to ordinary equity holders		**1 554 308**	1 269 878
Total equity and liabilities		**1 561 197**	1 270 800

Company statement of changes in equity
for the year ended 30 June

N$'000	Share capital	Share premium	Share-based payment reserve	Retained earnings	Total ordinary shareholders' funds
Balance at 1 July 2010	1 338	280 810	6 569	975 479	1 264 196
Total comprehensive income for the year				653 258	653 258
Transfer of vested equity options			(6 569)	6 569	
Ordinary dividends				(647 576)	(647 576)
Balance at 30 June 2011	1 338	280 810		987 730	1 269 878
Total comprehensive income for the year				503 856	503 856
Ordinary dividends				(219 426)	(219 426)
Balance at 30 June 2012	**1 338**	**280 810**		**1 272 160**	**1 554 308**

Company statement of cash flows
for the year ended 30 June

N$'000	Note	2012	2011
Cash flows from operating activities			
Cash generated from operations*		217 367	653 466
Working capital changes			
- Increase/decrease in accounts receivable		(79)	2 579
- Increase/decrease in accounts payable		5 917	847
Net cash generated from operations		223 205	656 892
Indirect tax paid	5	(777)	(9)
Tax (paid) / refund**		(73)	(392)
Net cash flow from operating activities		222 355	656 491
Cash flows from investing activities			
Proceeds on sale of Momentum Namibia		342 403	
Net increase in loans to group company		(340 881)	(1 144)
Sale / (purchase) of investment securities		5 964	(7 771)
Increase in investment in OUTsurance Namibia		(213)	
Acquisition of a controlling interest in FNBIB from 40% to 100% during the year	9	(10 202)	
Net cash flow from investing activities		(2 929)	(8 915)
Cash flows from financing activities			
Dividends paid		(219 426)	(647 576)
Net cash flow from financing activities		(219 426)	(647 576)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year			
*** Reconciliation of income before tax to cash generated by operations**			
Income before tax		504 756	653 591
Adjusted for:			
- Revaluation of investment securities		(278)	(125)
- Profit on sale of Momentum Namibia		(287 111)	
		217 367	653 466
****Tax paid**			
Amounts payable/ (receivable) at beginning of the year		(33)	(101)
Current tax per comprehensive income		(123)	(324)
Amounts payable at end of the year		83	33
Total tax paid / (refund)		(73)	(392)

Notes to the company annual financial statements
for the year ended 30 June

N$'000	2012	2011
1 Accounting policies		
The financial statements of FNB Namibia Holdings Limited are prepared according to the same accounting principles used in preparing the consolidated financial statements of FNB Namibia group. For detailed accounting policies refer to pages 52 to 71 of this annual report.		
2 Analysis of interest income and expenses	Amortised cost	
Interest received: loan account with group company	357	916
3 Non-interest income		
Gains less losses from investing activities		
- Dividends received		
- Subsidiaries	221 612	651 110
- Associates	1 540	1 850
- Unit trust investments	279	771
- Equities	110	
- Revaluation of investment securities through profit or loss	278	125
- Net profit realised on sale of Momentum Namibia	287 111	
The company sold its interest in Momentum Life Assurance Namibia Limited.		
Gross gains less losses from investing activities	**510 930**	653 856
4 Operating expenses		
Auditors' remuneration		
- Audit fees	1 016	949
Professional fees	5 400	
Other operating costs		
- Other operating expenses	115	232
Total operating expenses	**6 531**	1 181
5 Tax		
Indirect tax		
Value added tax	777	9
Total indirect tax	**777**	9
Direct tax		
Namibian normal tax		
- Current year	(123)	(324)
	(123)	(324)

The company provided for tax at 34% (2011: 34%) of the taxable income (interest income).
The effective tax rate is 0.02% (2011: 0.05%).

Notes to the company annual financial statements
for the year ended 30 June *continued*

N$'000	2012	2011
6 Dividends		
A final dividend (dividend no. 32) of 36 cents per share was declared on 17 August 2010 in respect of the year ended 30 June 2010 and paid on 28 October 2010.		96 334
An interim dividend (dividend no. 33) of 36 cents per share was declared on 2 February 2011 for the period ended 31 December 2010 and paid on 8 April 2011.		96 334
A special dividend (dividend no. 34) of 170 cents per share was declared on 4 April 2011 and paid on 27 May 2011		454 908
A final dividend (dividend no. 35) of 41 cents per share was declared on 17 August 2011 in respect of the year ended 30 June 2011 and paid on 27 October 2011.	109 713	
An interim dividend (dividend no. 36) of 41 cents per share was declared on 2 February 2012 for the period ended 31 December 2011 and paid on 12 April 2012.	109 713	
	219 426	647 576

Final dividend of 41 cents (2011: 41 cents) per share was declared subsequent to year-end.

7 Loan to / (from) group company

Balances with Talas Properties (Windhoek) (Pty) Ltd

	2012	2011
Balance at 1 July	4 771	3 627
Increase / decrease during the year	340 881	1 144
Balance at 30 June	**345 652**	4 771

Refer to note 2 for the interest received

8 Investment securities

	2012	2011
Listed		
Equities		1 382
Unlisted		
Unit trust investments	3 467	7 771
Total	**3 467**	9 153

Notes to the company annual financial statements
for the year ended 30 June *continued*

8 Investment securities *continued*

8.1 Fair value hierarchy disclosure

The company shows an investment in equities and this is measured at fair value and analysed below by valuation technique. The classification of instruments is based on the lowest level input that is significant to fair value measurement in its entirety. A description of the nature of the techniques used to calculate valuations and definitions of Levels is set out in note 37 of the group financial statements.

2012	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss				
Investment securities		**3 467**		**3 467**

2011	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss				
Investment securities	1 382	7 771		9 153

9 Investments in associates

N$'000	2012	2011
Unlisted investments		
Carrying value at beginning of the year	17 965	17 965
Acquisition of a controlling interest in FNBIB from 40% to 100% during the year.	(17 702)	
Carrying value at end of the year	**263**	17 965
The list of associates are:		
Avril Payment Solutions (Pty) Ltd	263	263
FNB Insurance Brokers (Namibia) (Pty) Ltd		17 702

Refer to note 16 in the group financial statements for full details of associates.
Refer to note 36 in the group financial statements for full related party transactions and balances.

Notes to the company annual financial statements
for the year ended 30 June *continued*

N$'000	2012	2011
10 Investments in subsidiaries		
Unlisted investments		
Carrying value at beginning of the year	1 157 532	1 236 808
Acquisition of a controlling interest in FNBIB from 40% to 100% during the year.	27 904	
Additional investment in OUTsurance	213	
Investment in Momentum Life Assurance Namibia Limited classified as non current held for sale in the prior year		(79 276)
Carrying value at end of the year	**1 185 649**	1 157 532
The list of subsidiaries are:		
First National Bank of Namibia Ltd	1 142 792	1 142 792
Swabou Investments (Pty) Ltd		
FNB Trust Services Namibia (Pty) Ltd		
Talas Properties (Windhoek) (Pty) Ltd	2 967	2 967
OUTsurance Insurance Company of Namibia Ltd	6 511	6 298
FNB Insurance Brokers (Namibia) (Pty) Ltd	27 904	
FNB Namibia Unit Trust Ltd	5 475	5 475
	1 185 649	1 157 532
**Momentum Life Assurance Namibia Limited disposed during the year.		79 276

The following trusts are controlled by FNB Namibia Holdings Limited:
FNB Namibia incentive share trust
FNB Namibia staff assistance trust

The carrying amount of these investment is N$ nil.

Refer to note 21 in the group financial statements for full details of non current asset held for sale.
Refer to note 36.6 in the group financial statements for full details of investment in subsidiaries.
Refer to note 36.3 in the group financial statements for full related party transactions and balances.

Notes to the company annual financial statements
for the year ended 30 June *continued*

N$'000	2012	2011
11 Share capital		
Authorised		
990 000 000 (2011: 990 000 000) ordinary shares with a par value of N$0.005 per share	4 950	4 950
10 000 000 (2011: 10 000 000) cumulative convertible redeemable preference shares with a par value of N$0.005 per share	50	50
	5 000	5 000
Issued		
267 593 250 (2011: 267 593 250) ordinary shares with a par value of N$0.005 per share	1 338	1 338
2 (2011: 2) cumulative convertible redeemable preference shares with a par value of N$0.005 per share		
	1 338	1 338
Share premium	**280 810**	280 810

Term of preference shares: redeemable at 31 days notice by either party. The dividend rights in terms of the agreement with the shareholder are based on the actual profits made, per agreed adjustments, of a portion of the short term insurance business.

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

All issued shares are fully paid up.

12 Liquidity, credit and market risk information

The assets and liabilities of the company consist mainly of non-financial assets and liabilities which are not subject to liquidity, credit and market risk for IFRS 7 purposes.

Accounts receivable and creditors and accruals are repayable on demand or short notice and within Namibia, except for the N$24 million loan balance that relates to the portion of the price on the sale of Momentum Namibia that is payable based on the performance of the book.

13 Related party transactions

During the year and the prior year, the company entered into transactions with its subsidiaries, disclosed in detail in the relevant notes of the company financial statements.

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